



Global Agriculture and Food Security Program Trust Fund

Public Sector Window

Financial Report

Prepared by the Trustee

*As of June 30, 2016*



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## Introduction

The GAFSP Trust Fund (“Trust Fund”) was established as a Financial Intermediary Fund (FIF) in April 2010 in the World Bank. The GAFSP is a multilateral mechanism to assist in the implementation of pledges made by the G20 in Pittsburgh in September 2009. The objective is to address the underfunding of country and regional agriculture and food security strategic investment plans already being developed by countries in consultation with donors and other stakeholders at the country-level. The GAFSP operates through two windows: Public Sector Window and Private Sector Window. The Public Sector Window is managed under the Trust Fund while the Private Sector Window is managed by the IFC. This report covers only the Public Sector Window.

The report is produced by the Trustee in accordance with the Trustee’s role in the GAFSP Governance Document as set forth under Section 5, which states:

*“The Trustee will provide to the Steering Committee regular reports on the financial status of the Trust Fund, as set forth in the Contribution Agreements.”*

Section 9 of the Standard Provisions in the Contribution Agreements for the Public Sector Window states as follows:

*“The Trustee shall maintain separate records and ledger accounts in respect of the Trust Fund funds deposited in the Trust Fund and disbursements made therefrom. The Trustee shall report to the Steering Committee annually unless otherwise agreed between the Trustee and the Steering Committee, on the status of Allocations of funding recorded by the Trustee, commitments and transfers from the Trust Fund and receipts of funds in the Trust Fund.”*



## GAFSP Trust Fund Financial Summary as of June 30, 2016

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

A pledge represents a donor's expression of intent to make a contribution. Pledges are converted to Contributions by way of a countersigned Contribution Agreement/Arrangement. The contributions to the Public Sector Window of the Trust Fund total USD eq. 1,241.4 million.

Of this amount, as of June 30, 2016, donors have paid USD eq. 1,221.0 million.

### ***Investment Income:***

As of June 30, 2016, the Trust Fund earned investment income of approximately USD 11.5 million on the undisbursed balance of the Trust Fund. The Trust Fund liquid portfolio has returned 0.81% for the first two quarters of calendar year 2016. The Trust Fund balance is allocated to a range of high quality money market and fixed income securities with the goal of enhancing investment returns subject to the over-arching objective of preserving the capital and ensuring timely availability of cash when needed.

### ***Funding Approvals:***

The cumulative funding decisions made by the GAFSP Steering Committee ("Steering Committee") through June 30, 2016 totaled USD 1,115.3 million, of which USD 1,035.6 million represents allocations for projects, USD 49.9 million for Supervising Entity fees and USD 29.8 million for administrative budget, including monitoring and evaluation budget.

### ***Cash Transfers:***

The Trustee has transferred a total of USD 599.3 million up to June 30, 2016, including USD 521.4 million related to projects.

### ***Funds Held in Trust:***

***Funds Held in Trust***<sup>1</sup> reflect contributions paid-in from donors, investment income and cash transfers. Funds Held in Trust as of June 30, 2016 amounted to USD 633.2 million.

### ***Funds Available for Steering Committee Funding Decisions:***

***Funds available*** to support Steering Committee funding decisions amounted to USD 117.2 million as of June 30, 2016.

<sup>1</sup> Funds Held in Trust represents balance of cash, investments and unencashed promissory notes (if any) as of the reporting date.



## 1. GAFSP Trust Fund Summary – Inception through June 30, 2016

*In USD millions*

	Total	% of Total
<b><u>Donor Pledges and Contributions</u></b>		
Contributions	1,241.4	100.0%
Pledges	-	0.0%
<b>Total Pledges and Contributions</b>	<b><u>1,241.4</u></b>	<b><u>100.0%</u></b>

<b><u>Cumulative Resources</u></b>		
<u>Resources received</u>		
Cash Receipts	1,221.0	97.5%
Investment Income earned	11.5	0.9%
<b>Total Resources Received</b>	<b><u>1,232.5</u></b>	<b><u>98.4%</u></b>
<u>Resources not yet received</u>		
Contributions not yet paid	20.4	1.6%
Pledges	-	0.0%
Total resources not yet received	20.4	1.6%
<b>Total Potential Resources (A) (in USD millions)</b>	<b><u>1,252.9</u></b>	<b><u>100.0%</u></b>

<b><u>Cumulative Funding Decisions</u></b>		
Projects	1,035.6	92.9%
Fees	49.9	4.5%
Trustee and Coordination Unit Budget	17.8	1.6%
Monitoring and Evaluation Budget	12.0	1.1%
<b>Total Funding Decisions Net of Cancellations (B)</b>	<b><u>1,115.3</u></b>	<b><u>100.0%</u></b>
<b>Total Potential Resources Net of Funding Decisions (A) - (B)</b>	<b><u>137.6</u></b>	

<b><u>Funds Available</u></b>		
Funds Held in Trust with no restrictions	633.2	
Approved Amounts Pending Cash Transfers	516.0	
<b>Total Funds Available to Support GAFSP Steering Committee Decisions</b>	<b>117.2</b>	

Note: Sub-totals may not add up due to rounding



## 2. Contributions

### Contributions to the Public Sector Window as of June 30, 2016 (in millions)

<u>Contributor</u>	<u>Currency</u>	<u>Effective (or signed) Contributions in Currency of Contribution</u>	<u>Receipts in Currency of Contribution</u>	<u>Outstanding Contributions in Currency of Contribution</u>	<u>Outstanding Contributions in USDeq. a/</u>	<u>Receipts in USDeq. b/</u>
Australia	AUD	100.0	100.0	-	-	98.4
Canada	CAD	205.0	205.0	-	-	201.5
Gates Foundation	USD	70.0	70.0	-	-	70.0
Germany	EUR	35.0	27.0	8.0	8.9	30.9
Ireland	EUR	1.5	1.5	-	-	2.0
Korea	USD	83.9	83.9	-	-	83.9
Spain	EUR	70.0	70.0	-	-	94.2
United Kingdom	GBP	42.5	34.0	8.5	11.5	51.9
United States	USD	588.2	588.2	-	-	588.2
<b>Total</b>					<b>20.4</b>	<b>1,221.0</b>

a/ Valued on the basis of exchange rates as of June 30, 2016

b/ Represents actual USD receipts

Note: totals may not add up due to rounding

### HIGHLIGHTS FOR THE PERIOD JANUARY 1, 2016 TO JUNE 30, 2016:

- The Trustee executed additional contribution agreements with the United States totaling USD 21.5 million which has been paid into the Trust Fund.
- EUR 13.6 million from Germany representing payment of their 2016 installment, and GBP 8.5 million from the United Kingdom representing payment of their 2017 installment was received by the Trustee in February 2016 and April 2016, respectively.
- Korea's final installment payment of USD 2 million was paid into the Trust Fund in February 2016.



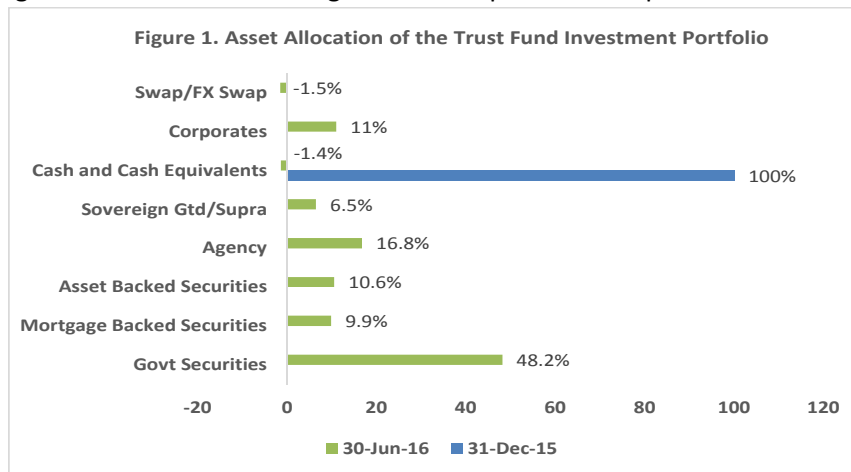
### 3. Asset Mix and Investment Income

#### ASSET MIX

Cash assets held in trust by the World Bank (as the Trustee) are maintained in a commingled investment portfolio (the “Pool”) for all trust funds administered by the World Bank. The assets in the Pool are managed in accordance with the investment strategy established for all trust funds administered by the World Bank.

Following the Joint Steering Committee and Donor Committee meeting in January 2016, the Trust Fund investments have been included in the Pool’s longer-term model portfolios. The Trust Fund balance is currently invested across three of the Pool’s investment model portfolios (“Model Portfolio 0” (MP0) with an investment horizon of up to three months, “Model Portfolio 1” (MP1) with an investment horizon of one year, and “Model Portfolio 2” (MP2) with an investment horizon of three years). While MP0 has the objective of ensuring timely availability of funds to meet the short-term cash flow needs, MP1 and MP2 aim to enhance returns subject to capital preservation with a high degree of confidence (based on statistical models) over the respective investment horizons. Preservation of capital is seen as the primary investment objective. Consequently, the Trust Funds investment portfolios are managed to conservative overall risk tolerance parameters.<sup>2</sup>

The Trust Fund assets are invested in high grade fixed income and money market instruments. Currently, these instruments include high quality securities that are issued by sovereign governments, government agencies, as well as multilateral and other official institutions. In addition, eligible instruments include asset-backed and agency-guaranteed mortgage-backed securities, as well as swaps and a range of other derivative instruments related to investments and which are used to manage the interest rate risk. Figure 1 below presents the portfolio allocation by asset class.



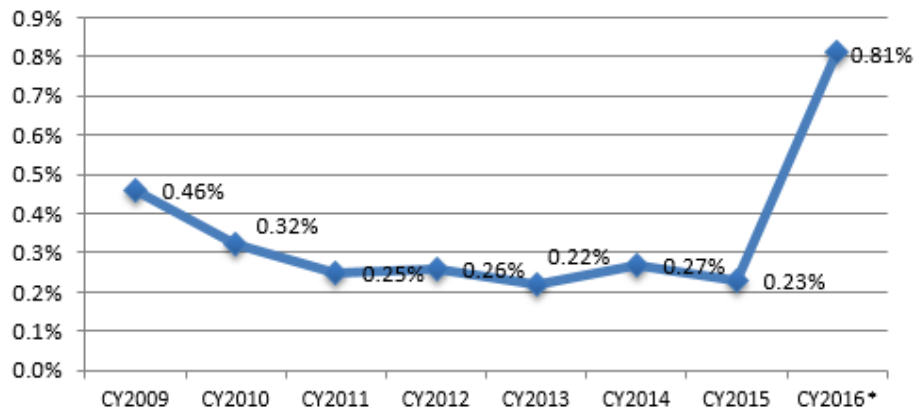
*Note: The negative position in swaps is primarily due to changes in foreign currency exchange (FX) rates in cross currency basis swaps. Such swap instruments are used to implement currency hedges on bond positions within the portfolio. These hedges remain in place. The negative allocation to cash and cash equivalents is a result of repurchase agreements that are used to purchase yield enhancing securities.*

<sup>2</sup> Generating enhanced investment returns while adhering to the investment objective of capital preservation and ensuring sufficient liquidity to meet foreseeable cash flow needs is undertaken within a conservative risk management framework which limits the estimated average loss to the portfolio in the worst 1% of loss events. The Conditional Value-at-Risk (CVaR) measure is the primary risk constraint used in the management of trust fund model portfolios. MP1 and MP2 have 99% CVaR measures of no greater than -0.25% and -1.00%, respectively.



## INVESTMENT RETURNS

The Trust Fund liquid portfolio (which totaled approximately USD 633.2 million at end-June 2016) earned approximately USD 11.5 million in investment income since inception. The portfolio return during the first six months of 2016 was about 0.81%, or approximately USD 3.1 million, and was driven primarily by investments in longer term tranches.



\*non-annualized





## 4. Cumulative Funding Decisions

In USD millions

Projects	Supervising Entity	Amount	% of Total Projects by Country
Bangladesh	WB	46.3	4%
	FAO	3.7	0%
Benin	AFDB	24.0	2%
Burkina Faso	WB	37.1	4%
Burundi	IFAD	30.0	3%
Cambodia	ADB	39.1	4%
Ethiopia	WB	50.0	5%
	FAO	1.5	0%
The Gambia	AFDB	26.6	3%
	FAO	1.4	0%
Haiti	WB	10.0	1%
	IDB	25.0	2%
Honduras	WB	30.0	3%
Kyrgyz Republic	WB	38.0	4%
Laos	IFAD	24.0	2%
	WFP	6.0	1%
Liberia	AFDB	46.5	4%
Malawi	AFDB	39.6	4%
Mali	AFDB	37.2	4%
Mongolia	WB	11.0	1%
	FAO	1.5	0%
Nepal	WB	46.5	4%
Nicaragua	WB	33.9	3%
Niger	AFDB	33.0	3%
Rwanda	WB	50.0	5%
Senegal	AFDB	40.0	4%
Sierra Leone	IFAD	50.0	5%
Tajikistan	WB	27.9	3%
Tanzania	WB	22.9	2%
Timor Leste	WB	21.0	2%
Togo	WB	20.0	2%
	IFAD	19.0	2%
Uganda	WB	27.6	3%
Zambia	AFDB	31.1	3%
Kenya	AFDB	22.8	2%
	FAO	a/	1.2
Yemen	WB	a/	36.0
Bhutan	WB/FAO	a/	8.0
Multi-Country	FAO	b/	0.1
Missing Middle		16.0	2%
		<b>1,035.6</b>	<b>100%</b>
			<b>% of Total Fees by SE</b>
<b>Fees</b>			
WB		26.2	53%
FAO		0.6	1%
IDB		1.2	2%
IFAD		6.2	12%
ADB		1.9	4%
AfDB		13.8	28%
		<b>49.9</b>	<b>100%</b>
<b>Administrative Budget</b>			
DIME		6.4	22%
Coordination Unit - Core	c/	14.6	49%
Coordination Unit - M&E		4.4	15%
Trustee		3.2	11%
Project Impact Evaluation		1.1	4%
		<b>29.8</b>	<b>100%</b>
<b>Total Funding Decisions</b>		<b>1,115.3</b>	

a/ Subject to the no-objection approval by the Steering Committee of the complete project document  
b/ Represents CSO budget for Asian Farmers Association and ROPPA  
c/ Includes budgets for CSOs and Technical Advisory Committee

Note: sub-totals may not add up due to rounding

### HIGHLIGHTS FOR THE PERIOD JANUARY 1, 2016 TO JUNE 30, 2016:

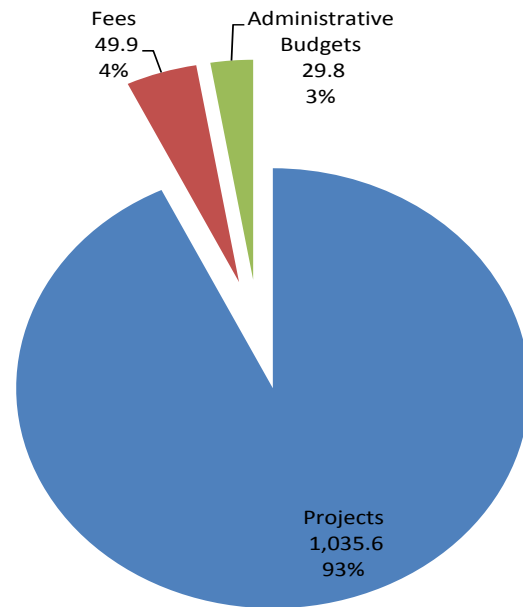
- Projects in Laos for 30 million (WFP and IFAD as Supervising Entities) and Timor-Leste for USD 21 million (WB as Supervising Entity) were approved by the Steering Committee.
- The Steering Committee also approved a budget of USD 0.3 million for impact evaluation of the Mongolia project.



In USD millions

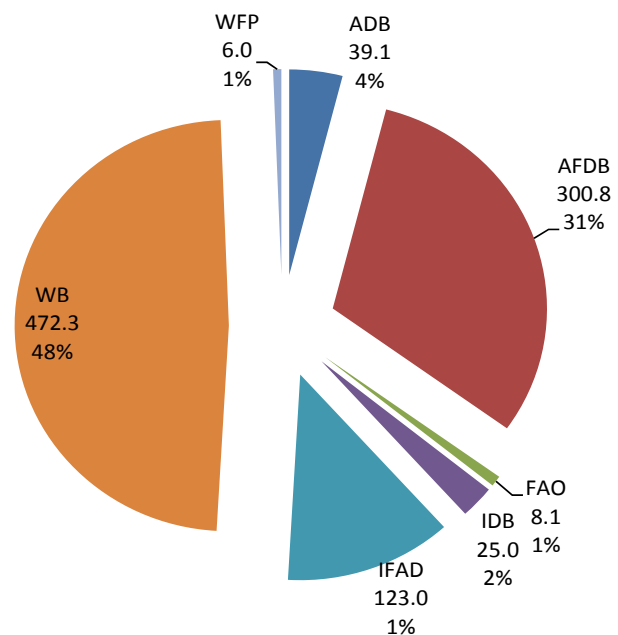
### CUMULATIVE FUNDING DECISIONS

Since inception to June 30, 2016 funding approvals made by the Steering Committee totaled USD 1,115.3 million. Projects represent about 93% of total allocations, fees for Supervising Entities represent 4%, and administrative budgets for the GAFSP Coordination Unit, Technical Advisory Committee, Civil Society Organizations, Trustee, and M&E work program make up 3% of the total funding approvals.



### PROJECT FUNDING DECISIONS BY SUPERVISING ENTITY

Funding decisions by Supervising Entity show the cumulative funding decisions related to projects that have been approved by the Steering Committee.



## 5. Funds Available

In USD millions

	<u>As of June 30, 2016</u>	<u>As of December 31, 2015</u>	<u>Changes since last report</u>
	(a)	(b)	(a) - (b)
<b>1. Cumulative Receipts</b>	<b>1,232.5</b>	<b>1,178.6</b>	<b>- 53.9</b>
a. Cash receipts from Contributors	1,221.0	1,170.2	50.8
b. Investment Income earned on undisbursed balances	11.5	8.4	3.1
<b>2. Cumulative Cash Transfer</b>	<b>599.3</b>	<b>426.6</b>	<b>172.8</b>
a. Projects	521.4	352.0	169.4
b. Fees	49.0	46.8	2.2
b. Administrative Budget	28.9	27.8	1.1
<b>3. Funds held in Trust ( 3 = 1 - 2 )</b>	<b>633.2</b>	<b>752.0</b>	<b>(118.9)</b>
<b>4. Financial Reserve</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>5. Funds held in Trust with no Restrictions ( 5 = 3 - 4 )</b>	<b>633.2</b>	<b>752.0</b>	<b>(118.9)</b>
<b>6. Funding Decisions pending Cash Transfer</b>	<b>516.0</b>	<b>672.3</b>	<b>(156.4)</b>
<b>7. Funds available to support SC funding decisions ( 7 = 5 - 6 )</b>	<b>117.2</b>	<b>79.7</b>	<b>37.5</b>

Note: sub-totals may not add up due to rounding

### HIGHLIGHTS FOR THE PERIOD JANUARY 1, 2016 THROUGH JUNE 30, 2016:

- **Funds Held in Trust** represent cumulative receipts less cumulative cash transfers, and amount to USD 633.2 million as of June 30, 2016. Funds Held in Trust decreased by USD 118.9 million due to:
  - Cash transfers during the period amounting to USD 172.8 million;
  - Offset by the receipt of additional contributions amounting to USD 50.8 million and additional investment income of approximately USD 3.1 million earned during the first two quarters of calendar year 2016.
- **Funding Availability** increased by USD 37.5 million over the prior reporting period due to:
  - The cumulative receipts of USD 53.9 million, including USD 50.8 million in contribution payments and USD 3.1 million in investment income; and
  - Offset by net funding decisions during the period amounting to USD 16.4 million



## Glossary

Term	Definition
Cash and Investments	The Trust Fund's share in the co-mingled cash and investment pool.
Cash Contribution	Contribution or Installment provided in the form of cash, including Encashments.
Cash Transfer	Cash payment made to a Supervising Entity under a Transfer Agreement or a Financial Procedures Agreement.
Contribution	The funds provided and to be provided by a Donor to a Trust Fund, as specified in the Contribution Agreement/ Arrangement, or in the Instrument of Commitment
Contribution Agreement/ Arrangement	An agreement or arrangement between a World Bank entity, as Trustee, and a Donor, setting forth specific terms for the receipt and use of a specific Contribution for a specific Trust Fund.
Contribution Paid-In	Contribution or Installment provided in the form of cash, Promissory Note or other instrument acceptable to the Trustee.
Contribution Receivable	Any portion of a Contribution that is not a Qualified Contribution to be received in the form of Cash or Promissory Note.
Financial Intermediary Fund (FIF)	Funds that involve financial engineering or complex finance schemes, or where the Bank provides a specified set of administrative, financial or operational services.
Funding Availability	Assets available to support funding decisions, as calculated under a specific basis of commitment.
Funds Held in Trust	Cash and Investments plus Promissory Notes Receivable.
Investment Income	Returns (realized and unrealized) on cash and investments, allocated to individual Trust Funds.
Pledge	A Donor's expression of its intention to make a Contribution.
Promissory Note	A document consisting of a promise to pay that is non-interest bearing and payable on demand.
Transfer Agreement / Arrangement	An agreement or arrangement between a World Bank entity, as Trustee, and a Supervising Entity for the commitment and transfer of funds by the Trustee to the Supervising Entity under terms that do not involve Bank responsibility post-transfer