

Fourth Meeting for the Sixth Replenishment of the GEF Trust Fund
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**GEF-6 REPLENISHMENT: FINANCING FRAMEWORK
(PREPARED BY THE TRUSTEE)**

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I. Introduction

1. The GEF is a partnership designed to provide primarily grant resources (although it has the capacity to provide concessional financing in forms other than grants). Accordingly, the GEF Trust Fund requires periodic replenishment. The GEF funding cycle traditionally spans four-year replenishment periods.
2. As specified in the GEF Instrument, the World Bank as Trustee for the GEF is responsible for the mobilization of resources for the GEF Trust Fund as requested by the GEF Council. In practice, this involves working closely with the GEF Secretariat to convene meetings of participants to agree on the size and strategy for each replenishment period.
3. GEF replenishment negotiations provide an opportunity for Contributing Participants (“donors”) to review GEF performance, evaluate progress, and decide on programming and future strategic directions. Donors assess the funding needs and agree on the size and financial and payment arrangements for the replenishments.
4. The purpose of this paper is to provide GEF-6 Replenishment Participants with an overview of the GEF-6 Replenishment financial structure, key financial components of the replenishment, financial terms applicable to contributions to the GEF-6, including the average exchange rates, indicative encashment schedules, and discount rate to be used to calculate credits and discounts on accelerated encashments.¹
5. The paper is organized as follows. Section II discusses the indicative financing scenarios for the GEF-6 and provides details of the replenishment components. Section III describes financial terms of the GEF-6 contributions and payment procedures. Finally, Section IV discusses arrangements for the foreign exchange risk management for the GEF-6 replenishment period.

II. GEF-6 Indicative Financing Scenarios

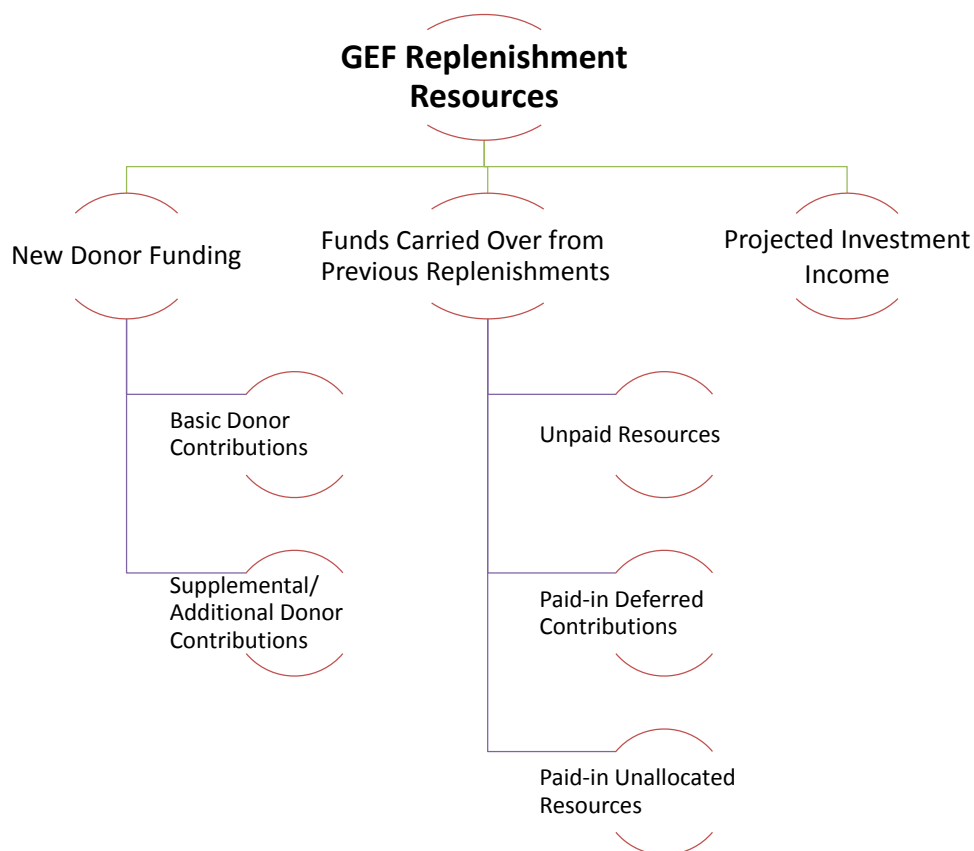
6. The size of the replenishment depends on a number of factors. These include the estimated overall funding requirements for agreed future programming, as well as donors’ priorities and their ability to fund the replenishment. The agreed replenishment size should be treated as a notional figure as several of the components are subject to often significant variations over the duration of the funding period of the replenishment. As presented in Chart 1 below, the expected resources for each GEF replenishment comprise:

- a) new donor funding;

¹ For more information on GEF-6 Replenishment financial arrangements, refer to documents GEF/R.6/08, GEF-6 Replenishment: Overview of Financial Structure dated March 8, 2013; GEF/R.6/15, GEF-6 Replenishment: Additional Information on Financial Structure dated August 15, 2013; and GEF/R.6/Inf.07, Financial Considerations for the GEF-6 Replenishment dated November 20, 2013.

- b) funds carried over from previous replenishments (including unpaid resources, deferred contributions and paid-in but unallocated resources); and
- c) projected investment income.

Chart 1. GEF Replenishment Resources



7. **Indicative Financing Scenarios.** Table 1 below presents two preliminary GEF-6 financing scenarios corresponding to alternative indicative programming scenarios. These scenarios were discussed by Replenishment Participants during the third replenishment meeting in Paris in December 2013²: (i) resource envelope of USD 4.25 billion, which corresponds to a “programming status quo” scenario, where the target programming level equals GEF-5 programming level; and (ii) resource envelope of USD 4.89 billion, representing an increase of 15 percent over the GEF-5 programming level.³ The financing scenarios demonstrate how the programming scenarios can be achieved, based on estimated funds to be carried over from GEF-5, and potential investment income estimated to be earned during GEF-6 period (both explained in greater detail below).

² Refer to document GEF/R.6/20/Rev.02, GEF-6 Programming Directions, dated February 24, 2014.

³ GEF-5 programming and application of the STAR were based on the USD 4.25 billion agreed as the GEF-5 programming scenario. The final GEF-5 replenishment amount, including additional pledges from donors, increased to USD 4.34 billion.

Table 1. GEF-6 Financing Scenarios

<i>in USD millions</i>	GEF-6 Scenarios	
	"Programming Status Quo" <i>(USD 4.25 billion)</i>	"15% Programming Increase" <i>(USD 4.89 billion)</i>
New Donor Funding	3,546	4,186
Carryover from previous replenishment	570	570
Projected Investment Income	134	134
Total Replenishment Amount	4,250	4,890

a) New Funding from Donors

8. The GEF relies on support from donors who share a vision for a better environment and belief in the GEF partnership as an effective channel for funding those environmental needs.

9. Under the “programming status quo” scenario (resource envelope of USD 4.25 billion), donors would be asked to contribute USD 3,546 million; while under the “15% programming increase” scenario (resource envelope of USD 4.89 billion) new funding from donors would increase to USD 4,186 million.

10. The negotiations of the financing framework are centered on new donor funding, guided by the principles of equity and ability to pay, otherwise known as “burden-sharing framework”. Specifically, the term “burden-sharing” implies the sense of “fairness” in sharing the financial responsibility of a multilateral effort. Within the GEF financing framework, individual donor approaches to determining contributions to the GEF may vary. As economic circumstances change over replenishment periods, each donor may want to consider an approach that best fits their overall objectives, budgetary priorities and circumstances in determining their contribution amount. Some donors may use their basic share from the previous replenishment⁴ to determine their contribution. Others may decide to contribute a specific contribution amount, which would determine their basic share. All donors may contribute over and above their basic contribution by providing an additional and/or supplemental contribution to reflect their changing budgetary circumstances and priorities.⁵

b) Funds Carried over from the Previous Replenishments

11. In each GEF replenishment, resources may be carried over from previous replenishments. The three main sources of such resources are: (i) unpaid contributions, (ii) deferred contributions, and (iii) resources paid-in, but not yet allocated. The amount of funds estimated to be carried over from GEF-5 is USD 569.7 million. Table 2 below provides a breakdown of the Trustee’s estimate of the carry-over amount as of February 28, 2014.

⁴ The agreed basic shares of the GEF-1 through GEF-5 replenishment cycles are shown in Annex 2.

⁵ Actual donor shares, calculated as the donor’s contribution (basic and supplemental) as a percentage of total contribution by all donors, for the GEF-1 through the GEF-5 are presented in Annex 3

- Unpaid resources include donor arrears from GEF-5 and previous replenishments, and Instruments of Commitment (IoCs) from GEF-5 and from previous replenishments that have not yet been deposited.
- Deferred contributions refer to the contributions paid by contributors, but restricted from being committed, as per the instructions by donors in accordance with the provisions of paragraph 8(c) of the GEF-5 Replenishment Resolution.
- Paid-in but unallocated resources are any GEF-5 paid-in resources estimated to remain unallocated by the end of the GEF-5 replenishment period; these will be carried over to the GEF-6 Replenishment.

Table 2. Estimated GEF-6 Carryover Amount (in USD millions)

	<u>Replenishment</u>	<u>USD eq. a/</u>
1. Unpaid Resources		301.0
<i>a. Arrears</i>		<i>272.2</i>
Egypt	GEF-1	0.8
United States	GEF-2	135.0
Nigeria	GEF-3	1.0
Spain	GEF-5	22.5
United States	GEF-5	112.9
<i>b. IoCs Not Yet Deposited with the Trustee</i>		<i>28.8</i>
Nigeria	GEF-4	6.2
Greece	GEF-5	6.1
Nigeria	GEF-5	5.6
Pakistan	GEF-5	4.8
Portugal	GEF-5	6.1
2. Deferred Contributions		118.7
Japan	GEF-5	118.7
3. Estimated Paid-in but Unallocated GEF-5 Funding		150.0
Total Estimated GEF-6 Carryover (1 + 2 + 3)		<u>569.7</u>
a/ Valued on the basis of exchange rates of February 28, 2014		

c) Projected investment income

12. An estimate of investment income to be earned over the GEF-6 replenishment period is made using projected liquidity balances for the four-year period, and the expected investment return over that period. The actual amount of investment income earned will naturally depend on actual liquidity balances and market conditions.

13. Projected investment income for the GEF-6 replenishment period is USD 134 million, assuming an average cash balance of the GEF Trust Fund of approximately \$3 billion and an estimated rate of return of 1.11 percent per annum. The total returns of the investment tranches are projected to remain modest, especially if fixed income yields continue to rise from recent historical lows, negatively impacting the value of fixed income instruments. Annex 4 provides additional details on projected investment income calculations.

III. Financial Terms of GEF-6 Contributions and Payment Procedures

14. ***Currency of denomination and exchange rates.*** The operating currency of the GEF Trust Fund is the US dollar (USD); nevertheless, the Special Drawing Right (SDR) has been used in GEF replenishments as the reference currency, providing a common denominator for expressing the overall size of the replenishment and for calculation of donor shares. This approach provides an alternative measure of the replenishment size and relative contributions of each Participant, without reference to an operating currency whose relative value may change over time, and from replenishment to replenishment.

15. At the first GEF-6 replenishment meeting, the Contributing Participants agreed that the six-month period from April 1, 2013 to September 30, 2013 would be used as the reference time period for translating the GEF-6 donor contributions between SDR values and national currency values. Annex 5 presents the final GEF-6 reference exchange rates to be used to translate the SDR contributions into commitment currencies. Annex 6 compares the final reference exchange rates for the GEF-6 with those of the GEF-5.

16. Contributing Participants also agreed that donor countries experiencing annual average inflation rates of over 10 percent during the preceding three-year period⁶ would denominate their GEF-6 contributions in Special Drawing Rights (SDRs) or US dollars (the operating currency of the GEF Trust Fund).⁷ Annex 7 presents average inflation rates for the 2009-2011 period.

17. ***Donor Instrument of Commitment (IoC).*** Donors formalize their pledges to the four-year replenishment by depositing an IoC with the Trustee. An IoC constitutes a legally binding obligation on the part of the donor to pay the total amount specified to the GEF Trust Fund. Most donors usually submit “unqualified” IoCs, where the full amount of their pledge has been appropriated in their respective national budgets. Donors that are not able to provide legally binding IoCs for the entire replenishment period due to their budget approval processes may, however, deposit a Qualified IoC with the Trustee. By depositing a Qualified IoC, donors agree to pay a part of their contribution without qualification, with the balance subject to future legislative appropriations. A donor that deposits a Qualified IoC undertakes to exercise its best efforts to obtain such legislative appropriations for the full amount of its contribution – and by the same payment dates applicable to unqualified IoCs – as set out in the Replenishment Resolution.

⁶ This refers to the 2009-2011 period where data was available.

⁷ See GEF/R.6/09, “Reference Exchange Rates for Use in the Sixth GEF Replenishment”, dated March 8, 2013.

18. **Payment of contributions**

- a) *Timing:* Donors are required to pay their contributions in four annual installments, by November 30 of each year. Upon written request from a donor, the Trustee may agree to expedite the installment payments in fewer than the standard four installments. Alternatively, the Trustee may agree to a donor’s request to postpone the payment of any installment, or a portion of the installment, up to, but not beyond, June 30 of the calendar year following the year in which the installment is due. Payments made in accordance with these agreements with the Trustee are deemed to be timely (i.e., not in arrears).

- b) *Form of payment:* Payments for each subscription can be in cash or, at the option of the donor, by deposit of a promissory note or similar obligation, to be drawn down in cash (encashed) on demand by the Trustee.

19. **Encashment of Promissory Notes:** If a donor chooses to pay via the deposit of a promissory note or similar obligation, it is further required to follow an agreed schedule of cash deposits (i.e., encashment) in order to drawdown these notes or similar obligations. The indicative encashment schedule takes into consideration (i) the expected time profile of disbursements for GEF projects approved during the replenishment periods, and (ii) donors’ general preferences that encashment levels do not fluctuate sharply from period to period. The agreed GEF-6 indicative (or ‘standard’) encashment schedule is presented in Table 3 below.

Table 3. GEF-6 Indicative Encashment Schedule

Fiscal Year (July - June)	GEF-6 Indicative Encashment Schedule (%)
2015	3.0
2016	8.0
2017	10.0
2018	12.0
2019	13.0
2020	15.0
2021	14.0
2022	11.0
2023	9.0
2024	5.0
Total	100.0

20. This indicative encashment schedule will be the basis for drawdowns on promissory note contributions to the GEF-6. The Trustee may also agree to encash promissory notes on a basis other than that of the indicative schedule as long as the revised encashment schedule is no less favorable to the GEF Trust Fund than the indicative schedule, in present value terms. The above indicative schedule will be the benchmark for which accelerated cash installment payments or encashments will be compared in order to determine the present value of donor contributions and corresponding discount or credit amounts as described below. Additionally, at the written request of a donor (e.g. one experiencing exceptionally difficult budgetary circumstances), the Trustee may permit postponement of encashment for: (i) up to two years for a donor that is also a recipient under the GEF Trust Fund, and (ii) up to 45 days for all other donors.

21. ***Accelerated encashment framework.*** As described above, a donor may choose to take advantage of the flexibility in payment procedures offered by the GEF and provide their contribution in cash installment “up-front” or accelerate promissory note encashment if the present value of the accelerated encashment schedule is no less favorable to the GEF Trust Fund than the present value of the indicative schedule. As per the current practice, the following options are available for donors to accelerate cash installment payments or promissory note encashments:

- a) A donor may choose to reduce the actual payment amount in the currency of contribution or to take a “discount”. In this case, the present value of the donor’s contribution is maintained through a combination of accelerating the payment schedule and reducing the actual cash payment amount. Under this option, there is no impact on the SDR or national currency value of the contribution presented in the contribution table (Annex 1) attached to the Replenishment Resolution.
- b) Alternatively, a donor may choose to increase the SDR value of the contribution while maintaining the actual payment amount in the currency of contribution, or to take a “credit”. In this case, the present value of the contribution is increased by accelerating payment, and the donor’s relative share of the new funding in the replenishment is increased. The option of selecting a credit enhances the SDR value of a contribution without changing the value of a contribution in national currency.

22. Contributing Participants may refer to Annex 8 for illustrative alternative cash payments or encashment schedules and corresponding discount or credit amounts.

23. The selection of a discount or credit is generally made during the pledging session (i.e. expected at the final, April 2014 meeting) and reflected in the final contribution table attached to the Replenishment Resolution. The discount or credit selection should also be confirmed at the time an Instrument of Commitment is deposited with the Trustee. Depending on the actual cash payments provided by a donor, the amount of a credit or a discount could be changed even after the deposit of the Instrument of Commitment. If, for any reason, a donor were to change its credit decision after replenishment negotiations are completed, its relative share of the new donor funding, and the SDR value of its contribution, would be affected retroactively.

24. ***Discount Rate to be Used for GEF-6 Credits and Discounts Calculation.*** The amounts receivable by the GEF Trust Fund under the standard encashment schedule and an accelerated schedule should be identical in present value terms. This ensures that all donors will contribute to the GEF-6 at their agreed level. Based on the Trustee’s analysis, the discount rate of 2.1 percent will be used for GEF-6 credits and discounts calculation. The discount rate is derived based on the expected investment return on the US dollar investment portfolio in which the GEF Trust Fund resources are to be invested over the ten year standard encashment period for the GEF-6.

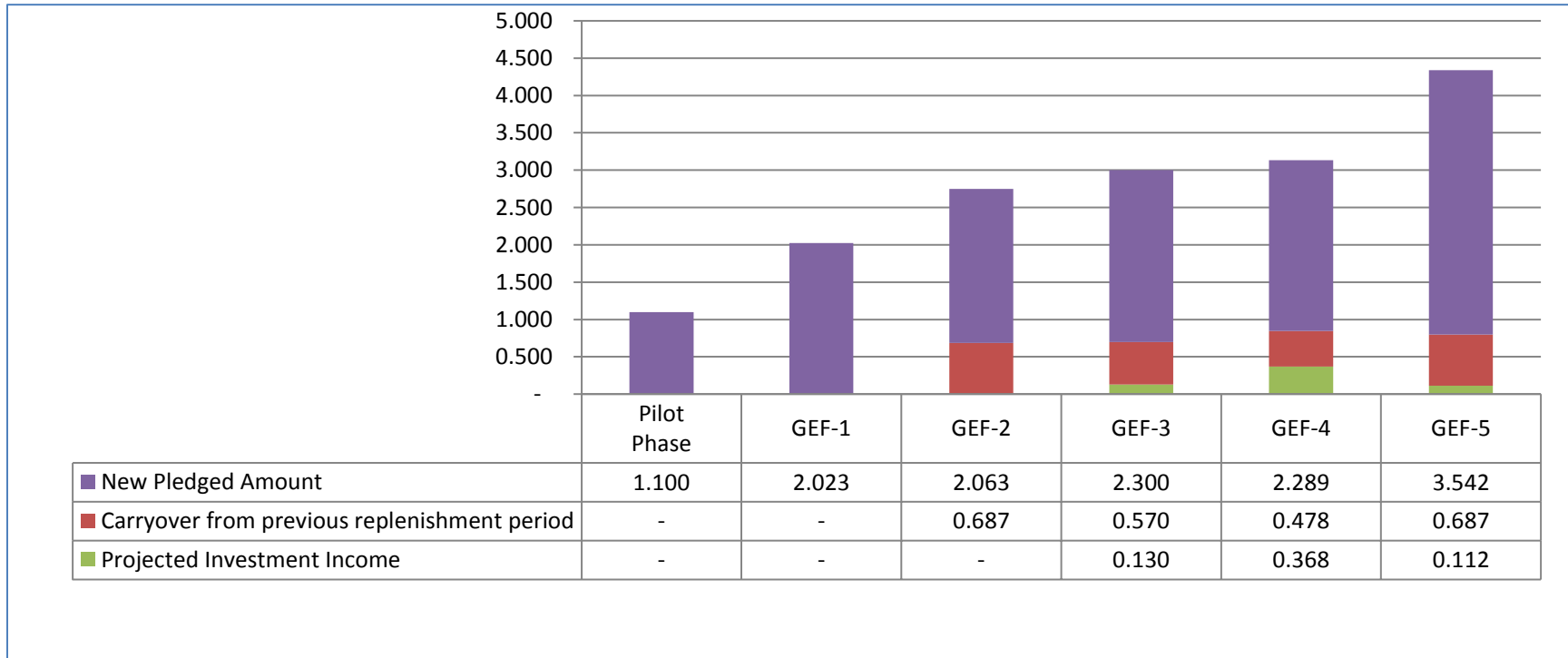
25. It is important to note that the actual amounts earned in the GEF Trust Fund investment portfolio may be higher or lower than amounts credited or discounted depending on the then prevailing market conditions and actual cash balances over the disbursement horizon of the replenishment.

IV. Foreign Exchange Risk Management arrangements for the GEF-6 Replenishment

26. During the GEF-5 Replenishment, participants considered three options presented by the Trustee for managing foreign exchange volatility in the GEF Trust Fund: (i) hedging; (ii) expanding the USD-denominated reserve to protect against exchange rate fluctuations (“reserve”); and (iii) matching currencies of contribution to currencies of disbursement. Participants expressed concerns with respect to the cost and feasibility of both hedging and currency matching and agreed to proceed with the option of expanding the reserve. The Trustee conducted an analysis to expand the reserve of the GEF Trust Fund in order to provide the Trust Fund resources with additional protection against any fluctuations in donor cash flows resulting from foreign exchange volatility. Consequently, the reserve was set at USD 60 million.

27. During the GEF-6 period, the Trustee will continue to use a reserve to help protect the GEF Trust Fund against adverse exchange rate movements without constraining the GEF-6 programming levels. The reserve level will be reviewed for the GEF-6 replenishment and the actual level of the reserve confirmed after the completion of the GEF-6 replenishment negotiations to take into account changes in market conditions, GEF-6 programming level requirements, and the currency composition and amounts of the final donor pledges. The Trustee will adjust the reserve level as needed, on an annual basis through the GEF-6 replenishment period, and inform the Council. Factors in this review will include (i) changes in projected foreign exchange; (ii) the track record of donor payments received and actual investment income earned; and (iii) project cancellations. If necessary, the reserve level could be increased or decreased from the initial established level, depending on changes in the key parameters and the impact on the amounts needed to protect the GEF Trust Fund from an over-commitment of resources.

Annex 1. Historical Pledged amounts to GEF Replenishments
(in USD billions)



Annex 2. GEF-1 through GEF-5 Historical Basic Shares

	Basic Shares by Replenishment					Average Basic Shares	
	Basic Shares by Replenishment					Average Basic Shares	
	GEF-1 (%)	GEF-2 (%)	GEF-3 (%)	GEF-4 (%)	GEF-5 (%)	Average GEF-1 through GEF-4 (%)	Average GEF-1 through GEF-5 (%)
Argentina	-	a/				-	
Australia	1.46	1.46	1.46	1.46	1.46	1.46	1.46
Austria	0.90	0.90	0.90	0.90	1.21	0.90	0.96
Bangladesh	-	a/				-	-
Belgium	1.55	1.55	1.55	1.55	1.55	1.55	1.55
Brazil	-	a/			-	a/	-
Canada	4.00	4.00	4.28	4.28	4.28	4.14	4.17
China	-	a/	-	a/	-	a/	-
Cote d'Ivoire	-	a/	-	a/	-	a/	-
Czech Republic	-	a/	-	a/	-	a/	-
Denmark	1.30	1.30	1.30	1.30	1.30	1.30	1.30
Egypt, Arab Republic of	-	a/				-	-
Finland	1.00	1.00	1.00	1.00	1.00	1.00	1.00
France	7.02	7.02	6.81	6.81 d/	6.76	6.92	6.88
Germany	11.00	10.66	11.00	11.00 d/	10.89	10.92	10.91
Greece	0.05	0.05	0.05	0.05	0.05	0.05	0.05
India	-	a/	-	a/	-	a/	-
Indonesia							
Ireland	0.11	0.11	0.11	0.11	0.11	0.11	0.11
Italy	5.30	4.39	4.39	4.39	2.89	4.62	4.27
Japan	18.70	18.70	17.63	17.63 d/	11.48	18.17	16.83
Korea, Republic of	0.23	0.23	0.23	0.23	0.17	0.23	0.22
Luxembourg	0.05	0.05	0.05	0.05	0.05	0.05	0.05
Mexico	-	a/	-	a/	-	a/	-
Netherlands	3.30	3.30	3.30	3.30	2.60	3.30	3.16
New Zealand	0.12	0.12	0.12	0.12	0.12	0.12	0.12
Nigeria		-	a/	-	a/	-	-
Norway	1.42	1.42	1.06	1.44	1.34	1.34	1.34
Pakistan	-	a/	-	a/	-	a/	-
Portugal	0.12	0.12	0.12	0.12	0.12	0.12	0.12
Russian Federation					-	a/	-
Slovak Republic	-	a/				-	-
Slovenia		-	a/	-	a/	0.03 b/	0.03
South Africa				0.03 b/	-	a/	-
Spain	0.80	0.80	0.80	1.00	0.97	0.85	0.87
Sweden	2.62	2.62	2.62	2.62	2.29	2.62	2.55
Switzerland	1.74	1.74	2.43	2.26	2.10	2.04	2.05
Turkey	-	a/	-	a/	-	a/	-
United Kingdom	6.15	6.15	6.92	6.92	6.93	6.54	6.61
United States	20.86	20.84	17.94 c/	20.86 d/	13.07	20.13	18.71
Total	89.80	88.53	86.07	89.43	72.76	88.13	88.46

a/ Recipient donors are not assigned basic shares.

b/ Slovenia took up a basic share in GEF-4.

c/ The United States pledged USD 500 million (representing a basic share of 20.86%) during the GEF-3 negotiations, of which USD 70 million was conditional upon achievement of the performance measures outlined in Schedule 1 to Attachment 1 of the GEF-3 Resolution. Such measures were not met, consequently the United States share of 20.86% was revised to 17.94%.

d/ These shares represent the agreed basic shares. Burdensharing in GEF-4 was based on the 'New Donor Money required' figure of USD 2.45 billion, except for the United States, Japan, France and Germany, which were based on the 'New Donor Money required' figure of USD 1.56 billion.

e/ Turkey pledged SDR 4 million and was not assigned basic share. However, in September 2012, Turkey informed the Trustee that it will not participate in the GEF-5

Annex 3. GEF-1 through GEF-5 Historical Actual Shares

Actual Shares by Replenishment **							
	Actual Shares by Replenishment					Average Actual Shares	
	GEF-1 (%)	GEF-2 (%)	GEF-3 (%)	GEF-4 (%)	GEF-5 (%)	Average GEF-1 through GEF-4 (%)	Average GEF-1 through GEF-5 (%)
Argentina	0.25					0.25	0.25
Australia	1.45	1.62	1.58	1.98	2.29	1.66	1.79
Austria	0.99	1.02	1.01	1.39	1.74	1.10	1.23
Bangladesh	0.14					0.14	0.14
Belgium	1.59	1.72	1.89	2.70	3.34	1.98	2.25
Brazil	0.28			0.26	0.35	0.27	0.29
Canada	4.30	5.12	4.64	5.69	5.86	4.94	5.12
China	0.28	0.41	0.48	0.45	0.42	0.41	0.41
Cote d'Ivoire	0.28	0.28	0.23			0.26	0.26
Czech Republic	0.28	0.28	0.26	0.30	0.20	0.28	0.26
Denmark	1.74	1.45	1.60	2.43	2.29	1.81	1.90
Egypt, Arab Republic of	0.28					0.28	0.28
Finland	1.07	1.11	1.20	1.82	2.44	1.30	1.53
France	7.11	7.30	7.39	8.21	8.42	7.50	7.69
Germany	11.91	11.10	13.28	12.83	13.56	12.28	12.54
Greece	0.25	0.28	0.26	0.33	0.19	0.28	0.26
India	0.42	0.45	0.46	0.43	0.28	0.44	0.41
Ireland	0.12	0.28	0.26	0.33	0.24	0.25	0.25
Italy	5.26	4.56	4.76	4.69	3.34	4.82	4.52
Japan	20.58	20.81	19.12	13.27	14.30	18.44	17.61
Korea, Republic of	0.28	0.28	0.25	0.29	0.23	0.27	0.26
Luxembourg	0.28	0.28	0.23	0.26	0.17	0.26	0.24
Mexico	0.28	0.28	0.23	0.26	0.28	0.26	0.26
Netherlands	3.54	3.67	3.71	4.77	3.24	3.92	3.79
New Zealand	0.28	0.28	0.23	0.26	0.17	0.26	0.24
Nigeria		0.28	0.23	0.26	0.17	0.25	0.23
Norway	1.55	1.58	1.14	1.54	1.67	1.45	1.50
Pakistan	0.28	0.28	0.23	0.26	0.17	0.26	0.24
Portugal	0.28	0.28	0.23	0.31	0.17	0.27	0.25
Russian Federation					0.31		0.31
Slovak Republic	0.28					0.28	0.28
Slovenia		0.07	0.06	0.28	0.19	0.14	0.15
South Africa				0.26	0.19	0.26	0.22
Spain	0.97	0.83	0.87	1.15	1.20	0.96	1.01
Sweden	2.89	2.92	3.27	4.86	3.71	3.48	3.53
Switzerland	2.22	2.21	2.63	3.03	3.27	2.53	2.67
Turkey	0.28	0.28	0.23	0.26		0.26	0.26
United Kingdom	6.68	7.01	8.59	10.97	9.30	8.31	8.51
United States	21.34	21.69	19.45	13.92	16.28	19.10	18.53
Total	100.00	100.00	100.00	100.00	100.00		

** Actual shares represent total contributions paid to a replenishment (basic, all supplemental contributions, and credits for acceleration).

Annex 4. GEF-6 Investment Income Projections

GEF Trust Fund assets are invested across three of the World Bank Trust Fund’s investment model portfolios, (“Tranche 0” for short term working capital needs, “Tranche 1” with an investment horizon of one year, and “Tranche 2” with an investment horizon of three years). The latter two tranches aim to optimize investment returns subject to capital preservation with a high degree of confidence (based on statistical models) over the respective investment horizon. Approximately 90% of the GEF Trust Fund assets are invested in Tranche 2 with the remaining balance split between tranche 0 and tranche 1.

For the purposes of estimating investment income for the GEF-6 period, the GEF Trust Fund portfolio's current allocation across the TF Pool investment tranches (i.e., 90% in Tranche 2 and 10% in Tranche 1) is assumed to remain constant over the GEF-6 replenishment period. The table below presents the projected balance and allocation between tranches, average projected rate of return by tranches and the total projected return over the GEF-6 period.

GEF-6 Projected Investment Income

Projected Balance (USD million)	Average (FY15-FY18)
Tranche 1	304
Tranche 2	2,732
Total	3,035
Projected rate of return (%)	Average (FY15-FY18)
Tranche 1	0.27%
Tranche 2	1.20%
Total	1.11%
Projected Investment Income (USD million)	Total (FY15-FY18)
Tranche 1	3
Tranche 2	131
Total Projected GEF-6 Investment Income	134

Annex 5. Reference Exchange Rates for the GEF-6

Reference Period: April 1, 2013 to September 30, 2013⁸

<u>Currency</u>	<u>Currency Name</u>	<u>National Currency vs. SDR</u>
AUD	Australian Dollar	1.58867
BRL	Brazilian Real	3.29020
CAD	Canadian Dollar	1.55758
CHF	Swiss Franc	1.41547
CNY	Chinese Yuan	9.27237
CZK	Czech Koruna	29.66218
DKK	Danish Krone	8.56248
EUR	Euro	1.14829
GBP	Pound Sterling	0.97877
INR	Indian Rupee	89.09366
JPY	Japanese Yen	149.26481
KRW	Korean Won	1685.32159
MXN	Mexican Peso	19.17081
NGN	Nigerian Naira	241.91518
NOK	Norwegian Krone	8.92765
NZD	New Zealand Dollar	1.86696
PKR	Pakistan Rupee	152.07219
RUB	Russian Ruble	48.69097
SEK	Swedish Krona	9.90105
TRY	Turkish Lira	2.87977
USD	United States Dollar	1.51028
XOF	West African CFA Franc	753.23042
ZAR	South African Rand	14.71165

⁸ The time period for establishing the reference exchange rates for use in the GEF-6 replenishment was agreed by Contributing Participants at the April 2013 Replenishment Meeting.

Annex 6. Reference Exchange Rates for the GEF6 and GEF-5 Comparison

Currency	Currency Name	National Currency vs. SDR			National Currency vs. USD		
		GEF-6 a/	GEF-5 b/	Change %	GEF-6 a/	GEF-5 b/	Change %
AUD	Australian Dollar	1.58867	1.98569	19.99	1.05177	1.29852	19.00
BRL	Brazilian Real	3.29020	3.10224	(6.06)	2.17808	2.02858	(7.37)
CAD	Canadian Dollar	1.55758	1.76370	11.69	1.03132	1.15246	10.51
CHF	Swiss Franc	1.41547	1.68130	15.81	0.93733	1.09817	14.65
CNY	Chinese Yuan	9.27237	10.46823	11.42	6.13958	6.83139	10.13
CZK	Czech Koruna	29.66218	29.22796	(1.49)	19.64245	19.10312	(2.82)
DKK	Danish Krone	8.56248	8.26500	(3.60)	5.67001	5.39895	(5.02)
EUR	Euro	1.14829	1.10992	(3.46)	0.76039	0.72503	(4.88)
GBP	Pound Sterling	0.97877	0.97932	0.06	0.64814	0.63994	(1.28)
INR	Indian Rupee	89.09366	75.04669	(18.72)	58.97650	48.99847	(20.36)
JPY	Japanese Yen	149.26481	146.79619	(1.68)	98.83995	95.84657	(3.12)
KRW	Korean Won	1685.32159	1979.67643	14.87	1115.97396	1293.63131	13.73
MXN	Mexican Peso	19.17081	20.71625	7.46	12.69241	13.52817	6.18
NGN	Nigerian Naira	241.91518	230.48216	(4.96)	160.17357	150.37044	(6.52)
NOK	Norwegian Krone	8.92765	9.77495	8.67	5.91126	6.38596	7.43
NZD	New Zealand Dollar	1.86696	2.48040	24.73	1.23616	1.62234	23.80
PKR	Pakistan Rupee	152.07219	124.91109	(21.74)	100.67871	81.49350	(23.54)
RUB	Russian Ruble	48.69097	49.32914	1.29	32.23801	32.22361	(0.04)
SEK	Swedish Krona	9.90105	11.88075	16.66	6.55625	7.76574	15.57
TRY	Turkish Lira	2.87977	2.39167	(20.41)	1.90649	1.56241	(22.02)
USD	United States Dollar	1.51028	1.53238	1.44	1.00000	1.00000	-
XOF	West African CFA Franc	753.23042	728.05822	(3.46)	498.78440	475.58646	(4.88)
ZAR	South African Rand	14.71165	12.89032	(14.13)	9.73989	8.42980	(15.54)

a/ As agreed by the Contributing Participants at the April 2013 GEF-6 replenishment meeting, the reference exchange rate to convert the SDR amount to the national currency will be the average daily exchange rate over the period from April 1, 2013 to September 30, 2013.

b/ As agreed by the Contributing Participants at the March 2009 GEF-5 replenishment meeting, the reference exchange rate to convert the SDR amount to the national currency will be the average daily exchange rate over the period from March 1, 2009 to September 30, 2009.

Annex 7. Inflation Rates of GEF Donors

Global Environment Facility				
Inflation Rates of GEF Donors				
CPI Percentage Change Over Previous Year				
Contributing Participants a/	2009	2010	2011	Average
	(%)	(%)	(%)	(%)
Argentina	6.27	10.46	9.78	8.84
Australia	1.82	2.85	3.39	2.68
Austria	0.40	1.69	3.55	1.88
Bangladesh	5.43	8.13	10.70	8.09
Belgium	-0.01	2.33	3.47	1.93
Brazil	4.89	5.04	6.64	5.52
Canada	0.30	1.78	2.89	1.66
China	-0.68	3.33	5.42	2.69
Côte d'Ivoire	1.01	1.37	4.90	2.43
Czech Republic	1.03	1.46	1.93	1.48
Denmark	1.33	2.30	2.76	2.13
Egypt	16.24	11.70	11.07	13.00
Finland	1.64	1.69	3.32	2.22
France	0.10	1.49	2.14	1.24
Germany	0.23	1.15	2.48	1.29
Greece	1.21	4.71	3.33	3.08
India	10.88	11.99	8.86	10.58
Indonesia	4.81	5.13	5.36	5.10
Ireland	-1.71	-1.57	1.19	-0.70
Italy	0.76	1.64	2.90	1.77
Japan	-1.34	-0.72	-0.29	-0.78
Korea	2.76	2.94	4.03	3.24
Luxembourg	0.01	2.80	3.73	2.18
Mexico	5.30	4.16	3.40	4.29
Netherlands	0.97	0.93	2.48	1.46
New Zealand	2.12	2.30	4.03	2.82
Nigeria	12.54	13.72	10.84	12.37
Norway	2.17	2.40	1.30	1.96
Pakistan	17.63	10.10	13.66	13.80
Portugal	-0.90	1.39	3.56	1.35
Slovak Republic	0.93	0.70	4.08	1.90
Russia	11.65	6.85	8.44	8.98
Slovenia	0.85	1.83	1.83	1.51
South Africa	7.13	4.27	5.00	5.47
Spain	-0.24	2.04	3.05	1.62
Sweden	-0.49	1.16	2.96	1.21
Switzerland	-0.48	0.69	0.23	0.15
Turkey	6.25	8.57	6.47	7.10
United Kingdom	2.12	3.34	4.45	3.30
United States	-0.32	1.64	3.14	1.49

Source: International Monetary Fund, World Economic Outlook Database, October 2012

Annex 8. Illustrative Alternative Cash Payment or Encashment Schedules for GEF-6
(Percent of Total Contributions)

Fiscal Year	GEF-6 Standard Schedule	Examples of Accelerated Schedules a/		
		Over 6 years	Over 4 years	One payment
2015	3.0	10.0	25.0	100.0
2016	8.0	16.0	25.0	
2017	10.0	20.0	25.0	
2018	12.0	24.0	25.0	
2019	13.0	20.0		
2020	15.0	10.0		
2021	14.0			
2022	11.0			
2023	9.0			
2024	5.0			
Face value of contribution	100.0	100.0	100.0	100.0
Discount rate (%) b/	2.1%	2.1%	2.1%	2.1%
NPV equivalent	89.0	92.9	95.0	97.9
		<i>% of face value</i>		
Discount c/		4.22%	6.33%	9.18%
Credit d/		4.40%	6.75%	10.10%

a/ The above schedules are provided for illustration purposes only.

b/ A discount rate of 2.1% is based on an estimate of the long-term US dollar-based return on investment. Actual returns will naturally depend on cash balances and market conditions over the replenishment period.

c/ If a donor chooses to use an accelerated cash payment or encashment schedule and take a discount, the discount amount may be deducted from the face value of the contribution to reduce the payment amount in national currency.

d/ If a donor chooses to use an accelerated cash payment or encashment schedule and take a credit, the credit amount may be added to the face value of the contribution to enhance the value of the SDR contribution.