



GEF/ A.4/6
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Fourth GEF Assembly
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Agenda Item 13

GEF-4 FUNDING RETROSPECTIVE

(PREPARED BY THE TRUSTEE)

I. GEF-4 REPLENISHMENT SUMMARY

1. Contributing Participants to the Fourth Replenishment of the GEF Trust Fund (“GEF-4”) agreed to provide resources to the GEF Trust Fund for grant and other financing to GEF recipient countries between July 1, 2006 and June 30, 2010. The agreed total grant envelope for the GEF-4 period was SDR 2.14 billion (USDeq. 3.14 billion). This envelope included new pledges, carryover amounts, and projected investment income.
2. Contributing Participants completed the GEF-4 negotiations on August 23, 2006. On August 28, 2006, the Council endorsed the replenishment document and asked the CEO/Chairman of the Facility to transmit the document to the World Bank with a request that the Executive Directors of the World Bank be invited to authorize the World Bank, as Trustee of the GEF Trust Fund, to manage the resources made available under the GEF-4. The World Bank Executive Directors adopted the GEF-4 resolution on October 19, 2006.
3. The GEF Council commenced funding of GEF activities under the GEF-4 on November 30, 2006 when the Advance Contribution Scheme became effective. This provision of the replenishment allows the Council to begin operating based on a portion of deposited instruments of commitment and using a portion of GEF-4 funds until the replenishment reaches full effectiveness. The Advance Contribution Scheme became effective when 12 Contributing Participants provided advance contributions amounting to 20 percent of the total contributions to the GEF-4.
4. The Fourth Replenishment became effective on February 8, 2007, when Contributing Participants, whose contributions aggregated more than sixty percent of the total contributions of all Contributing Participants, had deposited with the Trustee Instruments of Commitment or Qualified Instruments of Commitment.
5. As of April 30, 2010, 31 out of 33 Contributing Participants had fully authorized their commitments to the GEF-4 replenishment and deposited Instruments of Commitment. Of these commitments, approximately 95% has been paid. The remaining amount, representing 5% of the total authorized commitments, is projected to be paid before the end of the GEF-4 replenishment period.

II. GEF-4 REPLENISHMENT LEVEL

6. The original expected resources to be available to the GEF Trust Fund during the GEF-4 commitment period totaled SDR 2.14 billion (USDeq. 3.14 billion) comprising (i) new pledges from Contributing Participants totaling SDR 1.56 billion (USDeq. 2.29 billion); (ii) a carryover from the GEF-3 replenishment¹ totaling SDR 326 million (USDeq. 478 million); and (iii) projected investment income of SDR 251 million (USDeq. 368 million). Resources were to become available on an annual basis throughout the four-year replenishment period.

¹ The carryover from the GEF-3 comprised (i) paid contributions that were unallocated at the end of the GEF-3 commitment period (June 30, 2006), (ii) unpaid GEF-3 contributions, and (iii) GEF-3 contributions deferred from commitment.

7. Table 1 shows the current USD value of the GEF-4 Envelope as of March 31, 2010 and projected funding availability between April 1, 2010 and June 30, 2010 (the end of the GEF-4 period). As mentioned above, the target replenishment level as agreed in the GEF-4 replenishment document was USDeq. 3.14 billion; the current value of the projected GEF-4 envelope is USDeq. 3.2 billion, with an excess of approximately USDeq. 101 million, an increase to the envelope of approximately 3.5%. The primary reason for the additional amount in excess is that investment income earned during the replenishment period was higher than the amount projected.

8. If all donors had paid as pledged, the projected GEF-4 Envelope as of March 31, 2010 balance would have been USDeq. 3.61 billion, implying a balance over the envelope of USDeq. 511 million.

9. In the GEF-4 period, investment returns have exceeded the projected amount for two reasons. First, there have been somewhat higher liquidity balances in the trust fund than estimated, as a number of donors decided to pay in cash over four years instead of paying by promissory note. Second, the financial crisis contributed to an increase in investment returns in 2008 due to a tightening of credit spreads for high-quality assets, combined with a sharp reduction in market interest rates. These factors together led to mark-to-market gains on the bond portfolio. Additional investment income, although at lower expected rates, will accrue for the remaining two months of the GEF-4 period. Table 2 compares the projected and actual investment income balances for different replenishments, including for GEF-4 as of March 31, 2010.

10. In addition to investment income, the GEF benefitted from foreign currency exchange movements against the US dollar, which is the holding and operating currency of the GEF Trust Fund. During most of the GEF-4 period, the US dollar was relatively weak against other currencies, with some net strengthening of non-USD currencies between the time the replenishment was agreed and the actual time of cash payments of the contributions. Upon receipt of a non-USD cash asset, the Trustee converts the funds into USD, removing any further risk of mismatching GEF assets to liabilities. Prior to that conversion, currency mismatch risk exists because USD set-aside amounts arising from Council or CEO funding decisions are funded, in part, against the outstanding balances of promissory notes in other currencies.

Table 1: GEF-4 Specific Funding Decisions Status as of March 31, 2010 (in US\$ eq. millions)			
1. Target Replenishment Funding a/			3,100
2. Projected Available Resources During Remaining GEF-4 Period			386
<u>Estimated Funds available to support Council or CEO Financing Decisions</u>			21
	Potential Amount Available	of which Projected to be Available	
<u>Receivables</u>			218
- Arrears	257	87 b/	
- Due within 6 months c/	131	131	
- Due between 7 and 12 months	-	-	
- Due between 13 and 18 months	-	-	
<u>Release of Deferred Contributions</u>			15
- Deferred Contributions	247	15 d/	
<u>IoCs not yet Deposited with the Trustee e/</u>	129	123	123
<u>Projected Investment Income</u>	10	10	10
<u>Total</u>	775	366	
3. GEF-4 Specific Funding Decisions			2,815
<u>Approvals by Council</u>			2,638
- Projects + Fees		1,575	
- Admin. Budget		67	
- Special Initiatives		4	
- Programmatic Initiatives		992	
<u>Approvals by CEO</u>			187
- Projects + Fees (MSPs, EEAs)		161	
- Project Preparation Activities + Fees		26	
<u>Net Changes to Initial Approvals f/</u>			(10)
- Net amount increase (decrease) on GEF-4 projects		(22)	
- Net amount increase [decrease] on GEF-4 projects at time of Endorsement		(4)	
- Additional allocations on GEF-4 projects or PPGs		10	
- Additional allocations on pre-GEF-4 projects or PPGs		6	
Pending decisions on Intersessionals and Council meetings			-
- Projects, Fees, Admin Budget, Spcl Initiatives, Programmatic Initiatives		-	
4. Projected GEF-4 "Envelope" as of March 31, 2010 (4 = 2 + 3)			3,201
5. Excess or (Shortfall) as Measured Against the Target in Line 1 (5 = 4 - 1)			101
a/ Represents the target replenishment level as agreed, including new resources from Donors, projected investment income, and carryover of amounts from previous replenishments. b/ Represents the amounts that were due from United States on April 15, 2007 and November 30, 2009, which are expected to be paid in full. This amount also includes USD 5.7 million of United States arrears from GEF-2. c/ Represents the remaining amounts from the fourth instalment. d/ Represents deferred contributions projected to be released based on United States projected GEF-2 arrears payment and Austria's request to release all of its deferred contributions. e/ Represents IoCs not yet received by the Trustee from Italy (EUR 88 million), Nigeria (SDR 4 million) and Pakistan (PKR 350 million). The amount projected to be available comprises of Italy (USD eq. 119 million) and Pakistan (USD eq. 4 million). f/ To fit the GEF Secretariat's RAF model, pre-GEF-4 project net changes were excluded from the calculation. The total reductions to initial approvals (including GEF-4 and pre-GEF-4 projects) is USD 262 million.			

Table 2: GEF Trust Fund Investment Income (FY basis) a/
Status as of March 31, 2010 (in USD millions)

	<u>Investment Income</u>		<u>Rate of Return</u>	
	<u>Projected</u>	<u>Realized</u>		
GEF-1	- b/	106	4.2%	d/
GEF-2	- b/	166	5.7%	d/
GEF-3	130	125	1.9%	d/
GEF-4	<u>368</u>	<u>525</u> c/	5.3%	e/
Total	498	923 a/		

a/ Total Investment Income does not include investment income earned during the Pilot Phase (USD 31 million). Total Investment Income as of March 31, 2010, including Pilot Phase, amounts to USD 954 million.

b/ Projected investment income was not included as a financial component in the GEF-1 and GEF-2 replenishment agreements.

c/ This amount includes realized investment income as of March 31, 2010.

d/ Rate of return calculated using average annual trust fund balance for each replenishment period.

e/ Rate of return as of March 31, 2010.

III. Current Funding Availability and Resource Planning

11. Table 3 below shows the Funds Held in Trust balance and the projected funds available on June 30, 2010. The funds available to support Council or CEO funding decisions as of March 31, 2010 amount to USDeq. 21 million.

12. In order to estimate the funds available balance as of June 30, 2010, the Trustee takes into account (i) the estimated inflows, such as the projected donor payments and investment income, and releases of deferred contribution funds, such as the deferred contribution from Austria and (ii) the estimated funding decisions by the Council and CEO, between March 31, and June 30, 2010. Consequently, the estimated funds available at the end of the GEF-4 period are USDeq. 116 million, which is expected to be carried over into the GEF-5 replenishment period to support GEF-5 activities and work programs.

Table 3: GEF Trust Fund – Schedule of Funds Available

Updated as of March 31, 2010 (in USDeq. millions)

	<u>As of March 31, 2010</u>	
		<u>USDeq. a/</u>
<u>1. Funds held in Trust</u>		3,964
a. Cash and investments	3,026	
b. Unencashed Promissory notes	938	
<u>2. Restricted Funds</u>		292
a. Deferred contributions in respect to the pro rata right	247	
b. Reserve to cover foreign exchange rate fluctuations	45	
<u>3. Funds held in Trust with no restrictions (3 = 1 - 2)</u>		3,672
<u>4. Approved amounts pending disbursement</u>		3,651
a. Trustee Committed	2,218	
b. Approved by Council but not yet CEO Endorsed	1,433	
c. Requested amounts for financing pending Council Decision b/	-	
<u>5. Funds available to support Council or CEO funding decisions (5 = 3 - 4)</u>		21
Projected until the end of the GEF-4 Period (June 30, 2010)		
<u>6. Total Estimated Inflows</u>		246
a. Released Deferred Contribution from Austria	6	
b. Projected Donor Resources	215	
c. Projected Investment Income	10	
d. Projected Pro rata Release of Deferred Contributions	15	
<u>7. Estimated Funding Decisions</u>		150
<u>8. Estimated Funds Available on June 30, 2010 (8 = 5 + 6 - 7)</u>		116
a/ Valued on the basis of exchange rates of March 31, 2010		
b/ Represents either semiannual work program presented to Council or Intersessional work program.		

IV. OVERVIEW OF GEF CUMULATIVE RESOURCES AND FUNDING DECISIONS

13. The operating currency of the GEF is the US dollar, which means that programming and allocation of GEF resources are measured in US dollars. The corresponding Commitment Authority of the GEF is monitored and reported in US dollars.

14. Table 4 shows the total cumulative resources of the GEF Trust Fund and the cumulative funding decisions made since inception. Cumulative resources, including resources not yet received, amount to USDeq. 10.46 billion. This amount includes

promissory notes, cash, note encashments, investment income earned on the liquid asset portfolio of the Trust Fund,² and both investment income and exchange rate gains and losses from the Pilot Phase, GEF-1, GEF-2, GEF-3, and GEF-4. It does not include, however, arrears or contributions deferred from commitment.

Table 4: Cumulative Resources and Funding Decisions		
Inception to March 31, 2010 (in USDeq. millions)		
1. Target Programming Level a/		10,115
2. Cumulative Resources b/		10,464
<u>Resources not yet received</u>		<u>260</u>
IoCs not yet Deposited with the Trustee	129	
Installment Receivables c/	131	
<u>Resources received d/</u>		<u>10,203</u>
Cash receipts from Installments and Encashments	8,312	
Unenchashed Promissory Notes	938	
Investment Income Earned on Undisbursed Balances of GEF Funds e/	954	
3. Cumulative Funding Decisions		9,907
Approvals by Council and CEO	10,625	
Cancellations	(718)	
Pending decisions on Intersessionals and Council meetings	-	
4. Cumulative Resources Net of Funding Decisions (4 = 2 - 3)		557
5. Excess (shortfall) as Measured Against the Target in Line 1 (5 = 2 - 1)		348
<p>a/ This amount represents the <u>targeted new resources</u> as agreed by Donors during replenishment discussions; it excludes the agreed carryover of arrears, deferred contributions, and paid-in funds not yet set aside.</p> <p>b/ This amount represents the actual USD value of resources to the GEF Trust Fund since the Pilot Phase of the GEF.</p> <p>c/ Represents IoCs deposited with the Trustee but not yet converted into cash or note.</p> <p>d/ Includes restricted contributions that are not yet available to support GEF operations.</p> <p>e/ Includes realized investment income from Pilot Phase to March 31, 2010.</p>		

15. The cumulative funding decisions by the Council and the CEO of the GEF Trust Fund as of March 31, 2010 amounted to USD 9.9 billion, or 95% of cumulative resources. This amount includes project allocations, cancellations, corporate budget allocations, special initiatives, Implementing and Executing Agency fees, and a one-time Implementing Agency fee provision.

16. Table 5 and Chart 1 show the breakdown of Council and CEO cumulative funding decisions by focal area, taking into account only the amounts approved for projects (i.e. excluding fees). Projects in the areas of biodiversity and climate change represent approximately 69% of the cumulative funding approved to date.

² As agreed in the GEF-4 replenishment resolution, commitment authority is increased by income earned on the investment of resources held in the GEF Trust Fund pending disbursement or transfer of such resources by the Trustee.

Table 5: Project Funding Decisions by Focal Area

Inception to March 31, 2010 (in USD millions)

Focal Area	Funding Decisions a/	Percentage
Biodiversity	2,903	36%
Climate Change	2,720	33%
International Waters	917	11%
Land Degradation	145	2%
Multi-focal Areas	915	11%
Ozone Depletion	171	2%
Persistent Organic Pollutants	356	4%
Total	8,127	

a/ Includes Funding Decisions for Projects attached to Programmatic Initiatives. Only Project and Project Preparation amounts were included.

Chart 1: Project Funding Decisions by Focal Area

