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GEF Council Meeting
December 17 – 20, 2018
Washington DC

GEF TRUST FUND FINANCIAL REPORT

*Summary of Financial Information
As of September 30, 2018*

(Prepared by the Trustee)



Global Environment Facility Trust Fund

Financial Report

Prepared by the Trustee

Summary of Financial Information

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Introduction

The information contained in this report is prepared based on financial information as of September 30, 2018, except where indicated otherwise.

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, (v) ozone layer depletion, and (vi) persistent organic pollutants.

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 September 30, 2018, and recent developments since October 1, 2018; (ii) the details of financial activities of the GEF Trust Fund; (iii) Update on GEF-7 replenishment status.



GEF Trust Fund Financial Summary as of September 30, 2018

Pledges and Contributions

GEF Contributing Participants have pledged SDR 13,932 million (USDeq. 19,958 million)¹ to date, of which SDR 12,551 million (USDeq. 17,983 million) has been confirmed by Donors depositing Instruments of Commitments (IoCs) or Qualified Instruments of Commitment (QIoCs) with the Trustee.

GEF-7 pledges totaled SDR 2,350 million (USDeq. 3,346 million), of which Donors have deposited 43% of the amount with the trustee as IoCs or QIoCs.

Investment Income

As of September 30, 2018, cumulative investment income earned on the GEF Trust Fund balances amounted to USD 1,364 million.

The investment income earned in GEF-7 period until September 30, 2018 amounted to USD 9.11 million.

Funding Approvals and Commitments

As of September 30, 2018, cumulative funding decisions (approvals by the GEF Council/CEO) amount to USD 17,140 million net of USD 1,326 million in cancellations and reductions at endorsement, and inclusive of USD 12 million pending decisions of intersessional and Council meetings.

Of the total funding decision amount of USD 17,140 million, cumulative commitments amount to USD 15,894 million.

Cash Transfers

Cash transfers were made on an as-needed basis to meet projected disbursement requirements. As of September 30, 2018, out of the cumulative commitment of USD 15,894 million (including administrative expenses and funding allocations to the GEF Secretariat), the Trustee has transferred USD 12,764 million. A balance of USD 3,129 million remains payable as of September 30, 2018.

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. As of September 30, 2018, Funds Held in Trust, including the reserve amount of USD 125 million, total USD 4,792 million, 27% of which represents unencashed promissory notes.

Funds available to support Council or CEO decision amounted to USD 289 million as of September 30, 2018. This represents an increase of USD 380 million compared to March 31, 2018.

¹ Does not include co-financing under the GEF Pilot Program.



UPDATE TO THE GEF-7 REPLENISHMENT AS OF NOVEMBER 30, 2018

Replenishment size. The GEF-7 replenishment was finalized on April 25, 2018 in Stockholm with a total replenishment level amounting to SDR 2,858 million (USDeq. 4,068 million) including projected investment income and carryover of resources. These pledged contributions from 29 Contributing Participants, including credits for accelerated encashments and expected pledges.

Implementation of GEF-7. The World Bank's Executive Directors adopted the GEF-7 Replenishment Resolution on August 9, 2018 (Resolution No. 2018-0008), thereby authorizing the World Bank to act as Trustee in respect of the resources made available for the Seventh Replenishment of the GEF Trust Fund. Following this, the Trustee has been working closely with Contributing Participants to facilitate the deposit of Instruments of Commitment (IoCs) or Qualified Instruments of Commitment, tracking donor commitments for purposes of the GEF-7 Advance Contribution Scheme, ensuring compliance with the provisions of GEF-7 Replenishment Resolution, and addressing inquiries regarding GEF-7 cash outlays, credits and discounts.

Instruments of Commitment (IoCs). Since the adoption of the GEF-7 Replenishment Resolution to November 30, 2018, 19 Contributing Participants have deposited their IoCs in the form and substance as agreed under the GEF-7 Replenishment Resolution, representing 48.5% of the total GEF-7 pledges. Table 1 shows the details of the status of IoCs received by the Trustee as of November 30, 2018.

Advance Contribution Scheme. In accordance with Paragraph 7(a) of the GEF-7 Replenishment Resolution, the Advance Contribution Scheme for the GEF-7 becomes effective when the Trustee has received Instruments of Commitment or Qualified Instruments of Commitment from Contributing Participants whose contributions aggregate no less than SDR 470 million. GEF-7 Advance Contribution Scheme became effective on October 17, 2018, when the Trustee received IoCs from ten Contributing Participants whose contributions totaled SDR 534.44 million.



Table 1: GEF-7 Instruments of Commitment

Status report as of November 30, 2018

Contributing Participant	GEF-7 Pledges (in SDR millions)	Instruments of Commitment deposited with the Trustee	
		SDR (millions)	USD Eq. (millions) a/
Australia	42.05	42.05	59.87
Austria	42.44	-	-
Belgium	52.88	52.88	75.29
Brazil	4.21	-	-
Canada	127.92	-	-
China	15.45	15.45	22.00
Cote d'Ivoire	4.00	4.00	5.70
Czech Republic	4.00	4.00	5.70
Denmark	53.43	-	-
Finland	27.19	-	-
France	210.72	-	-
Germany	352.93	352.93	502.46
India	10.54	10.54	15.00
Ireland	5.05	5.05	7.19
Italy	77.31	77.31	110.06
Japan	447.82	-	-
Korea, Republic of	5.53	5.16	7.34
Luxembourg	4.00	4.00	5.70
Mexico	14.05	14.05	20.00
Netherlands	70.25	70.25	100.01
New Zealand	6.00	6.00	8.54
Norway	45.59	45.59	64.91
Slovenia	4.00	4.00	5.69
South Africa	5.07	5.07	7.22
Spain	8.40 b/	8.40	11.96
Sweden	177.40	177.40	252.56
Switzerland	85.70	-	-
United Kingdom	236.67	236.67	336.94
United States	191.90	-	-
Expected Pledge	17.49 c/	-	-
	2,349.98	1,140.79	1,624.12

a/ Based on exchange rates agreed under GEF-7

b/ Spain's GEF-7 pledge received on November 26, 2018, after the replenishment meetings

c/ The GEF-7 expected pledge amount is SDR 25.89 million, adjusted with confirmed pledges.



1. GEF Trust Fund Summary – Inception through September 30, 2018

1. GEF Trust Fund Summary – Inception through September 30, 2018

	Total (in SDR millions)
<u>Donor Pledges and Contributions (in SDR millions)</u>	
Received IoCs	12,550.6
GEF-4 IoCs not yet deposited	4.00
GEF-5 IoCs not yet deposited	12.35
GEF-6 IoCs not yet deposited	20.45
GEF-7 IoCs not yet deposited	1,344.57
Total Donor Pledges and Contributions (in SDR millions)	13,931.93

	Total (in USD millions)
<u>Cumulative Resources (in USD millions)</u>	
<u>Resources received</u>	
Cash Receipts	15,013.96
Unencashed promissory notes	1,271.37
Investment Income earned	1,364.03
Total Resources Received	17,649.37
<u>Resources not yet received</u>	
GEF-7 IoCs not yet deposited	2,848.46
GEF-6 IoCs not yet deposited	30.89
GEF-5 IoCs not yet deposited	12.81
GEF-4 IoCs not yet deposited	5.58
Installments Receivable from GEF-7	399.00
Installment Receivables from previous replenishments	148.30
Total resources not yet received	3,445.04
Total Cumulative Resources (A) (in USD millions)	21,094.41

<u>Cumulative Funding Decisions (in USD millions)</u>	
Approvals by Council and CEO	18,454.23
Cancellations and reductions at endorsement	(1,326.29)
Pending Decisions of Intersessional and Council Meetings	12.19
Total Funding Decisions Net of Cancellations (B) (in USD millions)	17,140.13
Cumulative Resources Net of Funding Decisions (A) - (B) (in USD millions)	3,954.28

<u>Funds Available (in USD millions)</u>	
Funds Held in Trust with no restrictions	4,666.47
Approved Amounts Pending Cash Transfers to Agencies	4,377.57
Total Funds Available to Support Council or CEO Decisions (in USD millions)	288.90

a/ Excludes the FX reserve amount of USD 125 million.

Note: Totals may not add up accurately due to rounding



2. Cumulative Resources and Funding Decisions

In USD millions

		September 30, 2018	March 31, 2018
1. Cumulative Resources		21,094	17,831
<u>Resources not yet received</u>		<u>3,445</u>	<u>553</u>
GEF-7 IoCs not yet deposited with the Trustee	2,848		
GEF-6 IoCs not yet deposited with the Trustee	31		31
GEF-5 IoCs not yet deposited with the Trustee	13		18
GEF-4 IoCs not yet deposited with the Trustee	6		6
Installment Receivables from GEF-7	399		-
Installment Receivables from previous replenishments	148		137
<u>Resources received</u>		<u>17,649</u>	<u>17,278</u>
Cash receipts from installments and encashments	15,014		14,492
Unencashed promissory notes	1,271		1,458
Investment Income earned on undisbursed balances of GEF Trust Fund	1,364		1,328
2. Cumulative Funding Decisions		17,140	17,032
Approvals by Council and CEO	18,454		18,271
Cancellations	(1,326)		(1,251)
Pending decisions of Intersessional and Council Meetings	12		12
3. Cumulative Resources Net of Funding Decisions (3 = 1 - 2)		3,954	799

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

Snapshot of cumulative resources and funding decisions:

- The table above shows cumulative resources and cumulative funding decisions of the GEF Trust Fund since inception.
- Of the cumulative resources of USDeq. 21,094 million, USDeq. 3,445 million (16%) represents resources not yet received. Of these, IoCs not yet deposited with the Trustee total USDeq. 2,848 million, GEF-7 installments receivables amount to USDeq. 399 million, and installment receivables from previous replenishments amount to USDeq. 148 million.
- Cumulative net funding decisions amounting to USDeq. 17,140 million represent about 81% of the total cumulative GEF resources.
- As of September 30, 2018, cumulative resources net of funding decisions amount to USDeq. 3,954 million.



2a. Cumulative Resources

In USD millions

Instruments of Commitment to be Deposited					
Status as of September 30, 2018 (in USDeq. millions)					
Contributing Participant	Replenishment	Currency of Obligation	Amount in Currency of Obligation	USDeq.	Percentage
Nigeria	GEF-4	SDR	4.0	5.6	100.0%
Total GEF-4 IoCs Not Yet Deposited				5.6	100.0%
Greece	GEF-5	EUR	4.4	5.1	40.1%
Nigeria	GEF-5	NGN	921.9	2.5	19.7%
Portugal	GEF-5	EUR	4.4	5.1	40.1%
Total GEF-5 IoCs Not Yet Deposited				12.8	100.0%
Brazil a/	GEF-6	USD	15.9	15.9	51.4%
Russian Federation	GEF-6	USD	15.0	15.0	48.6%
Total GEF-6 IoCs Not Yet Deposited				30.9	100.0%
Total GEF-4, GEF-5, and GEF-6 IoCs Not Yet Deposited				49.3	

a/ An amount of USD 3.34 million has been received and payment arrangements are being finalized with Brazil.

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

STATUS OF QUALIFIED INSTRUMENTS OF COMMITMENT (QIOC) UNDER GEF-6 AND GEF-7

As of September 30, 2018, Spain is the only Contributing Participant with a QIoCs for GEF-6, but already have made payment arrangements in accordance with a payment schedule agreed with the Trustee. For GEF-7, Norway is the only Contributing Participant that has deposited a QIoC thus far.

Contributing Participant	Replenishment	USD Eq. (millions)
Spain	GEF-6	5.21
Norway	GEF-7	47.67
Total		52.89

a/ Based on exchange rates as of September 30, 2018.



INSTALLMENT ARREARS BY REPLENISHMENT

As of September 30, 2018, cumulative arrears amounted to USDeq. 143.1 million. Of this amount, USDeq. 136.6 million represents arrears under GEF-1, GEF-2 and GEF-3. GEF-5 and GEF-6 arrears totaled USDeq. 6.4 million. Partial payments had been made by Korea in November 2018 for its GEF-6 arrears.

Contributing Participant	Repl.	Currency	Installment Receivable Amount	USD eq. (millions)
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
Pakistan	GEF-5	USD	4.1	4.1
Pakistan a/	GEF-6	USD	0.2	0.2
Korea b/	GEF-6	USD	2.2	2.2
				143.1

a/ Installment receivable balance under negotiation.

b/ Partial installment payment received in November 2018.

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

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 September 30, 2018, restricted resources amounted to USD 125 million representing for financial reserves. Approximately 80% of total GEF-6 and GEF-7 resources, i.e., installment receivables, unencashed notes balances, and IOCs not yet deposited, are in non-USD currencies. The significant strengthening of the US dollar against all major currencies would negatively impact the estimated value of cash available for making the payments against the approved funding decisions. The Trustee closely monitors the currency exchange rate movement and determines adequate reserve levels.



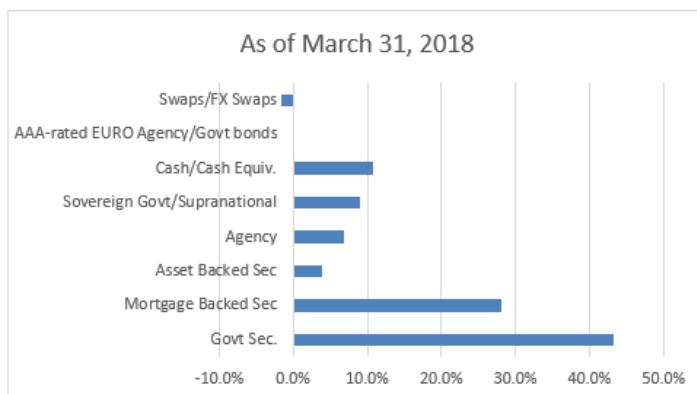
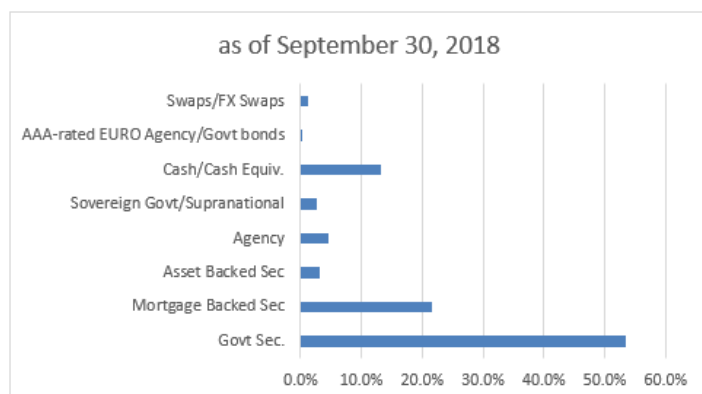
2b. Asset Mix and Investment Income

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, (“Model Portfolio 0” for short term working capital needs, “Model Portfolio 1” with an investment horizon of one year, and “Model Portfolio 2” with a broader investment universe and an investment horizon of three years). The investment objectives for the GEF Trust Fund are to optimize investment returns subject to preserving capital and maintaining adequate liquidity to meet foreseeable cash flow needs, within a conservative risk management framework². While future returns will depend on market conditions, the Trust Fund Investment Pool 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’³ returns. Overall, the GEF Trust Fund cumulative returns have been driven by its investment in longer-term model portfolios, which may be exposed to higher volatility in returns over shorter periods, but are expected to have higher returns over longer periods.

By asset class⁴, the largest allocations are to government securities, mortgage backed securities and cash and cash equivalents.



² Risk tolerance is defined as the expected maximum loss, as measured by the Conditional Value-at-Risk (CVaR), at the portfolio’s investment horizon, not to exceed 1% at portfolio’s investment horizon, with 99% confidence.

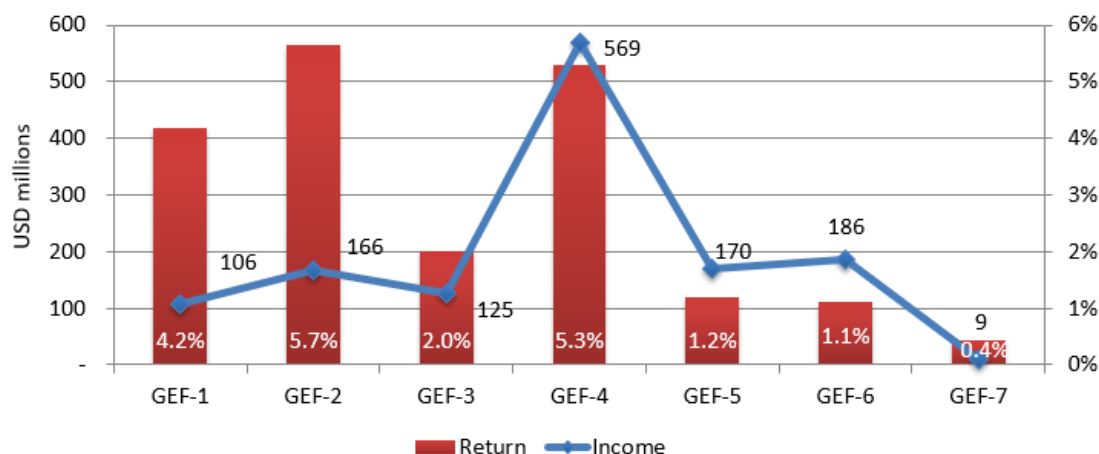
³ Mark-to-market returns or losses represent unrealized returns or losses reported via accounting entries rather than the actual sale of a security.

⁴ The negative position in swaps as of March 31, 2018 is primarily due to changes in foreign currency exchange (FX) rates in cross currency basis swaps. Such swap instruments are used to implement currency hedges on bond positions within the portfolio.



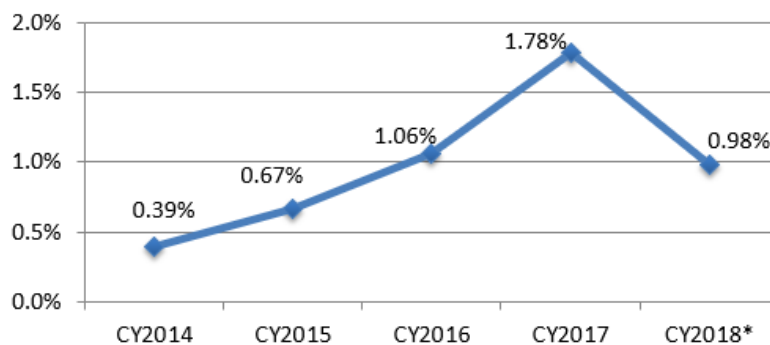
INVESTMENT INCOME

Cumulative investment income earned since the beginning of GEF Pilot phase through September 30, 2018 is USD 1,364 million. In the GEF-6 replenishment period, USD 186 million had been earned representing a 1.1% average return. In the GEF-7 period the investment income received is USD 9.1 million, representing a 0.4% average return.



INVESTMENT RETURNS

GEF Trust Fund investment returns for calendar year 2017 posted an increase compared to the previous years with a return 1.78%. For the first nine months of 2018, the investment return was 0.98%. The investment portfolio has maintained a defensive stance since early 2016, in terms of smaller risk positioning and shorter time horizons, in an environment of lingering volatility and reduced liquidity.



*non-annualized investment returns as of September 30, 2018

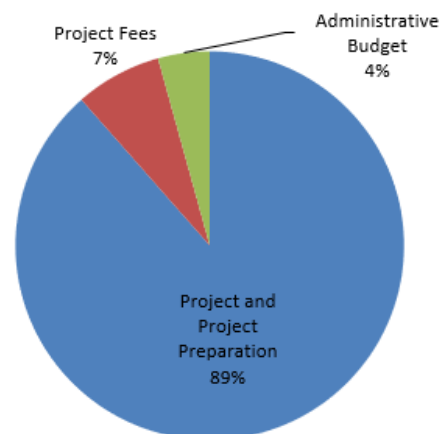
Returns are expected to be modest going forward as the risk of rising market yields remains elevated, with an adverse effect on total portfolio returns due to lower bond prices.



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

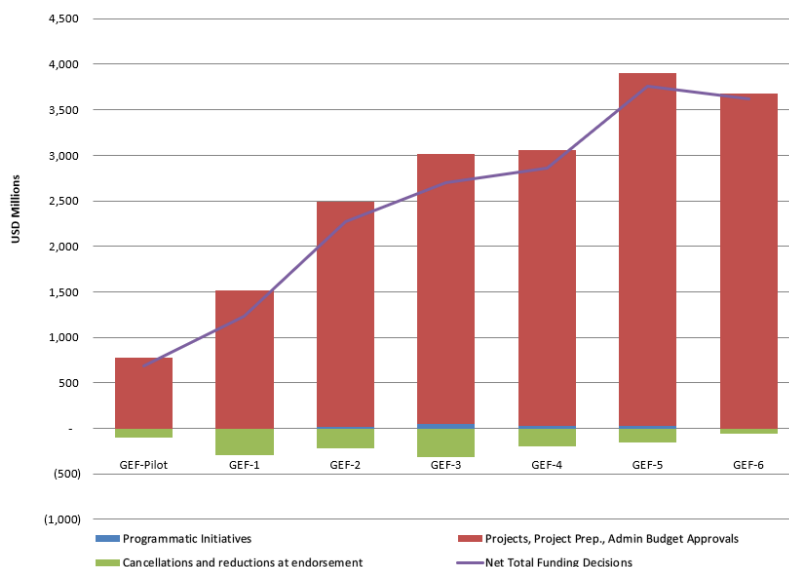
CUMULATIVE FUNDING DECISIONS

Since inception to September 30, 2018 funding approvals made by the Council and CEO total USD 18,454 million, of which 89% was approved for Projects and Project Preparation activities, 7% for Agency Fees and 4% for Administrative budgets.



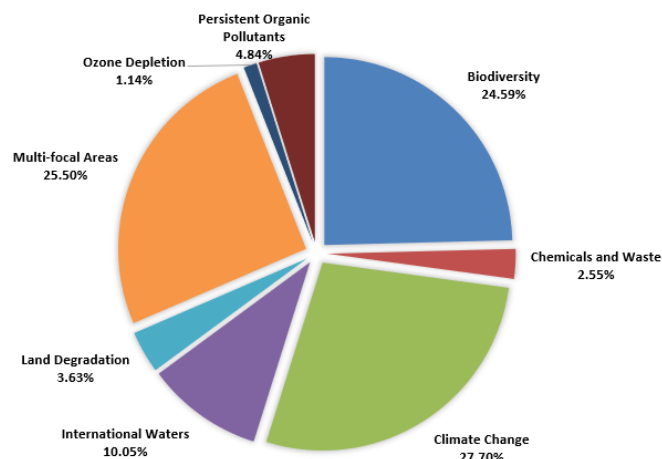
FUNDING DECISIONS BY REPLENISHMENT

Funding decisions by replenishment show the cumulative Project/Program funding decisions of USD 17,140 million net of cancellations and reductions at endorsement of USD 1,326 million, and including pending decisions on intersessional and Council meetings of USD 12 million.



FUNDING DECISIONS BY FOCAL AREA

Funding Decisions by Focal Area show cumulative funding for projects only, and exclude fees. Projects in the areas of climate change, multi-focal areas, and biodiversity represent approximately 78% of the cumulative funding approved to date.

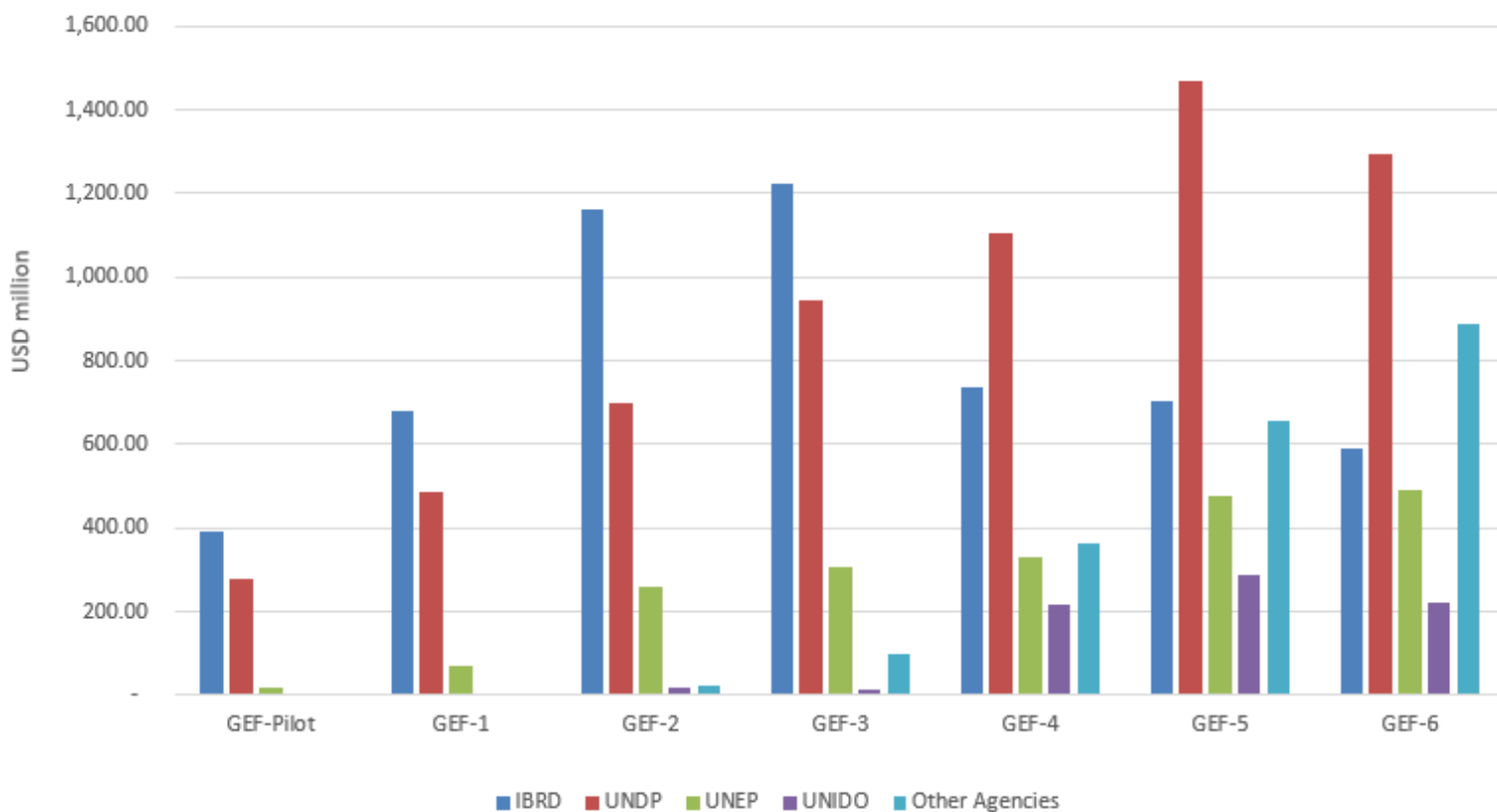
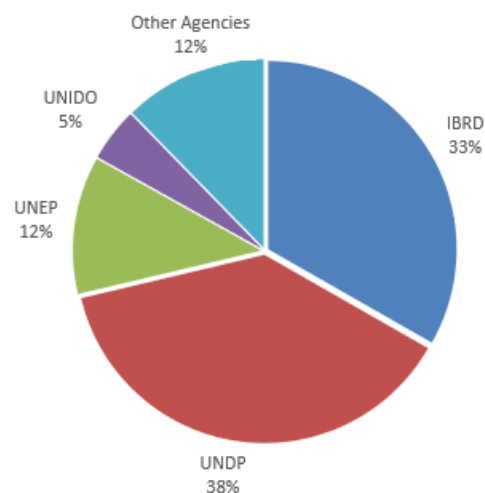




FUNDING DECISIONS BY AGENCY

71% of the cumulative approvals for projects (including related fees) were for implementation by IBRD and UNDP. UNEP's share of the total is 12% while the remaining Agencies implemented 17% of the funding.

The Agencies' share of funding approvals changes over time. IBRD's share fell from 61% in the GEF Pilot to 17% in GEF-6. UNDP's share decreased from 40% in the GEF Pilot to 37% in GEF-6. UNEP's share increased from 3% in the GEF Pilot to 14% in GEF-6. The combined share of other Agencies increased from 1% in GEF-2 to 25% in GEF-6.

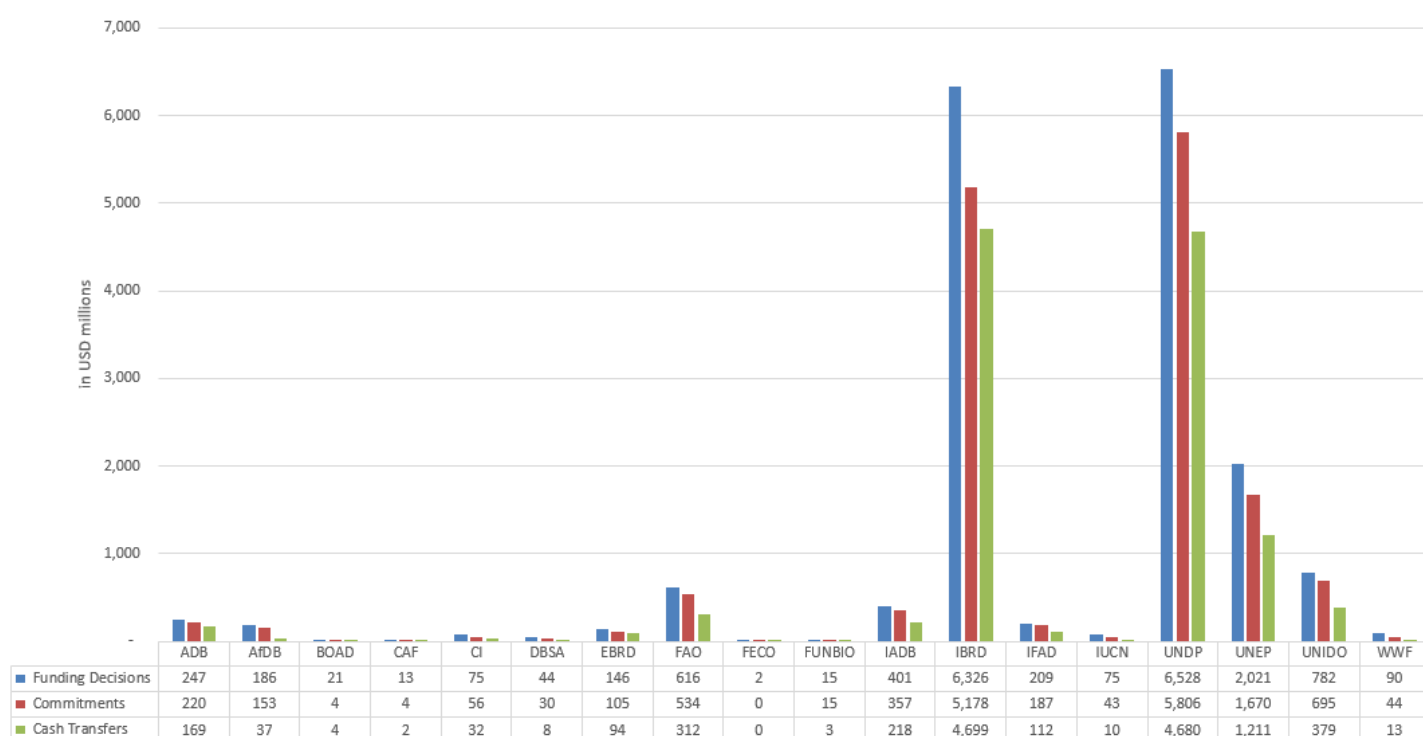




FUNDING DECISIONS, TRUSTEE COMMITMENTS AND CASH TRANSFERS TO AGENCIES

Funding Decisions, Trustee Commitments and Cash Transfers show the cumulative funding decision (by Council and CEO), commitments, and cash transfers to the GEF Agencies since inception.

As of September 30, 2018, cumulative funding decisions (gross)⁵ to Agencies comprising of Projects, Project Preparation Grants, and Agency Fees excluding administrative expenses and funding allocations to the GEF secretariat totaled USD ⁶17,796 million. Of this amount, USD 15,102 million had been committed following the approval or endorsement by the GEF CEO. At the request of Agencies, a total amount of USD 11,983 million had been transferred.



⁵ Reflects initial Council and CEO approvals prior to drops and subsequent cancellations.

⁶ Excludes the program/umbrella balances.



3. Funding Availability

In USD millions

	As of Sep 30, 2018 (a)	As of Mar 31, 2018 (b)	Change (a) - (b)
1. Funds Held In Trust	4,792	4,877	(85)
a. Cash and investments	3,520	3,419	101
b. Unencashed promissory notes	1,271	1,458	(186)
2. Restricted Funds	125	291	(166)
a. Deferred Contribution in respect to the pro rata right	-	141 ^{a/}	(141)
b. Reserve to cover foreign exchange rate fluctuations	125	150	(25)
3. Funds Held in Trust with no Restrictions (3 = 1 - 2)	4,666	4,586	81
4. Approved Amounts Pending Cash Transfers to Agencies	4,378	4,676	(299)
a. Trustee committed	3,129	3,173	(45)
b. Approved by Council but not yet CEO Endorsed	1,237	1,491	(254)
c. Requested amounts for financing pending decision	12	12	-
5. Funds Available to Support Council or CEO Decisions (5 = 3 - 4)	289	(91) ^{b/}	380

a/ In March 2018, Japan deferred its 4th installment to the GEF-6 amounting to USDeq. 141 million.

b/ Negative due to a contributing participant exercising deferral rights

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

Highlights for the period April 1, 2018 through September 30, 2018:

- **Funding Availability** increased by USDeq. 380 million over the prior reporting period as a result of:
 - A net decrease in **Approved Amounts Pending Cash Transfers to Agencies** by USD 299 million reflecting transfer to Agencies during this period;
 - Decrease in **Restricted Funds** by USD 166 million due to the release of the USD 141 million Deferred Contributions under GEF-6 and adjustments to the reserve amount to cover foreign exchange rate fluctuations; and
 - A net decrease in **Funds Held in Trust** by USD eq. 85 million driven by contributions receipts and cash transfers.



4. GEF-7 Specific Funding Decisions as of September 30, 2018

In USD millions

1. Target Replenishment Funding a/			4,068
2. Projected Available Resources during the GEF-7 Period			3,960
Estimated Funds Available to Support Council or CEO Financing Decisions			289
	Potential Amount Available	of which Projected to be Available	
Receivables			547
Arrears b/	141	141	
GEF-6 Installments past due c/	2	2	
GEF-6 Installments due in FY19 c/	5	5	
GEF-7 IoCs submitted	399	399	
IoCs not yet Deposited with the Trustee			2,898
GEF-7 d/	2,848	2,848	
Previous Replenishments e/	49	49	
Projected Investment Income	140	140	140
Others f/	85	85	85
Total	3,671	3,671	
3. GEF-7 Specific Funding Decisions			-
Approvals by Council			-
Projects and Fees			-
Admin. Budget			-
Special Initiatives			-
Programmatic Initiatives			-
Approvals by CEO			-
Projects and Fees (MSPs. EEAs)			-
Project Preparation Activities and Fees			-
Net Changes to Initial Approvals g/			-
Reductions (cancellations) on GEF-7			-
Pending decisions on Intersessional and Council meetings			-
Projects, Fees, Admin Budget, Special Initiatives, Programmatic Initiatives			-
4. GEF-7 "Envelope" as of September 30, 2018 (4 = 2 + 3) h/			3,960
5. Changes in funding envelope (USDeq.) in GEF-7 period (5 = 4 - 1) i/			(108)
<p>a/ Represents the target replenishment level as agreed, including new resources from donors, projected investment income, and carryover of amounts from previous replenishments.</p> <p>b/ Includes arrears from the US for GEF-2 in the amount of USD 135 million, Egypt for GEF-1 in the amount of SDR 0.5 million, Nigeria for GEF-3 in the amount of SDR 0.7 million and Pakistan for GEF-5 in the amount of SDR 4 million.</p> <p>c/ Includes past due installments from Pakistan and Korea in the amount of USD 0.2 million and USD 2.15 million respectively. It also includes installment amount from Spain amounting to EUR 4.5 million during FY19.</p> <p>d/ Represents GEF-7 IoCs to be received by the Trustee as of September 30, 2018.</p> <p>e/ GEF-6 IoCs not received from Brazil and Russia, GEF-5 IOCs not received from Greece, Nigeria, and Portugal and GEF-4 IoC not received from Nigeria.</p> <p>f/ Projected reflows and funding cancellations from previous replenishments anticipated during GEF-7 period.</p> <p>g/ To fit the GEF Secretariat's STAR model, net changes to pre-GEF-7 projects were excluded from the calculation.</p> <p>h/ Resources are revalued based on exchange rates as of September 30, 2018.</p> <p>i/ The change in envelope is largely due to currency exchange rate movement since GEF-7 exchange rate period.</p>			

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