

Second Meeting for the Eighth Replenishment of the GEF Trust Fund  
September 29 – October 1, 2021  
Virtual Meeting

## **GEF TRUST FUND FINANCIAL REPORT**

*Summary of Financial Information  
As of July 31, 2021*

(Prepared by the Trustee)



# Global Environment Facility Trust Fund

## Financial Report

Prepared by the Trustee

*Summary of Financial Information*

*As of July 31, 2021*



## Table of Contents

Introduction .....	1
GEF Trust Fund Financial Summary as of July 31, 2021 .....	2
1. GEF Trust Fund Summary – Inception through July 31, 2021 .....	3
2. Cumulative Resources and Funding Decisions .....	4
2a. Cumulative Resources .....	5
2b. Investment Management - Asset Mix, Investment Income and ESG rating .....	7
2c. Funding Decisions, Trustee Commitments and Cash Transfers to Agencies .....	12
2d. Report on Financially Closed Projects during GEF-7 Period.....	15
3. Funding Availability .....	16
4. GEF-7 Specific Funding Decisions as of July 31, 2021.....	17



## Introduction

The information contained in this report is prepared based on financial information as of July 31, 2021, 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 environmentally sustainable development. Today, the GEF is the largest funder of projects focused on global environmental challenges and a global partnership among 183 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, (vi) chemicals and waste, and (vii) 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 July 31, 2021 and recent developments since April 1, 2021; (ii) the details of financial activities of the GEF Trust Fund; and (iii) an update on the Investment Strategy for the GEF.



## GEF Trust Fund Financial Summary as of July 31, 2021

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

GEF Contributing Participants have pledged SDR 14,027 million (USDeq. 20,095 million)<sup>1</sup> to date, of which SDR 13,977 million (USDeq. 20,015 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 2,446 million (USDeq. 3,482 million), of which Contributing Partners have deposited 99% of the amount with the Trustee as IoCs or QIoCs. The GEF-7 pledges increased by SDR 96 million (USDeq. 136.56 million) due to the additional contribution received from the United States in March 2021.

### ***Investment Income***

As of July 31, 2021, cumulative investment income earned on the GEF Trust Fund balances amounted to USD 1,631 million. The investment income earned in GEF-7 period until July 31, 2021 amounted to USD 276 million.

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

As of July 31, 2021, cumulative funding decisions (approvals by the GEF Council/CEO) amount to USD 20,090 million net of USD 1,666 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 20,090 million, cumulative commitments amount to USD 17,632 million.

### ***Cash Transfers***

Cash transfers were made to GEF Agencies on an as-needed basis to meet their projected disbursement requirements. As of July 31, 2021, out of the cumulative commitment of USD 17,632 million (including administrative expenses and funding allocations to the GEF Secretariat), the Trustee has transferred USD 15,089 million. A balance of USD 2,542 million remains payable as of July 31, 2021.

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

**Funds Held in Trust** reflect financial activities related to new contribution payments (cash and promissory notes), encashment of promissory notes, investment income, cash transfers, and the revalued balance of promissory notes at month-end. Funds Held in Trust, including the reserve amount of USD 240 million, total USD 5,655 million as of July 31, 2021, 27% of which represents unencashed promissory notes.

**Funds available to support Council or CEO decision amounted to USD 304 million as of July 31, 2021.** This represents a decrease of USD 84 million compared to March 31, 2021.

**Updates for the period August 1 to September 7, 2021.** Cote d'Ivoire paid USD 1.5 million representing full payment of its GEF-7 contribution and partial payment of its arrears to GEF-1.

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



## 1. GEF Trust Fund Summary – Inception through July 31, 2021

<b><u>Donor Pledges and Contributions (in SDR millions)</u></b>	
Received IoCs	13,977.19
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	13.49
<b>Total Donor Pledges and Contributions (in SDR millions)</b>	<b>14,027.48</b>
<b>Total (in USD millions)</b>	
<b><u>Cumulative Resources (in USD millions)</u></b>	
<b><u>Resources received</u></b>	
Cash Receipts	17,414.42
Unencashed promissory notes	1,542.62
Investment Income earned	1,630.70
<b>Total Resources Received</b>	<b>20,587.73</b>
<b><u>Resources not yet received</u></b>	
GEF-7 IoCs not yet deposited	19.12
GEF-6 IoCs not yet deposited	30.89
GEF-5 IoCs not yet deposited	12.81
GEF-4 IoCs not yet deposited	5.72
Installments Receivable from GEF-7	684.00
Installment Receivables from previous replenishments	104.09
<b>Total resources not yet received</b>	<b>856.62</b>
<b>Total Cumulative Resources (A) (in USD millions)</b>	<b>21,444.36</b>
<b><u>Cumulative Funding Decisions (in USD millions)</u></b>	
Approvals by Council and CEO	21,743.88
Cancellations and reductions at endorsement	(1,665.97)
Pending Decisions of Intersessional and Council Meetings	12.19
<b>Total Funding Decisions Net of Cancellations (B) (in USD millions)</b>	<b>20,090.10</b>
<b>Cumulative Resources Net of Funding Decisions (A) - (B) (in USD millions)</b>	<b>1,354.26</b>
<b><u>Funds Available (in USD millions)</u></b>	
Funds Held in Trust with no restrictions	5,415.03
Approved Amounts Pending Cash Transfers to Agencies	5,111.17
<b>Total Funds Available to Support Council or CEO Decisions (in USD millions)</b>	<b>303.86</b> <sup>a/</sup>

a/ Excludes the FX reserve amount of USD 240 million.

Note: Totals may not add up accurately due to rounding



## 2. Cumulative Resources and Funding Decisions

In USD millions

	<u>July 31, 2021</u>		<u>March 31, 2021</u>	
<b>1. Cumulative Resources</b>		<b>21,444</b>		<b>21,398</b>
<u>Resources not yet received</u>		<u>857</u>		<u>1,070</u>
GEF-7 IoCs not yet deposited with the Trustee	19		19	
GEF-6 IoCs not yet deposited with the Trustee	31		31	
GEF-5 IoCs not yet deposited with the Trustee	13		13	
GEF-4 IoCs not yet deposited with the Trustee	6		6	
Installment Receivables from GEF-7	684		897	
Installment Receivables from previous replenishments	104		104	
<u>Resources received</u>		<u>20,588</u>		<u>20,329</u>
Cash receipts from installments and encashments	17,414		17,009	
Unencashed promissory notes	1,543		1,703	
Investment Income earned on undisbursed balances of GEF Trust Fund	1,631		1,617	
<b>2. Cumulative Funding Decisions</b>		<b>20,090</b>		<b>19,753</b>
Approvals by Council and CEO	21,744		21,683	
Cancellations	(1,666)		(1,942)	
Pending decisions of Intersessional and Council Meetings	12		12	
<b>3. Cumulative Resources Net of Funding Decisions (3 = 1 - 2)</b>		<u><b>1,354</b></u>		<u><b>1,645</b></u>

*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. 21,444 million, USDeq. 857 million (4%) represents resources not yet received. Of these, IoCs not yet deposited with the Trustee total USDeq. 69 million, GEF-7 installments receivables amount to USDeq. 684 million, and installment receivables from previous replenishments amount to USDeq. 104 million.
- Cumulative net funding decisions amounting to USDeq. 20,090 million representing about 94% of the total cumulative GEF resources.
- As of July 31, 2021, cumulative resources net of funding decisions amount to USDeq. 1,354 million.



## 2a. Cumulative Resources

In USD millions

Instruments of Commitment to be Deposited					
Status as of July 31, 2021					
(Amounts in millions)					
Contributing Participant	Replenishment	Currency of Obligation	Amount in Currency of Obligation	Amount in USDeq. a/	Percentage
Nigeria	GEF-4	SDR	4.0	5.7	100.0%
<b>Total GEF-4 IoCs Not Yet Deposited</b>				<b>5.7</b>	<b>100.0%</b>
Greece	GEF-5	EUR	4.4	5.3	41.3%
Nigeria	GEF-5	NGN	921.9	2.2	17.5%
Portugal	GEF-5	EUR	4.4	5.3	41.3%
<b>Total GEF-5 IoCs Not Yet Deposited</b>				<b>12.8</b>	<b>100.0%</b>
Brazil b/	GEF-6	USD	15.9	15.9	51.4%
Russian Federation	GEF-6	USD	15.0	15.0	48.6%
<b>Total GEF-6 IoCs Not Yet Deposited</b>				<b>30.9</b>	<b>100.0%</b>
<b>Total GEF-4, GEF-5, and GEF-6 IoCs Not Yet Deposited</b>				<b>49.4</b>	<b>c/</b>

a/ Based on exchange rates as of July 31, 2021.

b/ An amount of USD 9.7 million has been received and payment arrangements are being finalized with Brazil.

c/ Excludes the balance of GEF-7 expected pledge amount of SDR 13.4 million (USDeq. 19.11 million).

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

### STATUS OF QUALIFIED INSTRUMENTS OF COMMITMENT (QIOC)

As of July 31, 2021, Brazil, Canada, Finland, and Norway are the Contributing Participants that have deposited a QIOC under GEF-7.

Contributing Participant	Replenishment	USD Eq. (millions) a/
Brazil	GEF-7	1.50
Canada	GEF-7	28.00
Finland	GEF-7	11.31
Norway	GEF-7	14.82
<b>Total</b>		<b>55.63</b>

a/ Based on exchange rates as of July 31, 2021.





## INSTALLMENT ARREARS BY REPLENISHMENT

As of July 31, 2021, cumulative arrears amounted to USDeq. 104.3 million. Of this amount, USDeq. 104.1 million represents arrears under GEF-1, GEF-2 and GEF-3. The GEF-6 arrears amounted to USDeq. 0.2 million.

Contributing Participant	Repl.	Currency	Installment Receivable Amount	USD eq. (millions) a/
Egypt	GEF-1	SDR	0.5	0.8
United States	GEF-2	USD	102.4	102.4
Nigeria	GEF-3	SDR	0.7	1.0
Pakistan b/	GEF-6	USD	0.2	0.2
<b>Total</b>				<b>104.3</b>

a/ Based on exchange rates as of July 31, 2021.

b/ Installment receivable balance under negotiation.

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

## RESTRICTED RESOURCES AND FOREIGN EXCHANGE RISK

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

An adverse movement in exchange rates such as strengthening of the US dollar against major contribution currencies could adversely affect the resources available for payments against approved funding decisions. To absorb the negative impact of exchange rate movements, the Trustee maintains a foreign exchange reserve. The appropriate level of reserve is determined by the Trustee for every replenishment and is continuously monitored after taking into account projected contribution payments and estimated disbursements.

As of July 31, 2021, the Trustee has determined the level of reserve as USD 240 million for GEF-7 period. The Trustee will continue to monitor the level of reserve and adjust periodically based on multiple factors including the foreign exchange fluctuations.

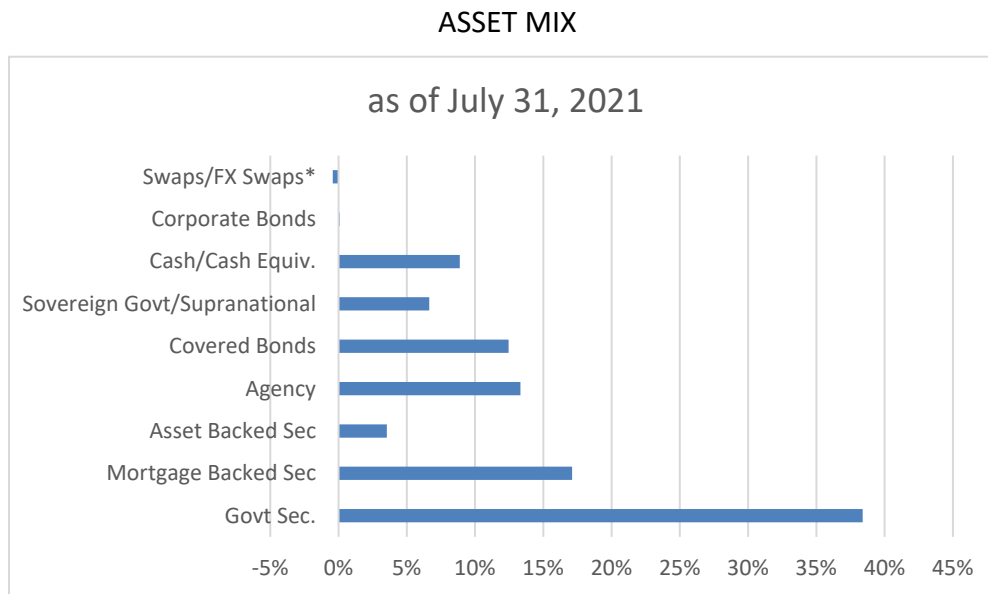


## 2b. Investment Management - Asset Mix, Investment Income and ESG rating

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.

GEF Trust Fund assets are largely 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). As per the ESG mandate under the Sustainability Themed Investments, Trustee has added a “Sustainability Model Portfolio 8” with an initial allocation of USD 100 million. 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 framework<sup>2</sup>. 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’<sup>3</sup> 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 class, the largest allocations as of July 31, 2021 are to government securities, mortgage backed securities, and agencies. The investments for the Sustainability Model Portfolio are under the asset classes of Agency, and Supranational.



\*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.

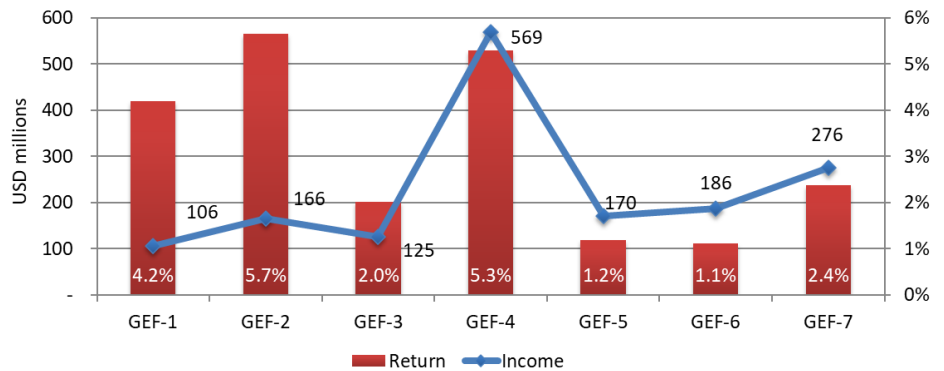
<sup>2</sup> Risk tolerance is defined as the expected maximum loss, as measured by the Conditional Value-at-Risk (CVaR), at the portfolio’s investment horizon, not to exceed 1% at portfolio’s investment horizon, with 99% confidence.

<sup>3</sup> Mark-to-market gains or losses represent unrealized gains or losses resulting from changes in the value of securities in the portfolio which have not yet been sold.



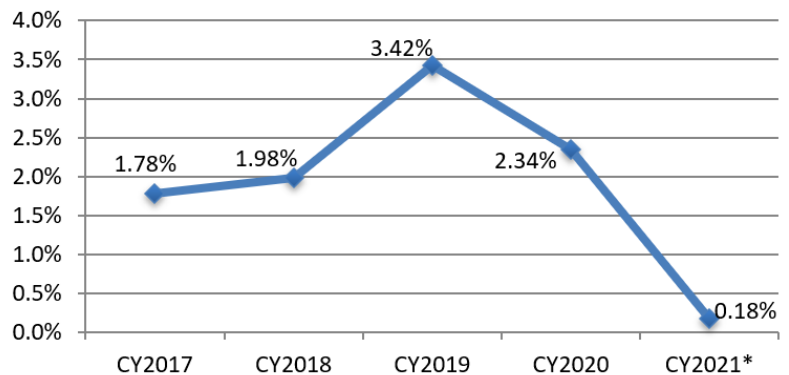
### INVESTMENT INCOME

Cumulative investment income earned since the beginning of GEF Pilot phase through July 31, 2021 is USD 1,631 million. In the GEF-7 period the investment income received is USD 276 million, representing a 2.4% annualized average return.



### INVESTMENT RETURNS

Returns for the first seven months of CY21 were moderately positive with a return of 0.18%. The treasury curve steepened on the longer end which affected portfolios with a higher duration such as Model Portfolio 2. All portfolios remain within the risk tolerances defined. Given the steepening in the yield curve, the portfolio remains positioned defensively and is being monitored for better risk/return opportunities in an environment of low yields and steeper curves.



\*non-annualized investment returns as of July 31, 2021

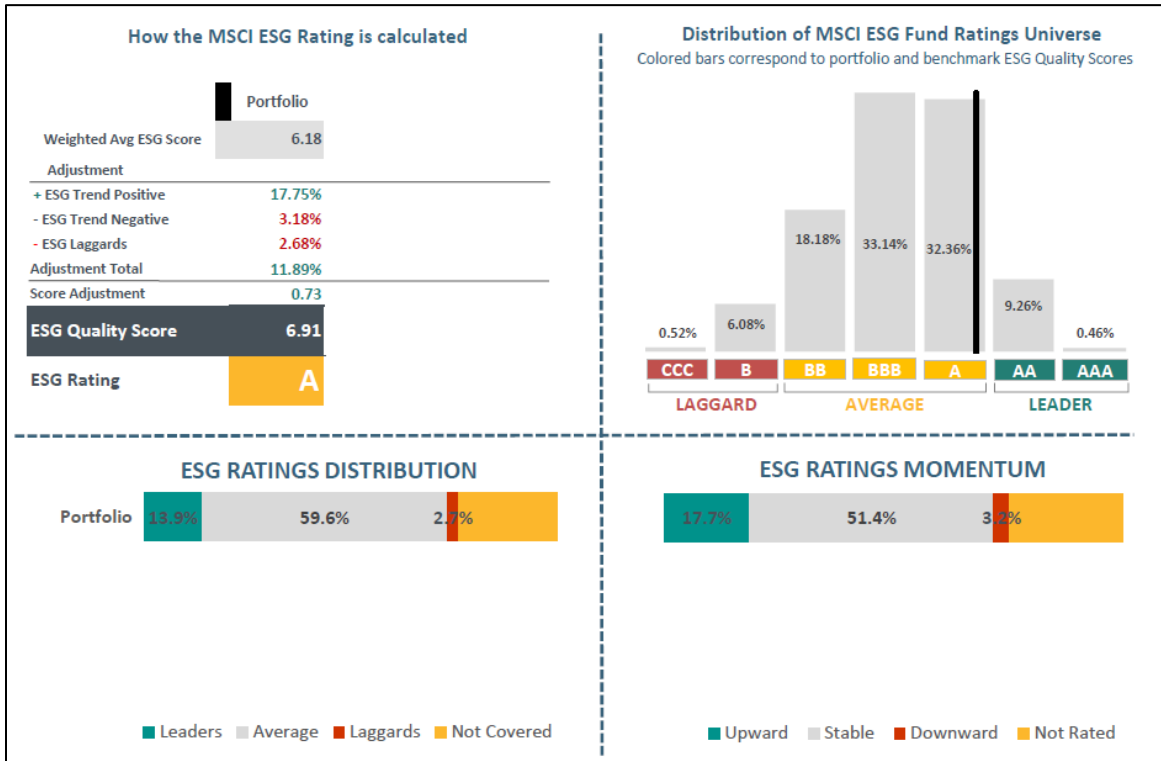
### ESG RATING OF THE GEF TRUST FUND

Following the GEF-7 policy recommendation for the Trustee to develop SRI options for the GEF Council’s consideration, the Trustee has explored various SRI options that could be implemented by the World Bank’s existing investment authorization. Based on the endorsement by the World Bank management, starting from July 2019, the Trustee has applied ESG Integration as the default SRI approach for all portfolios managed by the World Bank, including for the GEF Trust Fund assets. The implementation of ESG Integration falls within the purview of existing authorizations by the World Bank Board, and thus would not involve any changes in the current investment objectives or risk limits for the GEF Trust Fund portfolio.

Considering and incorporating ESG factors into investment processes should, all things being equal, lead to portfolios that have stronger ESG profiles compared to portfolios that do not explicitly consider these ESG issues. ESG Integration has become part of the existing investment processes and is intended to help fulfil the existing investment objectives without changes to the current investment objectives or risk limits of the portfolios for which it is used.



The GEF investment portfolio is primarily comprised of high-grade fixed-income securities (sovereign, supranational and agency securities and bank deposits), and as at June 2021, the portfolio has an ESG Quality Score<sup>4</sup> of 6.91 and an ESG Rating<sup>5</sup> of A. Based on its ESG positioning in the MSCI ESG Fund Ratings Universe (upper right of below chart), which is deemed to be the more consistent reference indicator, GEF’s investment portfolio falls in the top decile of the ratings universe. This reflects high capability of GEF portfolio’s holdings in terms of managing key medium to long term risks and opportunities arising from Environmental, Social and Governance factors.



<sup>4/5</sup> ESG Quality Score is based on MSCI ESG Ratings and measured on a scale of 0 to 10 (worst to best) following a rule-based methodology. ESG Ratings Momentum represents the percentage of a portfolio’s market value coming from holdings that have had an ESG Ratings upgrade, and those with a downgrade, since their previous ESG Rating assessment. The ESG Quality Score is calculated as a weighted average of ESG scores of individual holdings adjusted by ESG Ratings Momentum and ESG laggards (if any). The weight applied to the individual ESG scores is determined by the portfolio weight of individual holdings as of the reporting date. Based on the above, the ESG Quality Score, which is subject to potential skewing effect from any factor in the calculation, could slightly vary between different reporting dates along with changes in individual holdings and their portfolio weights as well as changes in ESG Ratings Momentum. Please see details on MSCI ESG Ratings Methodology from: <https://www.msci.com/documents/1296102/4769829/MSCI+ESG+Ratings+Methodology+-+Exec+Summary+Dec+2020.pdf/15e36bed-bba2-1038-6fa0-2cf52a0c04d6?t=1608110671584>.

## UPDATE ON THE IMPLEMENTATION OF THE SUSTAINABLE BOND STRATEGY

### I. Roadmap for the Strategy implementation

In December 2020, the GEF Council approved the Sustainable Bond Strategy (“the Strategy”) and noted that this Strategy along with the default ESG Integration approach, already in implementation since July 2019, collectively address the GEF-7 policy recommendation for the Trustee to develop options for a responsible investment strategy for the financial management of the GEF funds held in trust.

Upon receiving the Council approval, the Trustee has formally started the preparation for implementing the Strategy, including engaging with issuers and service providers, establishing a Sustainability Framework to provide strategic and operational guidance, as well as pre-implementation infrastructure setup. By June 2021, the Strategy has been in implementation following a gradual approach.

### II. Progress made on the Strategy implementation:

The Strategy starts to be implemented with an initial US\$100 million allocation. Nine bonds have been purchased by July 31, prioritizing labeled sustainable bonds in this initial period and spanning green, social and sustainability categories. Per the issuer documentation, these bonds aim to address many of the Sustainable Development Goals, such as SDG-3, SDG-5, SDG-7 and SDG-13.

Amount (US\$)	Issuer	Coupon	Maturity	Use of Proceeds
3,328,000	Asian Development Bank	1.875%	8/10/2022	Green Bond
10,000,000	Agence Francaise de Developpement	0.750%	4/28/2023	Social Bond
5,000,000	Nederlandse Financierings (FMO)	2.750%	2/20/2024	Green Bond
10,000,000	Bank Nederlande Gementeen	1.500%	10/16/2024	Green Bond
10,000,000	Asian Development Bank	0.625%	4/29/2025	Social Bond
10,000,000	European Investment Bank	2.875%	6/13/2025	Green Bond
12,000,000	Nederlandse Waterschapsbank	0.500%	12/2/2025	Social Bond
10,000,000	Caisse de Depot et Placement du Quebec	1.000%	5/26/2026	Green Bond
5,000,000	Inter-American Development Bank	1.000%	7/20/2028	Sustainability Bond

These initial purchases were made in the context of a limited supply of eligible securities versus growing investor demand among the current authorized investment universe, most of which are trading at a premium. The situation requires investors to be selective about adding bonds to their portfolios to maintain the focus on robust risk-adjusted returns. Meanwhile, implementation of the Strategy at the end of June inevitably meant that the bulk of investments were made in the secondary market, given low primary volumes traditionally associated with summer months. Going forward, as more issues are expected to come to the market, the Trustee has been working on establishing presence in the primary market with dealers and issuers. Many issuers have already signaled their intent to increasingly engage with the World Bank for sustainable fixed income issuance.

Moreover, in line with historical new issuance patterns, we expect that the final quarter of the year will bring increased bond supply. As a result, we would expect the size of the Strategy to increase markedly going forward. In the future, we could also plan for the expansion of the investable universe beyond GSS into other sub-asset classes, such as corporate bonds and municipals, subject to internal World Bank governance approvals.



### III. Risk Profile and Reporting

#### i. Risk & return implications of these investments to the GEF investment portfolio

As mentioned in the Council paper<sup>6</sup> for the Strategy, the Strategy is implemented starting with bonds that fall within the World Bank's existing investment authorizations and guidelines, thus preserving the risk/return profile of the GEF Trust Fund assets.

Since implementation from end-June, the Strategy has contributed positively to the total return of the GEF portfolio during the first month of implementation, and risk posture for the Strategy remained within the stated risk tolerances for Trust fund model portfolios. The interest rate risk sensitivity is maintained at levels close to the risk of Model Portfolio 2, and the credit risk is managed within the same framework applicable across all portfolios.

#### ii. Current reporting on ESG Integration through periodic Trustee reports

At present, ESG reporting for the GEF Trust Fund has been in the form of MSCI ESG Portfolio Summary reports that are produced semi-annually. These reports sufficiently outline the portfolio's ESG profile, as it focuses on the ESG risks and opportunities inherent in the portfolio as a result of the issuers' activities and track records in managing the most significant ESG risks and opportunities.

#### iii. Expected impact reporting on the Strategy and timeline

As a significant component of true impact investing, impact reporting is a significant undertaking that requires effort and expertise in selecting, interpreting and distilling the relevant data from vastly unstandardized reporting templates published by issuers from various jurisdictions.

WB is aiming for annual impact report, and is working with internal and external partners on creating a template that is informative, yet clear and concise, and that relies on undisputable metrics and real-life case studies.

### IV. Next steps and timelines

Additions to the Strategy holdings is expected to increase as supply increases within the currently authorizations. Continued investments within these authorizations, encompassing investments in non-USD securities that will be hedged back into USD, is expected to continue through the remainder of FY22.

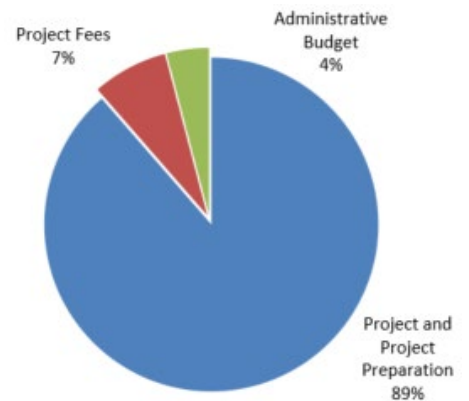
<sup>6</sup> "Proposal of Responsible Investment Options for the GEF Trust Fund", GEF/C.59/12, available at: [https://www.thegef.org/sites/default/files/council-meeting-documents/EN\\_GEF.C.59.12\\_Proposal%20of%20Responsible%20Investment%20Options%20for%20the%20GEF%20Trust%20Fund\\_1\\_0.pdf](https://www.thegef.org/sites/default/files/council-meeting-documents/EN_GEF.C.59.12_Proposal%20of%20Responsible%20Investment%20Options%20for%20the%20GEF%20Trust%20Fund_1_0.pdf)



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

### CUMULATIVE FUNDING DECISIONS

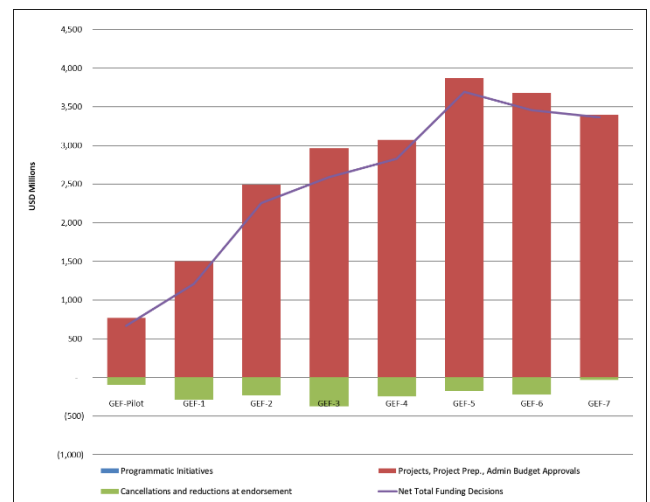
Since inception to July 31, 2021 funding approvals made by the Council and CEO total USD 21,744 million, of which 89% was approved for Projects and Project Preparation activities, 7% for Agency Fees and 4% for Administrative budgets.



### FUNDING DECISIONS BY REPLENISHMENT

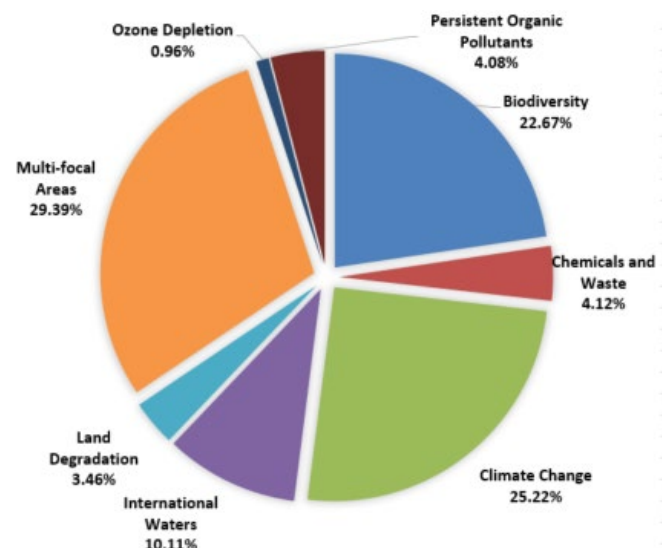
Funding decisions by replenishment show the cumulative Project/Program funding decisions of USD 20,090 million net of cancellations and reductions at endorsement of USD 1,666 million and including pending decisions on intersessional and Council meetings of USD 12 million.

Net funding decisions include an amount of USD 151 million resulting from claw back of unused balances of 48 programs from previous replenishments which were cancelled during the GEF-7 period until July 31, 2021.



### 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 77% of the cumulative funding approved to date.

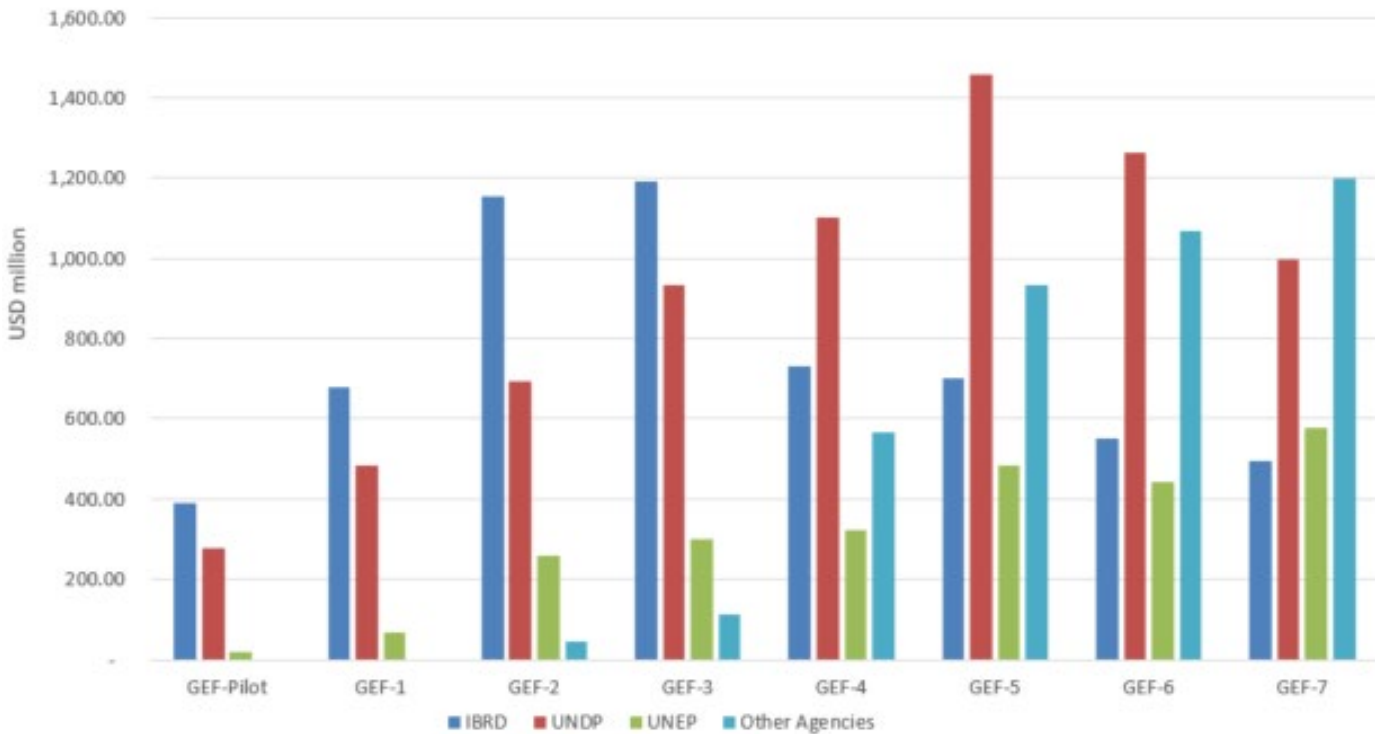
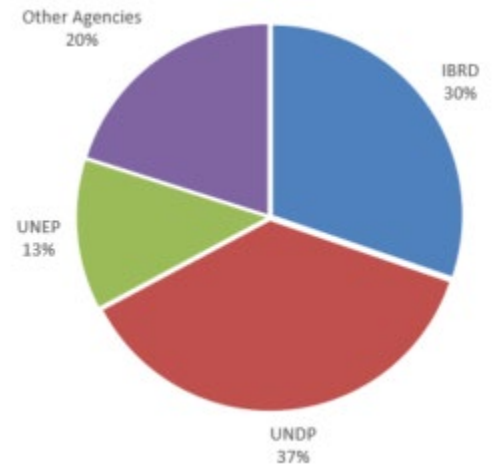




### FUNDING DECISIONS BY AGENCY

Of the cumulative approvals for projects (including related fees), 67% were for implementation by IBRD and UNDP. UNEP's share of the total is 13% while the remaining Agencies implemented 20% of the funding.

The Agencies' share of funding approvals changes over time. IBRD's share fell from 57% in the GEF Pilot to 15% in GEF-7. UNDP's share decreased from 40% in the GEF Pilot to 30% in GEF-7. UNEP's share increased from 3% in the GEF Pilot to 18% in GEF-7. The combined share of the 15 other Agencies increased from 2% in GEF-2 to 37% in GEF-7.



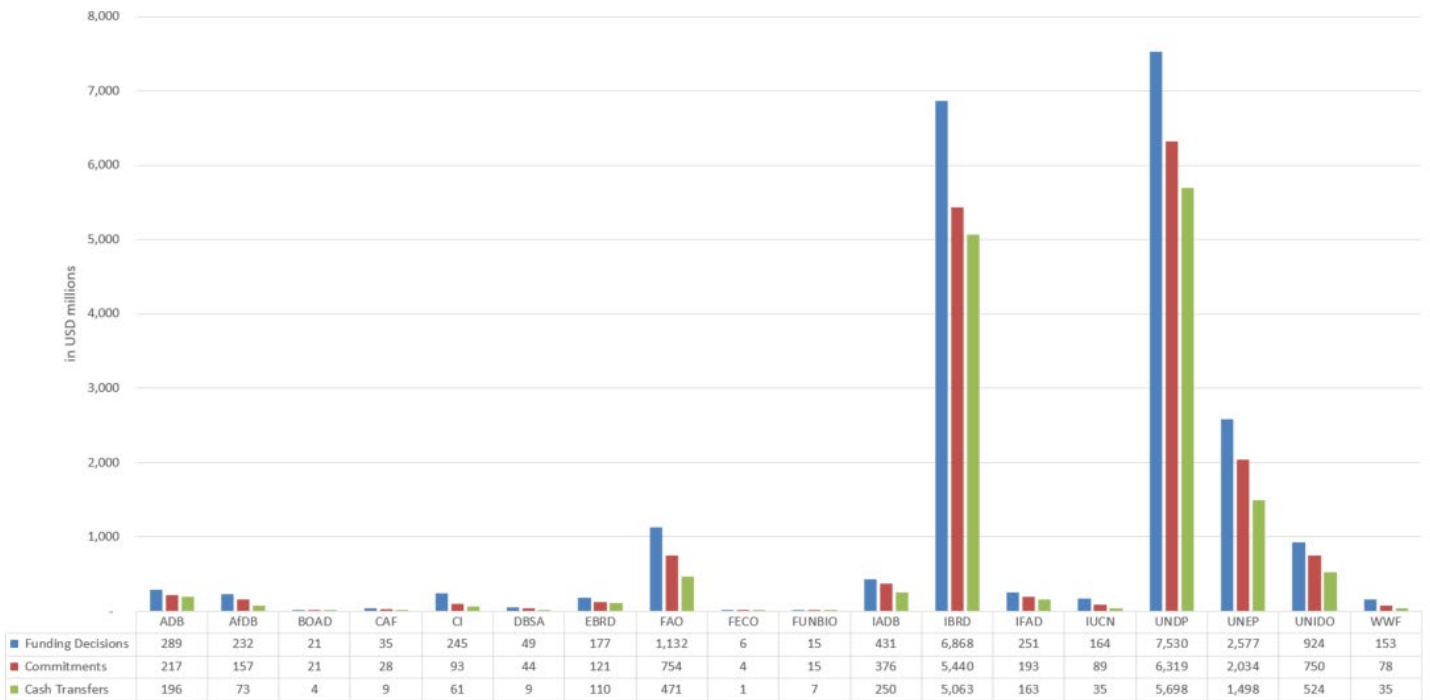




## FUNDING DECISIONS, TRUSTEE COMMITMENTS AND CASH TRANSFERS TO AGENCIES

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 July 31, 2021, cumulative funding decisions (gross)<sup>7</sup> to Agencies comprising of Projects, Project Preparation Grants and Agency Fees excluding administrative expenses and funding allocations to the GEF Secretariat totaled USD 21,743 million<sup>8</sup>. Of this amount, USD 16,731 million had been committed following the approval or endorsement by the GEF CEO. At the request of Agencies, a total amount of USD 14,206 million had been transferred.



<sup>7</sup> Reflects initial Council and CEO approvals prior to drops and subsequent cancellations.

<sup>8</sup> Excludes the program/umbrella balances.



## 2d. Report on Financially Closed Projects during GEF-7 Period

From inception of the GEF-7 replenishment period through July 31, 2021, 1,052<sup>9</sup> projects and project preparation grants had been reported as financially closed with unused amounts totaling USD 131.98 million. The bulk of these projects were from previous replenishments. Only 16 GEF-7 project preparation grants had been financially closed.

Financially Closed Projects during GEF-7 Period 1/ as of July 31, 2021		
Project Type	Number of Projects Closed	Total Unused Amount at Financial Closure (in USD millions)
Project Preparation	417	7.14
Projects	619	126.54
Full-Size	299	114.20
Medium-Size	154	8.14
Enabling Activities	166	4.21
<b>Total</b>	<b>1,036</b>	<b>133.68</b>

1/ Includes projects from previous replenishments that were closed during GEF-7 period.

<sup>9</sup> Of the total 1,036 grants financially closed during the GEF-7 replenishment period, there were 157 projects and project preparation grants which were child projects under Umbrellas. Cumulatively, the cancelled amounts of these child projects totalled \$33.19 million. The amount formed part of the sum clawed back by Trustee, in collaboration with the GEF Secretariat and Agencies, from cancellations of Umbrella balances from previous replenishments.



### 3. Funding Availability

In USD millions

	As of Jul 31, 2021 (a)	As of Mar 31, 2021 (b)	Change (a) - (b)
<b>1. Funds Held In Trust</b>	<b>5,655</b>	<b>5,675</b>	<b>(20)</b>
a. Cash and investments	4,112	3,972	141
b. Unencashed promissory notes	1,543	1,703	(160)
<b>2. Restricted Funds</b>	<b>240</b>	<b>240</b>	<b>-</b>
a. Deferred Contribution in respect to the pro rata right	-	-	-
b. Contributions not released	-	-	-
b. Reserve to cover foreign exchange rate fluctuations	240	240	-
<b>3. Funds Held in Trust with no Restrictions ( 3 = 1 - 2 )</b>	<b>5,415</b>	<b>5,435</b>	<b>(20)</b>
<b>4. Approved Amounts Pending Cash Transfers to Agencies</b>	<b>5,111</b>	<b>5,047</b>	<b>64</b>
a. Trustee committed	2,648	2,384	264
b. Approved by Council but not yet CEO Endorsed	2,451	2,651	(200)
c. Requested amounts for financing pending decision	12	12	-
<b>5. Funds Available to Support Council or CEO Decisions ( 5 = 3 - 4 )</b>	<b>304</b>	<b>388</b>	<b>(84)</b>

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

#### Highlights for the period April 1, 2021 through July 31, 2021:

- **Funding Availability** decreased by USDeq. 84 million over the prior reporting period as a result of:
  - A net decrease in **Funds Held in Trust** by USD eq. 20 million driven by cash transfers to Agencies exceeding receipts from donors and investment income earned;
  - A net increase in **Approved Amounts Pending Cash Transfers to Agencies** by USD 64 million reflecting the increase in funding approvals exceeding cash transfers and funding cancellations during this period.



## 4. GEF-7 Specific Funding Decisions as of July 31, 2021

In USD millions

<b>1 Target Replenishment Funding a/</b>			<b>4,068</b>
<b>2. Projected Available Resources during the GEF-7 Period</b>			<b>1,161</b>
Estimated Funds Available to Support Council or CEO Financing Decisions			<b>304</b>
	Potential Amount Available	of which Projected to be Available	
Receivables			<b>788</b>
Arrears b/	104	104	
GEF-7 Installments due in FY22	684	684	
IoCs not yet Deposited with the Trustee			<b>69</b>
GEF-7 c/	19	19	
Previous Replenishments d/	49	49	
Projected Investment Income e/	-	-	-
Projected Reflows during GEF-7 f/	-	-	-
<b>Total</b>	<b>857</b>	<b>857</b>	
<b>3. GEF-7 Specific Funding Decisions</b>			<b>3,281</b>
Approvals by Council			3,126
Projects and Fees		1,842	
Admin. Budget		108	
Special Initiatives		0.6	
Programmatic Initiatives		1,175	
Approvals by CEO			186
Projects and Fees (MSPs, EEAs)		122	
Project Preparation Activities and Fees		64	
Net Changes to Initial Approvals g/			(31)
Reductions (cancellations) on GEF-7		(31)	
Pending decisions on Intersessional and Council meetings		-	-
Projects, Fees, Admin Budget, Special Initiatives, Programmatic Initiatives		-	-
<b>4. GEF-7 "Envelope" as of July 31, 2021 ( 4 = 2 + 3 )</b>			<b>4,442</b>
<b>5. Changes in funding envelope (USDeq.) in GEF-7 period ( 5 = 4 - 1 )</b>			<b>374</b>

a/ Represents the target replenishment level as agreed, including new resources from donors, projected investment income, and carryover of amounts from previous replenishments.

b/ Includes arrears from the US for GEF-2 in the amount of USD 102.1 million, Egypt for GEF-1 in the amount of SDR 0.5 million, and Nigeria for GEF-3 in the amount of SDR 0.7 million.

c/ Represents the balance of GEF-7 expected pledges.

d/ 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.

e/ The investment income earned since the beginning of GEF-7 period is USD 276 million, as against the projected amount of USD 149.5 million.

f/ Umbrella balance cancellations from previous replenishments that were expected during GEF-7 period was \$60 million and expected reflows was \$25 million. In collaboration with the GEF Secretariat and the Agencies, and in accordance with the policy on umbrella balance cancellations (GEF/C.55.04/Rev.01), the Trustee was able to clawback \$151.5 million of cancellations from 48 umbrellas from previous replenishments. An amount of USD 29.7 million has been received as reflows from Non-grant instruments during GEF-7 period.

g/ To fit the GEF Secretariat's STAR model, net changes to pre-GEF-7 projects were excluded from the calculation.

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



## Highlights as of July 31, 2021

- **Projected Available Resources** through the end of the GEF-7 period amounted to USD 4,442 million.
- The value of projected resources to be available is based on the following assumptions:
  - Arrears from previous replenishments are paid;
  - All IoCs are received and paid in full during the remaining GEF-7 period.
- **GEF-7 Funding Decisions** amounted to USD 3,281 million.
- The **Target Replenishment Funding** amount represents the targeted new resources as agreed by Contributing Participants during replenishment discussions; it includes the carryover of arrears, deferred contributions, and paid-in funds not yet set aside.
- For illustration purposes only, the following table presents scenarios to provide a sense of the impact that a change in the US dollar could have on the Envelope Value of GEF-7. Three scenarios are included below: (i) Scenario A - a 5% appreciation in the USD, (ii) Scenario B - a 5% depreciation in the USD versus all other currencies between July 31, 2021 and the end of the GEF-7 replenishment period, and (iii) Scenario C – using forward rates as of June 30, 2022. As mentioned above, these scenarios are presented for information purposes only and do not in any manner reflect the Trustee’s view of the foreign exchange rate movement going forward. The analysis shows that if the USD appreciates by a further 5% from current levels, the excess envelope at the end of GEF-7 will be approximately USD 108 million, and if the USD depreciates by 5% from current levels, the excess envelope will be approximately USD 321 million. The envelope value based on forward rates as of June 30, 2022 would be an additional USD 209 million. Projected Available Resources through the end of GEF-7 period amount to USD 895 million, USD 1,107 million, and USD 996 million respectively under the three scenarios.
- The value of projected resources to be available under all three scenarios mentioned above are based on the following assumptions:
  - Arrears from previous replenishments are not paid. The only resources made available for arrears are on account of credits/discounts expected to be applied against arrears from the expected additional contributions under the GEF-7 period;
  - IoCs for GEF-7 and previous replenishments are not received and paid during the remaining GEF-7 period;
  - Estimated Funds available to support Council /CEO decisions under each scenario are based on revalued PNs outstanding in non USD currencies;
  - Additional Investment Income of USDeq. 7.4 million is estimated to receive on GEF liquidity balances from August 1, 2021 to June 30, 2022.



Scenario Analysis of changes in GEF-7 Funding Envelope due to Changes in Foreign Exchange Rates										
Status as of July 31, 2021										
(in US\$eq. millions)										
Scenario A: 5% USD appreciation from 31 Jul 2021				Scenario B: 5% USD depreciation from 31 Jul 2021			Scenario C: Fwd rates as of 06/30/2022			
<b>1. Target Replenishment Funding</b>				<b>4,068</b>				<b>4,068</b>		
<b>2. Projected Available Resources during the GEF-7 Period</b>				<b>895</b>				<b>1,107</b>		
<u>Estimated Funds available to support Council or CEO Financing Decisions</u>	<b>230</b>			<b>385</b>			<b>304</b>			
	Potential Amount Available	of which Projected to be Available		Potential Amount Available	of which Projected to be Available		Potential Amount Available	of which Projected to be Available		
<u>Receivables</u>			<b>641</b>			<b>699</b>			<b>669</b>	
- Arrears	104	3		104	3		104	3		
- GEF-7 Installments due in FY22	638	638		696	696		666	666		
<u>IoCs not yet Deposited with the Trustee</u>			<b>16</b>			<b>16</b>			<b>16</b>	
- GEF-7	-	-		-	-		-	-		
- Previous Replenishments	49	15.9		50	15.9		49	15.9		
<u>Additional Investment Income</u>	7.4	7.4	<b>7.4</b>	7.4	7.4	<b>7.4</b>	7.4	7.4	<b>7.4</b>	
<u>Projected Reflows during GEF-7</u>	-	-	<b>-</b>	-	-	<b>-</b>	-	-	<b>-</b>	
<u>Total</u>	<b>798</b>	<b>665</b>		<b>858</b>	<b>723</b>		<b>826</b>	<b>692</b>		
<b>3. GEF-7 Specific Funding Decisions</b>	<b>3,281</b>			<b>3,281</b>			<b>3,281</b>			
<u>Approvals by Council</u>			<b>3,126</b>			<b>3,126</b>			<b>3,126</b>	
- Projects + Fees		1,842			1,842			1,842		
- Admin. Budget		108			108			108		
- Special Initiatives		0.6			0.6			0.6		
- Programmatic Initiatives		1,175			1,175			1,175		
<u>Approvals by CEO</u>			<b>186</b>			<b>186</b>			<b>186</b>	
- Projects + Fees (MSPs, EEAs)		122			122			122		
- Project Preparation Activities + Fees		64			64			64		
<u>Net Changes to Initial Approvals</u>			<b>(31)</b>			<b>(31)</b>			<b>(31)</b>	
- Reductions (cancellations) on GEF-7 projects, Administrative Budget and Special Initiatives		(31)			(31)			(31)		
<b>4. GEF-7 "Envelope" as of July 31, 2021 (4 = 2 + 3)</b>	<b>4,176</b>			<b>4,389</b>			<b>4,277</b>			
<b>5. Changes in funding envelope (US\$eq.) in GEF-7 period (5 = 4 - 1)</b>	<b>108</b>			<b>321</b>			<b>209</b>			