

48<sup>th</sup> GEF Council Meeting  
June 02-04, 2015  
Washington, DC

## **GEF TRUST FUND FINANCIAL REPORT**

*Summary of Financial Information  
As of March 31, 2015*

(Prepared by the Trustee)



# Global Environment Facility Trust Fund

## Financial Report

Prepared by the Trustee

*Summary of Financial Information*

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## Table of Contents

### Table of Contents

Introduction .....	3
GEF Trust Fund Financial Summary as of March 31, 2015.....	4
1. GEF Trust Fund Summary – Inception through March 31, 2015 .....	7
2. Cumulative Resources and Funding Decisions .....	8
2a. Cumulative Resources.....	9
2b. Asset Mix and Investment Income .....	11
2c. Funding Decisions, Trustee Commitments and Cash Transfers to Agencies .....	13
3. Funding Availability .....	16
4. GEF-6 Specific Funding Decisions .....	17
5. Update on Financial Reserve .....	19
6. Update on the Trustee Special Initiative: Information Technology Systems (FIF IT Platform) .....	20



## Introduction

The information contained in this report is prepared based on financial information as of March 31, 2015.

The Global Environment Facility (GEF) was established in 1994 as an independent financial mechanism for providing grants and concessional funding to cover the incremental or additional costs of measures to assist in the protection of the global environment and to promote environmental sustainable development. Today, the GEF is the largest funder of projects focused on global environmental challenges and a global partnership among 182 countries, international institutions, non-governmental organizations, and the private sector. It provides grants for projects related to the following main areas: (i) biodiversity, (ii) climate change (mitigation and adaptation), (iii) international waters, (iv) land degradation, and (v) chemicals and waste.

The report is produced by the Trustee in accordance with the Trustee's role in the GEF Trust Fund as set forth in Annex B of the GEF Instrument paragraph 4 (b) which states:

*“The responsibilities of the Trustee shall include in particular [...] the financial management of the Fund, including investment of its liquid assets, the disbursement of funds to the implementing and other executing agencies as well as the preparation of the financial report regarding the investment and use of the Fund's resources [...].”*

This report provides (i) a snapshot of the financial situation of the GEF Trust Fund since its inception to March 31, 2015, and some of the recent developments since the previous report; (ii) the details of financial activities of the GEF Trust Fund; (iii) the status of implementation of the GEF-6 Replenishment; (iv) update on financial reserve and (v) an update on the Trustee special initiative Information Technology Systems (FIF IT Platform).



## GEF Trust Fund Financial Summary as of March 31, 2015

### ***Pledges and Contributions***

GEF Contributing Participants have pledged SDR 11,582 million (USDeq. 16,606 million)<sup>1</sup> to date, of which SDR 11,424 million (USDeq. 16,369 million) has been confirmed by Donors depositing Instruments of Commitments (IoCs) or Qualified Instruments of Commitment (QIoCs) with the Trustee.

Of this amount, GEF-6 pledges totaled SDR 2,460 million (USDeq. 3,716 million)<sup>2</sup>, of which Donors have deposited SDR 2,323 million or 94% of the amount with the Trustee as IoCs or QIoCs.

### ***Investment Income***

As of March 31, 2015, cumulative investment income earned on the GEF Trust Fund balances amounted to USD 1,201 million. The investment income earned over the GEF-6 period amounted to USD 33 million (1.4% investment return) and the overall investment income projected to be earned over the GEF-6 period is SDR 88 million (USDeq. 134 million).

### ***Funding Approvals and Commitments***

Cumulative funding decisions (approvals by the GEF Council/CEO) to date amounted to USD 14,011 million net of cancellations USD 1,056 million and pending decisions of intersessional and Council meetings USD 12 million. The GEF-6 funding decisions from July 30, 2014 to March 31, 2015 amounted to USD 239 million.

### ***Cash Transfers***

Cash transfers were made to Agencies on an as-needed basis to meet their projected disbursement requirements. Out of the cumulative commitment of USD 12,427 million, upon request from Agencies, Trustee transferred USD 10,200 million as of March 31, 2015. A balance of USD 2,227 million remains payable to Agencies as of March 31, 2015.

### ***Funds Held in Trust and Funds Available for Council and CEO Funding Decisions***

**Funds Held in Trust** reflect financial activities related to new donor payments (cash and promissory notes), encashment of promissory notes, investment income, cash transfers, and the revaluation of the balance of promissory notes at month-end. Funds Held in Trust as of March 31, 2015 amounted to USDeq. 4,621 million, 30% of which represented unencashed promissory notes.

**Funds available to support Council or CEO decision amounted to USD 746.6 million as of March 31, 2015.** This represents an increase of USD 730 million compared to September 30, 2014.

<sup>1</sup> Does not include co-financing under the GEF Pilot Program.

<sup>2</sup> Valued based on GEF-6 agreed exchange rates.



### ***GEF-6 Replenishment***

Contributing Participants completed the negotiations under the sixth replenishment of the GEF Trust Fund (“GEF-6”) in April 2014. Contributing Participants to the GEF-6 agreed to provide resources to the GEF Trust Fund for grant and other financing to GEF recipient countries for the period between July 1, 2014 and June 30, 2018. The agreed total envelope for the GEF-6 period was SDR 2,935.31 million (USDeq. 4,433 million). This funding envelope included USDeq 3,715.85 million from new pledges from donors, USDeq 583.29 million of resources carried over from previous replenishments, and USD 134 million of projected investment income.

The **Executive Directors of the World Bank approved the GEF-6 replenishment Resolution on July 30, 2014**, thereby authorizing the World Bank to act as Trustee in respect of the resources made available under GEF-6.

The **Sixth Replenishment of the GEF (GEF-6) became effective on November 20, 2014**, in accordance with Paragraph 6(a) of the GEF-6 Replenishment Resolution, which states that effectiveness is triggered on the date that the Trustee has received IoCs or Qualified Instruments of Commitment from Contributing Participants whose contributions aggregate not less than SDR 1.48 billion. Effectiveness was triggered by the submission of IoCs from 20 Contributing Participants whose contributions represent SDR 1.67 billion.

As of March 31, 2015, 25 Contributing Participants have deposited their IoCs in the form and substance as agreed under the GEF-6 Replenishment Resolution, representing 94% of the total pledges under GEF-6. Table 1 shows the details of the status of IoCs received by the Trustee.

### ***GEF-6 Replenishment update after April 1, 2015***

Installment payment amount USD 112.9 million towards the GEF-5 replenishment arrears has been received from the United States. The total installment amount receivable for previous replenishments is now reduced to USDeq. 139.7 million.



**Table 1: GEF-6 Instruments of Commitment**

Status report as of March 31, 2015

Contributing Participant	GEF-6 Pledges (in SDR millions)	GEF-6 Deposited Instruments of Commitment	
		SDR (millions)	USD Eq. (millions)
Australia	58.5	58.5	70.8
Austria	45.2	45.0 <sup>a/</sup>	54.0
Bangladesh	0.1	-	-
Belgium	69.2	69.2	79.9
Brazil	10.5	-	-
Canada	149.5	149.6	182.9
China	13.2	13.2	20.0
Czech Republic	4.0	4.0	4.6
Denmark	54.4	54.4	62.5
Finland	60.4	60.4	69.8
France	198.6	198.6	300.0
Germany	304.8	304.8	375.9
India	8.0	8.0	12.0
Ireland	5.3	5.3	6.2
Italy	80.1	80.1	98.8
Japan	402.0	402.0	500.4
Korea, Republic of	5.3	5.3	7.5
Luxembourg	4.0	4.0	4.9
Mexico	13.0	13.0	16.2
Netherlands	72.2	72.2	89.0
New Zealand	4.0	4.0	5.6
Norway	48.4	48.4	53.3
Pakistan	4.0	4.0	6.0
Russian Federation	9.9	-	-
Slovenia	4.0	4.0	4.9
South Africa	4.4	4.4	5.2
Spain	26.8	-	-
Sweden	134.8	134.8	154.4
Switzerland	89.5	-	-
United Kingdom	214.6	214.6	310.8
United States	361.7	361.7	546.3
	<b>2,460.4</b>	<b>2,323.5</b>	<b>3,042.0</b>

a/ Austria pledged EUR 50.53 mln to GEF-6, and deposited an IoC for EUR 50.28 mln (SDR eq 45.2 mln) that is less by EUR 248,000.



## 1. GEF Trust Fund Summary – Inception through March 31, 2015

	Total (in SDR millions)
<b><u>Donor Pledges and Contributions (in SDR millions)</u></b>	
Received IoCs	11,424.80
GEF-4 IoCs not yet deposited	4.00
GEF-5 IoCs not yet deposited	16.35
GEF-6 IoCs not yet deposited	136.80
<b>Total Donor Pledges and Contributions (in SDR millions)</b>	<b><u>11,581.95</u></b>

	Total (in USD millions)
<b><u>Cumulative Resources (in USD millions)</u></b>	
<u>Resources received</u>	
Cash Receipts	12,242.48
Unencashed promissory notes	1,398.85
Investment Income earned	1,201.12
<b>Total Resources Received</b>	<b><u>14,842.45</u></b>
<u>Resources not yet received</u>	
GEF-6 IoCs not yet deposited	192.51
GEF-5 IoCs not yet deposited	19.07
GEF-4 IoCs not yet deposited	5.52
Installments Receivable from GEF-6	2,241.77
Installment Receivables from previous replenishments	252.61
<b>Total resources not yet received</b>	<b><u>2,711.47</u></b>
<b>Total Cumulative Resources (A) (in USD millions)</b>	<b><u>17,553.92</u></b>

<b><u>Cumulative Funding Decisions (in USD millions)</u></b>	
Approvals by Council and CEO	15,067.59
Cancellations	(1,056.44)
Pending Decisions of Intersessional and Council Meetings	12.19
<b>Total Funding Decisions Net of Cancellations (B) (in USD millions)</b>	<b><u>14,023.33</u></b>
<b>Cumulative Resources Net of Funding Decisions (A) - (B) (in USD millions)</b>	<b><u>3,530.58</u></b>

<b><u>Funds Available (in USD millions)</u></b>	
Funds Held in Trust with no restrictions	4,560.51
Approved Amounts Pending Cash Transfers to Agencies	3,813.92
<b>Total Funds Available to Support Council or CEO Decisions (in USD millions)</b>	<b><u>746.60</u></b>





## 2. Cumulative Resources and Funding Decisions

In USD millions

	<u>March 31, 2015</u>	<u>September 30, 2014</u>
<b>1. Cumulative Resources</b>	<b>17,554</b>	<b>18,044</b>
<u>Resources not yet received</u>	<u>2,711</u>	<u>3,851</u>
GEF-6 IoCs not yet deposited with the Trustee	193	2,982
GEF-5 IoCs not yet deposited with the Trustee	19	22
GEF-4 IoCs not yet deposited with the Trustee	6	6
Installment Receivables from GEF-6	2,242	565
Installment Receivables from previous replenishments	253	276
<u>Resources received</u>	<u>14,842</u>	<u>14,193</u>
Cash receipts from installments and encashments	12,242	11,944
Unencashed promissory notes	1,399	1,073
Investment Income earned on undisbursed balances of GEF Trust Fund	1,201	1,175
<b>2. Cumulative Funding Decisions</b>	<b>14,023</b>	<b>13,990</b>
Approvals by Council and CEO	15,068	14,755
Cancellations	(1,056)	(968)
Pending decisions of Intersessional and Council Meetings	12	203
<b>3. Cumulative Resources Net of Funding Decisions (3 = 1 - 2)</b>	<b><u>3,531</u></b>	<b><u>4,055</u></b>

*Note: Totals may not add up accurately due to rounding*

### Snapshot of cumulative resources and funding decisions:

- The table above shows total cumulative resources of the GEF Trust Fund and the cumulative funding decisions made since inception of the GEF.
- Of the total cumulative resources of USDeq. 17,554 million, 15% (USDeq. 2,711 million) represents resources not yet received. Of these, IoCs not yet deposited with the Trustee totaled USDeq. 217 million, GEF-6 installments receivables amounted to USDeq. 2,242 million, and installment receivables from previous replenishments amounted to USDeq. 253 million.
- Total cumulative net funding decisions amounting to USDeq. 14,023 million represent about 80% of the total cumulative GEF resources.
- As of March 31, 2015, cumulative resources net of funding decisions amounted to USDeq. 3,531 million.



## 2a. Cumulative Resources

Instruments of Commitment to be Deposited					
Status as of March 31, 2015					
(in USDeq. millions)					
Contributing Participant	Replenishment	Currency of Obligation	Amount in Currency of Obligation	USDeq.	Percentage
Nigeria	GEF-4	SDR	4.0	5.5	100.0%
<b>Total GEF-4 IoCs Not Yet Deposited</b>				<b>5.5</b>	<b>100.0%</b>
Greece	GEF-5	EUR	4.4	4.8	25.0%
Nigeria	GEF-5	NGN	921.9	4.6	24.3%
Pakistan	GEF-5	PKR	499.6	4.9	25.7%
Portugal	GEF-5	EUR	4.4	4.8	25.0%
<b>Total GEF-5 IoCs Not Yet Deposited</b>				<b>19.1</b>	<b>100.0%</b>
Bangladesh	GEF-6	USD	0.1	0.1	0.1%
Brazil	GEF-6	USD	15.9	15.9	8.3%
Russian Federation	GEF-6	USD	15.0	15.0	7.8%
Spain	GEF-6	EUR	30.8	33.1	17.2%
Switzerland	GEF-6	CHF	124.9	128.4	66.7%
<b>Total GEF-6 IoCs Not Yet Deposited</b>				<b>192.5</b>	<b>100.0%</b>
<b>Total GEF-4, GEF-5 and GEF-6 IoCs Not Yet Deposited</b>				<b>217.1</b>	

- As of March 31, 2015, IoCs to be deposited to Trustee amounted to USDeq. 217 million.
- Of this amount, USDeq. 192.5 represents GEF-6 IoCs, USDeq. 19 million GEF-5 IoCs, and USDeq. 5.5 million GEF-4 IoCs.
- The above does not include Austria's deposited IoC for GEF-6, which is less by EUR 248,000 when compared to its GEF-6 pledge of EUR 50.53 million.



#### INSTALLMENT ARREARS BY REPLENISHMENT

As of March 31, 2015, installment arrears under IoCs and QIoCs deposited with the Trustee amounted to USDeq. 252.6 million. Of this amount, USDeq. 136.6 million represents arrears under GEF-1, GEF-2 and GEF-3. The GEF-5 arrears totaled USDeq. 116 million.

Contributing Participant	Repl.	Currency	Installment Receivable	
			Amount	USD eq.
Egypt	GEF-1	SDR	0.5	0.7
United States	GEF-2	USD	135.0	135.0
Nigeria	GEF-3	SDR	0.7	0.9
Brazil	GEF-5	USD	3.1	3.1
United States	/a GEF-5	USD	112.9	112.9
				<b>252.6</b>

*/a The United States paid USD 112.9 million in April 2015 thereby fully clearing its GEF-5 arrears.*

#### RESTRICTED RESOURCES

Restricted resources represent funds received from Contributing Participants but not available for funding decisions by the GEF Council and the GEF CEO.

As of March 31, 2015, restricted resources amounted to USD 60 million for financial reserves. Approximately, more than 70% of the installment receivables, unencashed notes balances and IOCs not yet deposited are in non-USD currencies. The recent significant strengthening of the US dollar against all major currencies would negatively impacts the estimated value of cash available for making the payments against the approved funding decisions. The trustee is currently evaluating<sup>3</sup> the level of financial reserve needed to address this risk.

<sup>3</sup> Please refer to section 5 for an update on the financial reserve.



## 2b. Asset Mix and Investment Income

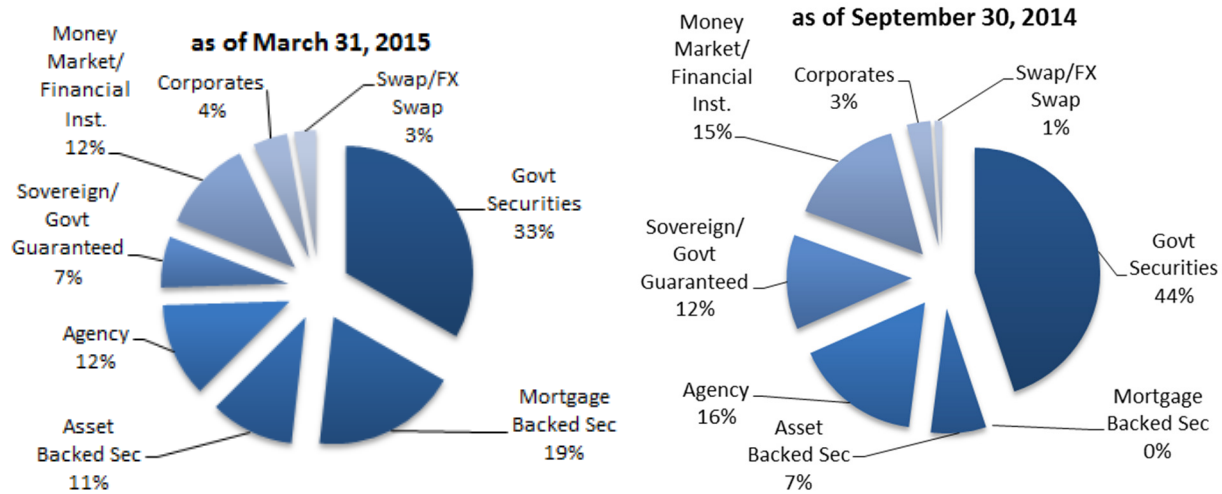
The undisbursed cash balance of the GEF Trust Fund is maintained in a commingled investment portfolio (“Pool”) for all trust funds managed by IBRD. The Pool is managed actively and conservatively with capital preservation as the over-arching objective.

### ASSET MIX

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. Although actual future returns will depend on market conditions, the Trust Fund Investment Pool portfolio is actively monitored and adjusted to preserve donor funds over the investment horizons. Over shorter periods however, market volatility may result in negative actual or ‘mark-to-market’<sup>4</sup> returns.

Overall, the GEF Trust Fund cumulative returns have been driven by its investment in longer-term tranches, which may be exposed to higher volatility in returns over shorter periods, but are expected to have higher returns over longer periods.

By asset class, the largest allocations are to government securities, mortgage backed securities, agency, money-market/financial institutions and asset backed securities.

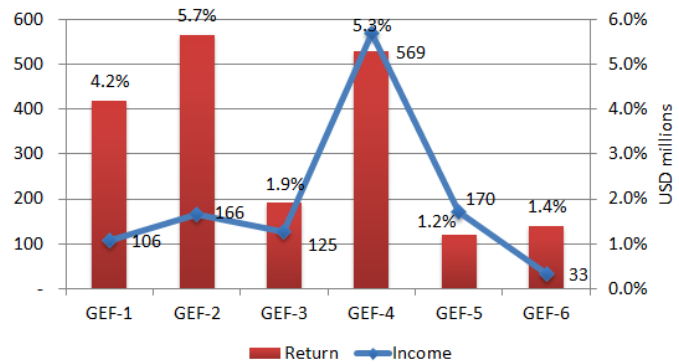


<sup>4</sup> Mark-to-market returns or losses represent unrealized returns or losses reported via accounting entries rather than the actual sale of a security.



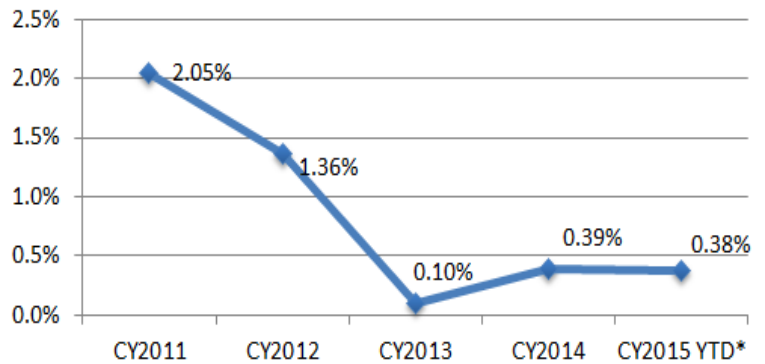
### INVESTMENT INCOME

The total amount of investment income earned since the beginning of GEF Pilot phase is USD 1,201 million. Since the beginning of the GEF-6 replenishment period (July 30, 2014 to March 31, 2015), USD 33 million has been earned (representing 1.4% average return).



### INVESTMENT RETURNS

GEF Trust Fund investment returns remained modest for the first quarter of the calendar year 2015 with a cumulative return of 0.38%. High grade bond investments delivered positive results as investors considered the improving economic growth in the US, geopolitical events, and weakening economic growth in Europe. Returns are expected to be modest going forward as the risk of rising market yields remains elevated, with an adverse effect on total portfolio returns due to lower bond prices.



### DIVERSIFICATION OPPORTUNITIES

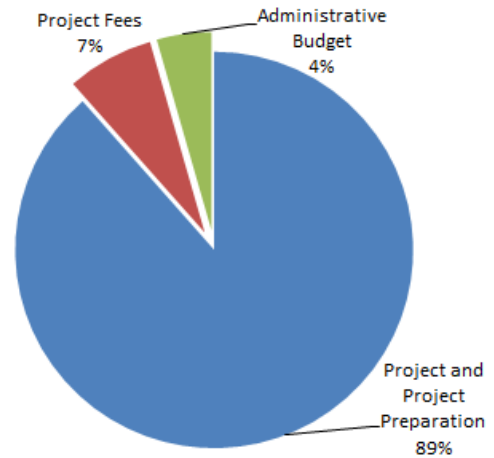
As a gradual move to higher rates in the coming years is expected, the outlook for fixed-income investments continues to be for modest returns, as further increases in market interest rates would result in further unrealized (i.e., mark-to-market) losses for fixed income returns in general. Given the challenging environment for fixed income investments, the World Bank Treasury has taken steps to limit the impact of potential future interest rate increases by reducing the interest rate sensitivity (known as “duration”) of the portfolio. Additionally, efforts are underway by the Trustee to enable investments in a broader universe of assets outside the fixed-income investments in order to achieve greater diversification of portfolio risks and increase investment income returns for trust funds with a longer-term investment horizon (i.e.) greater than 3 years. To provide more diversity of investment choices, a new liquidity tranche (Tranche 4) is being offered by World Bank to eligible trust funds. Tranche 4 would feature a five-year investment horizon with a capital preservation constraint over the same horizon and include a limited allocation to equities. The Trustee is currently reviewing the investment management strategy for the GEF to explore possibilities of including investment of GEF resources in Tranche 4. The Trustee will present a paper for the GEF Council’s consideration at its 49th Council meeting in October 2015.



## 2c. Funding Decisions, Trustee Commitments and Cash Transfers to Agencies

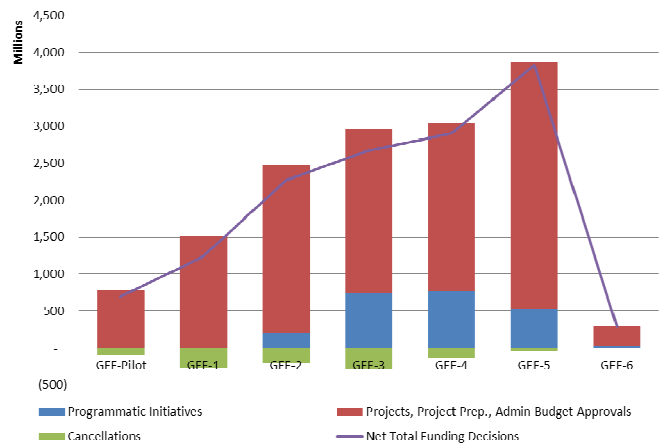
### CUMULATIVE FUNDING DECISIONS

Since inception to March 31, 2015 funding approvals made by the Council and CEO totaled USD 15,068 million, of which 89% was approved for Projects and Project Preparation activities, 7% for Agency Fees and 4% for Administrative budgets.



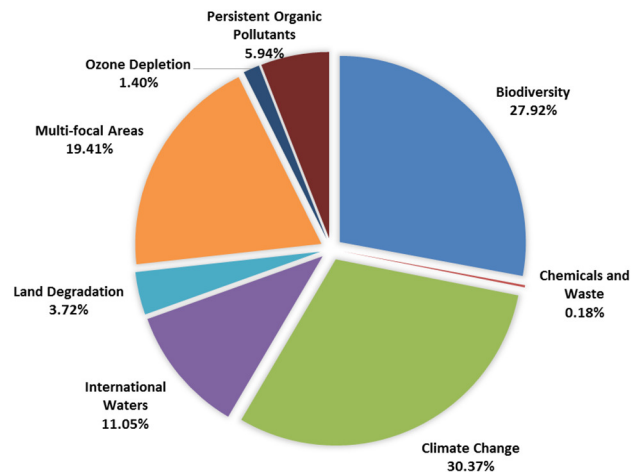
### FUNDING DECISIONS BY REPLENISHMENT

Funding decisions by replenishment show the cumulative Project/Program funding decisions of USD 14,011 million net of cancellations and pending decisions on intersessional and council meetings. Cumulative funding cancellations totaled USD 1,056 million.



### FUNDING DECISIONS BY FOCAL AREA

Funding decisions by Focal Area show cumulative funding decisions for projects only, and exclude fees. Projects in the areas of biodiversity and climate change represent approximately 58% of the cumulative funding approved to date.



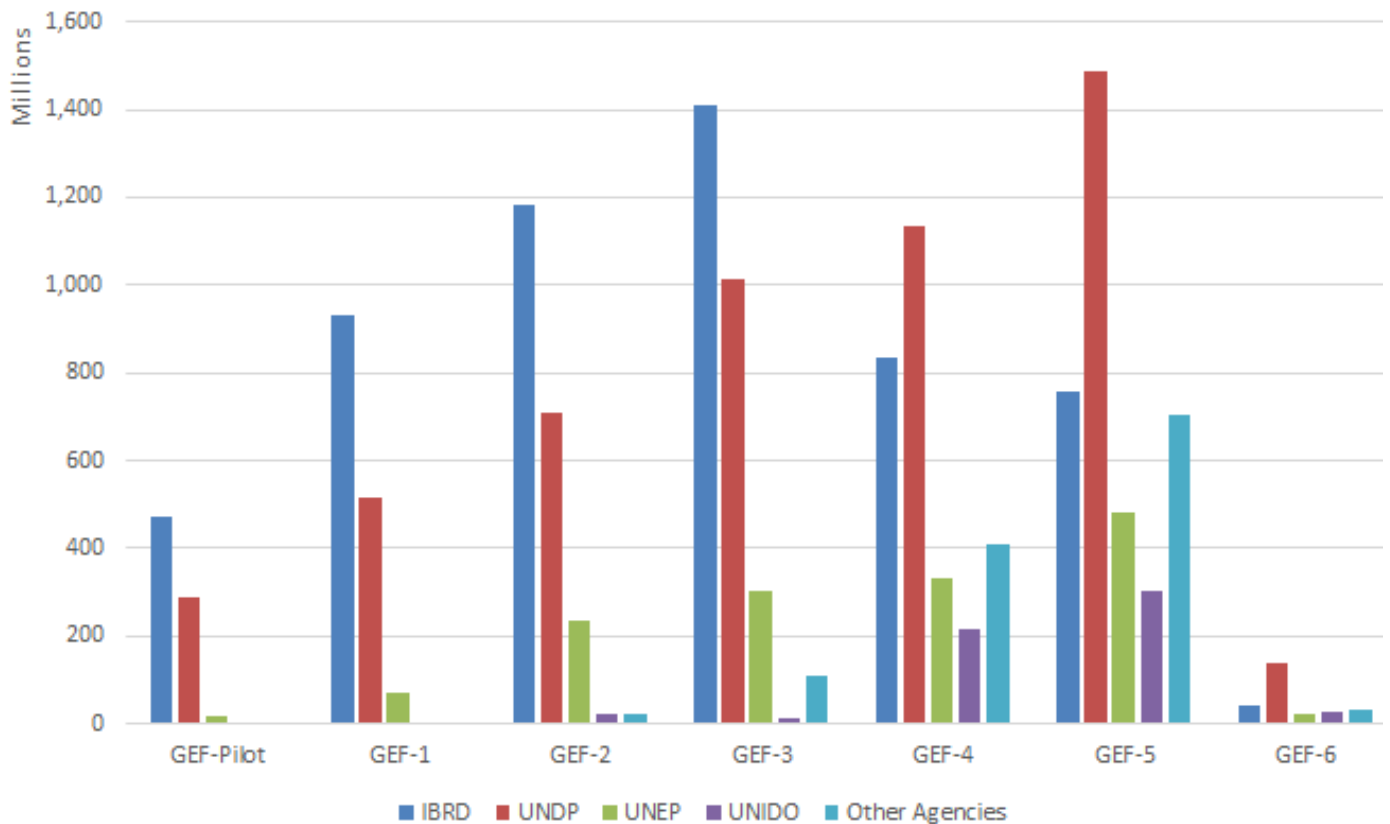
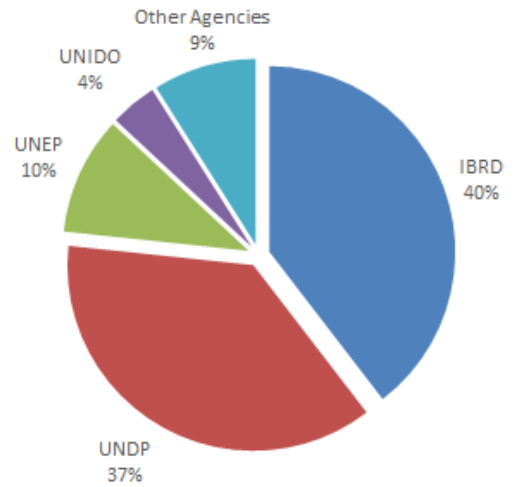


### FUNDING DECISIONS BY AGENCY

77% of the cumulative approvals for projects (including related fees) were for implementation by IBRD and UNDP. UNEP's share of the total is 10%, UNIDO's is 4%, while the remaining Agencies implemented 9% of the funding.

The Agencies' share of funding approvals changes over time. IBRD's share fell from 61% in the GEF Pilot to 20% in GEF-5. UNDP's share increased from 37% in the GEF Pilot to 40% in GEF-5. UNEP's share increased from 2% in the GEF Pilot to 13% in GEF-5. The combined share of other Agencies increased from 1% in GEF-2 to 19% in GEF-5.

In GEF-6, UNDP's share is equivalent to 53% of funding decisions as of March 31, 2015.

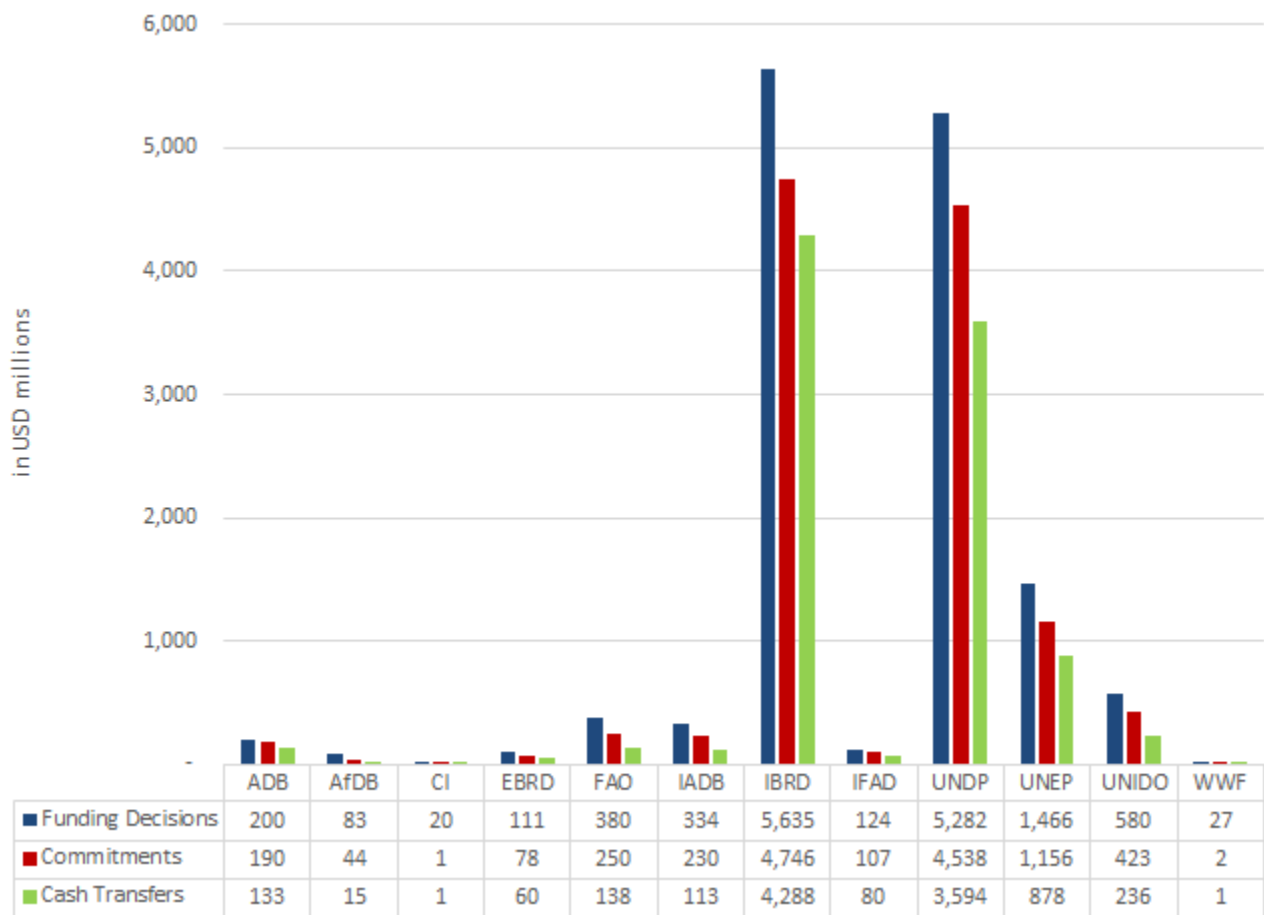




FUNDING DECISIONS, TRUSTEE COMMITMENTS AND CASH TRANSFERS TO AGENCIES

Funding Decisions by Trustee Commitments and Cash Transfers show the cumulative commitments and cash transfers to the GEF Agencies since inception.

As of March 31, 2015, cumulative funding decisions to Agencies comprising of Projects, Project Preparation Grants, and Agency Fees excluding administrative expenses and funding allocations to the GEF secretariat totaled USD 14,242 million. Of this amount, USD 11,765 million had been committed following the approval or endorsement by the GEF CEO. At the request of Agencies, a total amount of USD 9,537 million had been transferred.







### 3. Funding Availability

In USD millions

	As of Mar 31, 2015 (a)	As of Sep 30, 2014 (b)	Change (a) - (b)
<b>1. Funds Held In Trust</b>	<b>4,621</b>	<b>4,684</b>	<b>(64)</b>
a. Cash and investments	3,222	3,611	(389)
b. Unencashed promissory notes	1,399	1,073	326
<b>2. Restricted Funds</b>	<b>60</b>	<b>147</b>	<b>(87)</b>
a. Deferred Contribution in respect to the pro rata right	-	87	(87)
b. Pre-paid Contributions	-	-	-
c. Reserve to cover foreign exchange rate fluctuations	60	60	-
<b>3. Funds Held in Trust with no Restrictions ( 3 = 1 - 2 )</b>	<b>4,561</b>	<b>4,538</b>	<b>23</b>
<b>4. Approved Amounts Pending Cash Transfers to Agencies</b>	<b>3,814</b>	<b>4,521</b>	<b>(707)</b>
a. Trustee committed	2,220	2,431	(211)
b. Approved by Council but not yet CEO Endorsed	1,582	1,888	(306)
c. Requested amounts for financing pending decision	12	203	(191)
<b>5. Funds Available to Support Council or CEO Decisions ( 5 = 3 - 4 )</b>	<b>747</b>	<b>16</b>	<b>730</b>

*Note: Totals may not add up accurately due to rounding*

#### Highlights for the period October 1, 2014 through March 31, 2015:

- **Funds Available to support Council or CEO Decisions** increased by USDeq. 731 million over the prior reporting period as a result of:
  - A decrease in **Funds Held in Trust** of USD eq. 63 million resulting from:
    - Cash installment receipts,
    - Cash transfers for projects, project preparation grants, Agency fees and administrative budgets during the period, and
    - Encashment of promissory notes, changes in values of promissory note balances and deposits of new promissory notes.
  - Offset by the release of the **Deferred Contribution** amounting to USD 87 million.
  - *Offset by the decrease in **Approved Amounts Pending Cash Transfers to Agencies** (including pending decisions) by USD 707 million.*



## 4. GEF-6 Specific Funding Decisions

In USD millions

<b>1. Target Replenishment Funding</b>			<b>4,433</b>
<b>2. Projected Available Resources during the GEF-6 Period</b>			<b>3,420</b>
Estimated Funds Available to Support Council or CEO Financing Decisions			747
	Potential Amount Available	of which Projected to be Available	
Receivables			2,355
Arrears	253	113	
Installments due in FY15	174	174	
Installments due in FY16	714	714	
Installments due in FY17	712	712	
Installments due in FY18	641	641	
Release of Restricted Contributions			-
Deferred Contributions	-	-	
Pre-paid Contributions	-	-	
IoCs not yet Deposited with the Trustee			217
GEF-6	193	193	
Previous Replenishments	25	25	
Projected Investment Income	101	101	101
<b>Total</b>	<b>2,813</b>	<b>2,673</b>	
<b>3. GEF-6 Specific Funding Decisions</b>			<b>239</b>
Approvals by Council			223
Projects and Fees		223	
Admin. Budget		-	
Special Initiatives		-	
Programmatic Initiatives		-	
Approvals by CEO			17
Projects and Fees (MSPs, EEAs)		14	
Project Preparation Activities and Fees		3	
Net Changes to Initial Approvals			
Pending decisions on Intersessional and Council meetings			
Projects, Fees, Admin Budget, Special Initiatives, Programmatic Initiatives			
<b>4. GEF-6 "Envelope" as of March 31, 2015 (4 = 2 + 3)</b>			<b>3,659</b>
<b>5. Excess or (Shortfall) as Measured Against the Target in Line 1</b>			<b>(774)</b>

Note: Totals may not add up accurately due to rounding



**Highlights as of March 31, 2015:**

- **Projected Available Resources** through the end of the GEF-6 period amounted to USD 3,659 million.
- The value of projected resources to be available is based on the following assumptions:
  - Some of the Arrears from previous replenishments remain unpaid;
  - All GEF-6 IoCs are received and paid in full during the remaining GEF-6 period.
- **GEF-6 Funding Decisions** amounted to USD 239 million.
- The **Target Replenishment Funding** amount represents the targeted new resources as agreed by Donors during replenishment discussions; it includes the carryover of arrears, deferred contributions, and paid-in funds not yet set aside.
- **The estimated shortfall of the GEF-6 Envelope Value** as measured against the Target Replenishment totals USD 774 million due to the revaluation of contribution receivables, unencashed promissory notes and the IoCs yet to be deposited with the Trustee. The change is due to the significant strengthening of US dollar against all major currencies.



## 5. Update on Financial Reserve

The Trustee's commitments to GEF Agencies are made in US dollars in part against non-USD promissory notes that are encashed over a longer period. There may be considerable foreign exchange movements on the future encashments of those promissory notes, thereby posing a risk that the Trustee may not be able to meet its legal obligations in making payments to the GEF Agencies against the commitments.

Following up on the discussions during GEF-5 replenishment, the Trustee has established<sup>5</sup> a financial reserve against resources in the GEF Trust Fund in order to mitigate the variability in cash flows resulting from exchange rate volatility. The reserve helps to reduce the likelihood that the GEF Trust Fund may not have sufficient funds to disburse against Trustee commitments in US dollars at the time GEF Agencies request fund transfers.

The financial reserve (currently USD 60 million) helps to protect commitments made to the GEF agencies against the effect of exchange rate volatility. The recent significant strengthening of the US dollar against all major currencies, and in particular the Euro in the past quarter, has resulted in a lower than estimated value of donor contribution receivables, promissory notes and IoCs yet to be deposited, hence an estimated lower overall GEF-6 envelope. Based on the preliminary analysis of the projected cash flows and historical volatilities of major currencies, the financial reserve level is estimated to be USD 110 million, which represents approximately 15% of the value of unencashed promissory notes that have been used for commitment purposes. This reserve level is dynamic and, given the high level of volatility and exchange rate fluctuation, it will be monitored closely in the coming months and adjusted as needed, to protect the commitments already made to the GEF agencies.

With significant shifts in the currency exchange rates in the current market conditions, the Trustee will explore available options for better foreign exchange risk management, including revisiting the options considered in earlier replenishment discussions, to mitigate any negative impact of foreign exchange volatility on the level and predictability of funding available for GEF programming. The Trustee will present an options paper on Foreign Exchange Risk Management for GEF for the Council's consideration in the 49th Council meeting in October 2015.

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<sup>5</sup> Refer to GEF-5 Replenishment paper "Foreign Exchange Risk: Options for the GEF Trust Fund", GEF/R.5/11; "Financial Reserve during the GEF-5 Period", GEF/R.5/Inf\_17; Trustee report as of September 30, 2011 – Annex II, GEF/C.41/Inf.13.



## 6. Update on the Trustee Special Initiative: Information Technology Systems (FIF IT Platform)

*Background.* In June 2012, the GEF Council authorized the Trustee to (i) implement recommendations from an independent assessment of GEF systems<sup>6</sup> and (ii) address audit/control deficiency findings arising from the external audit of the GEF Trust Fund<sup>7</sup>. The Council requested the Trustee to develop a technology platform (“FIF Collaboration Platform”).

The Council approved a budget of \$1 million (\$850,000 from GEF Trust Fund; \$100,000 from LDCF; and \$50,000 from the SCCF) for the Trustee<sup>8</sup> towards development of an IT system that would support the business processes and workflow related to the project/program pipeline management of the GEF, including critical linkages with Trustee processes and downstream accounting entries in the general ledger. The funds were to be leveraged with funds approved from other governing bodies of Financial Intermediary Funds (FIFs) housed in the World Bank to ensure a common platform to be used across all FIFs, thereby helping to eliminate the need for home-grown systems and reduce overall costs charged by each FIF secretariat for IT development.<sup>9</sup> The WBG Finance IT Group is executing the project under the guidance and direction of the Trustee and in collaboration with FIF secretariat staff.<sup>10</sup>

*Current Status.* To date, work on developing the FIF Collaboration Platform has progressed to the point where the platform’s basic functionality to track project life cycles and milestones, perform basic workflow tasks and enable basic queries and reports can now be tested by the GEF Secretariat staff. The next steps are to agree with the GEF Secretariat on a plan to (i) migrate GEF project/program data from PMIS to the FIF Collaboration Platform and (ii) document the streamlined workflows from proposal by the GEF Agencies to endorsement of the GEF CEO. The data and workflow underpin the functionality of the technology platform and are critical to not only testing the system but on expansion of the platform. Table 2 below provides more detail on the status of the FIF Collaboration Platform and the progress made to date.

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<sup>6</sup> “Options for Strengthening GEF Systems: Addressing the Findings and Recommendations of the Independent Review of GEF systems”, GEF/42/Inf.12, dated May 22, 2012, Annex 1.

<sup>7</sup> The World Bank’s external auditors issued a serious finding regarding the internal control deficiencies around the processing of workflow and transactions of the GEF Trust Funds. The auditor issued a written memo to the WB’s Audit Committee. In response to the WB Audit Committee memo, the Trustee, WB Finance and Accounting, and the GEF Secretariat agreed to put a robust mechanism in place to avoid such occurrences in the future in line with the recommendations made by the independent review mentioned earlier.

<sup>8</sup> See “Joint Summary of the Chairs, GEF Council Meeting, June 5-7, 2012”, dated June 7, 2012, paragraph 23(e).

<sup>9</sup> “Options for Strengthening GEF Systems: Addressing the Findings and Recommendations of the Independent Review of GEF systems”, GEF/42/Inf.12, dated May 22, 2012, paragraph 42.

<sup>10</sup> The scope of the project was defined based partly on the recommendations of the independent assessment of GEF systems completed in FY11 and on the audit/control deficiency findings on the GEF Trust Fund, in particular the following two issues: (i) high operational costs across the GEF partnership (GEF Secretariat, Trustee, and Agencies) due to manual and labor intensive processes and duplication of data entry; and (ii) significant financial risk stemming from email-based workflows for financial transactions, leading to potential inaccuracies in operational and financial reporting.



Table 2: Progress Made to Date on the FIF Collaboration Platform

<b>Work-stream</b>	<b>Deliverables</b>	<b>Status</b>
Assessment of software needs	Leveraged work carried out by WBG Enterprise Architect (EA).	Done
Gathering Business requirements, including new functionalities needed	Documented high level requirements based on (i) analysis of Trustee and GEF secretariat existing databases and applications; (ii) operational manuals of the Trustee; (iii) GEF policy and operational documents; (iv) legal documents that underpin GEF operations, including Financial Procedures Agreements between Trustee and the GEF Agencies and replenishment resolutions.	Done
Development of database to maintain GEF project and program information	Prepared technical and functional specifications based on business requirements: (i) identified data fields and definitions, business transactions, and user access roles; (ii) developed data model; (iii) identified relational aspects of objects in the data model.	Done
Completion of the visual design and navigation rules for the software	Developed (i) site architecture; (ii) layout and navigation of the website; (iii) utility of the interactive website; and (iv) basic features such as fonts, colors, gradients, and images.	Done
Basic functionality for use by GEF Secretariat in Test Environment	Project/program database, basic functionality to track project lifecycles and milestones, online business applications, automated workflow and basic query functions enabled, calendar functionality	Under discussion
Roll-out Plan for Moving GEF data into new Platform	Data conversion (i.e., moving key GEF project/program data to the new database), test existing online functionality, and develop a rollout plan	Under discussion
Expanded functionality for use by GEF Secretariat, Evaluation Office, GEF Agencies, GEF Council members, and other external partners	Increase functionality of the FIF Platform by adding programs and related sub-projects tracking, and project and portfolio milestones, and results indicators if needed, enable GEF Secretariat business process events to integrate with and trigger related Trustee business processes in the Trustee system, develop end-to-end workflow capabilities, including those with external partners/entities, enable the automation of the full life-cycle of projects and programs, including cancellations, operational and financial closures, extensions of project deadlines, etc., build reporting and monitoring capabilities utilizing commercially off the shelf software, redesign the reporting aspects on the FIF Trustee website, develop online forms for requesting cash transfers from the Trustee, and develop online Letters of Commitments between the Trustee and MDBs.	Future development between July 2015 and December 2016