



GEF/C.57/Inf.07  
November 26, 2019

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57<sup>th</sup> GEF Council Meeting  
December 17 - 19, 2019  
Washington, D.C.

**UPDATE REPORT ON REFLOWS TO THE GEF TRUST FUND FROM THE NON-GRANT  
INSTRUMENT PORTFOLIO**

## INTRODUCTION

1. The Council, at its 55<sup>th</sup> meeting in December 2018, requested the Secretariat and the Trustee to report to the Council the status of reflow payments from non-grant instruments, particularly the expectations of future reflows of GEF portfolio of projects.
2. A Non-Grant Instrument (“NGI”), in the context of the GEF, is a mechanism to provide financing in the form that has the potential to generate financial returns, irrespective of whether such financial returns flow back to the GEF trust Fund.<sup>1</sup> The non-grant instruments include but are not limited to guarantees, equity, structured finance, or concessional debt<sup>2</sup>.
3. As noted in GEF Non-Grant Instrument Policy<sup>3</sup>, (i) GEF financing is considered GEF concessional finance if it is provided to a project/program that is expected to generate reflows to the GEF Trust Fund; and (ii) GEF financing is considered a grant if it is provided to a project/program that is not expected to generate reflows to the GEF Trust Fund.
4. The Secretariat monitors all projects that utilize a non-grant instrument, both those with and without expected reflows. Since inception, the GEF has supported 91 projects with non-grant instruments with an investment amount of USD 720 million and total co-financing of USD 7 billion. The majority of projects from the early GEF cycles, with the exception of a few projects with the IFC, were not expected to generate reflows<sup>4</sup>.
5. Of these 91 projects, 20 projects were expected to generate some level of reflows to the GEF Trust Fund, accounting for USD 225.3 million of GEF funding. Four (4) of these projects are from GEF-3 and prior; sixteen (16) are from GEF-4 through GEF-6, when specific set-asides for the use of non-grant instruments were employed to help attract private sector investment, and with the expectation of some level of reflows to the GEF Trust Fund. Some of these 20 projects already generated reflows of USD 39.7 million<sup>5</sup> with a total additional expected reflow of USD 202.9 million.
6. This paper provides additional documentation on this subset of GEF non-grant projects with expectations of reflows, including distribution by geography, focal area, instrument type, and agency.

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<sup>1</sup> See GEF/C.47/06 Annex1 Policy – Non Grant Instruments section V. Reflows, [GEF-6 Non-Grant Instrument Pilot and Updated Policy for Non-Grant Instruments](#)

<sup>2</sup> Ibid, Annex 1-A, provides descriptions of common GEF non-grant instruments

<sup>3</sup> Ibid, Section V, paragraph 6

<sup>4</sup> Ibid, Annex 2-A, provides a full list of these early GEF projects using non-grant instruments.

<sup>5</sup> Of this amount, USD 21.8 million has been returned to the Trustee as of September 30, 2019.

## NON-GRANT INSTRUMENTS WITH EXPECTED REFLOWS

7. Table 1 shows 20 NGI projects and programs for a total GEF investment amount of USD 225.3 million. These investments have already generated reflows of USD 39.7 million as of September 2019<sup>6</sup>. The four IFC-implemented projects from earlier GEF cycles (GEF-1 to GEF-3) provided USD 25.3 million of the reflows to-date. The GEF-4 IFC Earth Fund helped pave the way to the more systematic use of NGI and has provided additional USD 10.6 million in reflows. One (1) GEF-5 project has provided USD 2.6 million in reflows; and two (2) GEF-6 projects have provided USD 1.8 million in reflows.

8. As shown in Table 1, future reflows are expected to be USD 202.9 million, based on project documents and information provided by the agencies. This estimate includes one (1) GEF-3 project, one (1) GEF-4 project, five (5) GEF-5 projects, and ten (10) GEF-6 projects that are under implementation.

9. The potential and timing for reflows is variable depending on the type of financing instrument used. Debt projects have defined schedules of repayment of principal and interest, which allows for projections of cashflows to be repaid to the GEF Trust Fund on a yearly basis. Guarantees can be structured in various ways and repayment schedules may vary; in general, most projects structured with GEF guarantees are repaid back (minus losses) to the Trustee at the financial closing of the project. Equity is the most flexible product and returns (if any) are highly dependent on the structure of each transaction. In most projects, reflows are not expected to be repaid until the end of the investment period which can range from five to ten years. Of the fifteen projects under implementation in GEF-5 and GEF-6, nine are equity projects. These, on average, are not expected to start generating reflows until 2025.

10. NGI Projects are inherently risky and realized reflows may be lower or higher than expected. The estimated investment reflows shown in Table 1 are based on original project documents and additional investment information and estimates from Agencies. The USD 202.9 million estimate includes the original GEF investment amount (i.e., the principal) and expected earnings, and the potential losses as described in the approved project documents. Under a best-case scenario, where investment returns are at the high end, reflows could rise to USD 224 million. Under a worst-case scenario, where project investments incur substantial losses, reflows could fall to USD 49.9 million<sup>7</sup>. GEF implementing agencies are responsible for closely monitoring investment projects and can make adjustments during implementation to minimize losses.

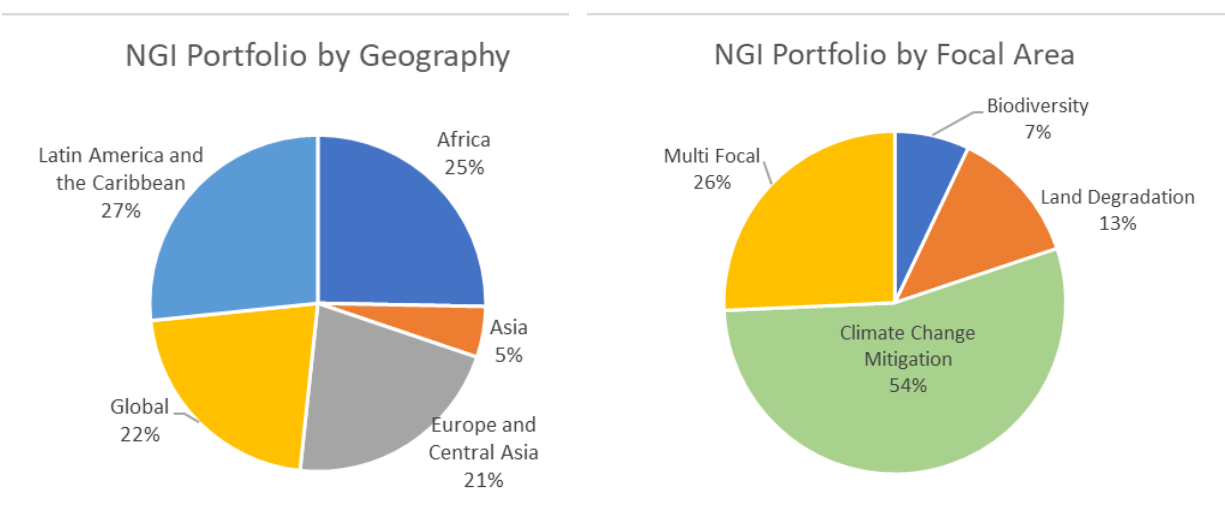
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<sup>6</sup> The Secretariat first reported on historical reflow status GEF/C.51/03, Annual Portfolio Monitoring Report, 2016, documenting USD 7.8 million in reflows. Additional data collection and analysis updates the 2016 report, including two (2) additional projects prior to GEF-3 reporting reflows and NGI projects approved since 2016.

<sup>7</sup> The best-case estimate assumes equity investments return the full expected IRR; all debt instruments repay principal and interest; and all guarantees repay 100% of the principal. The worst-case estimate assumes all equity investments are lost; debt instruments return 80% of principal but no interest; guarantees return only 50% of the principal.

11. Figure 1 shows the distribution of the NGI portfolio by geography and focal area. The NGI portfolio can be shown to be evenly distributed geographically. There is similar representation of projects from Africa (25%), Latin America and the Caribbean (LAC-27%), and Europe and Central Asia (21%). Global projects represented 22% of the portfolio distribution. In latest GEF cycles (GEF-5 and GEF-6), projects in Africa and LAC accounted for two thirds of the portfolio. When considering focal areas, earlier projects were focused on climate change mitigation. As the projects in renewable energy and energy efficiency become bankable, the focus of the GEF is turning to frontier areas such as biodiversity and land degradation. As a result, the portfolio of NGI projects has become more diversified across focal areas.

**Figure 1: Allocation of NGI portfolio by Geography and Focal Area**



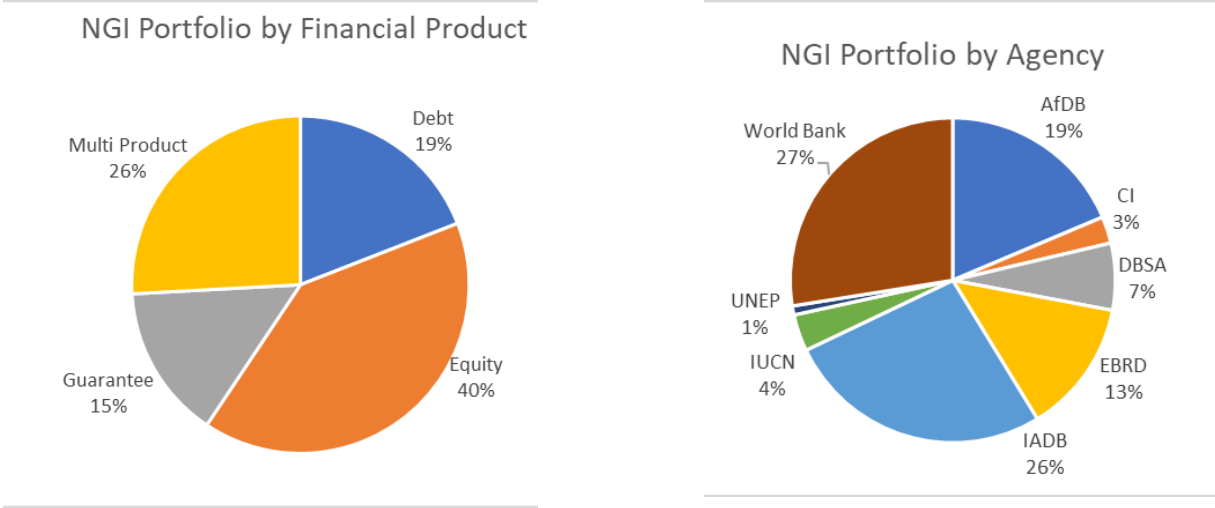
12. The distribution by Financial Instrument is depicted in Figure 2. Most of the NGI projects use equity as a preferred instrument, accounting for 40% of all funding amounts. Debt instruments account for 19%, guarantees for 15%, and multi-product instruments for 26% of investments, respectively.

13. Multilateral Development Banks account for about 86% of all investments from the NGI. Until GEF-6, only MDBs were eligible to implement projects with an expectation of reflows. With the approval by Council of Project and Program Cycle Policy<sup>8</sup> and with the adoption of the associated Guidelines<sup>9</sup>, all GEF agencies meeting the criteria noted in Annex 5 of that policy are eligible to implement NGI projects.

<sup>8</sup> [Project and Program Cycle Policy](#) GEF OP/PL/01

<sup>9</sup> Annex 5 [Guidelines on the Project and Program Cycle Policy](#), GEF/C.52/Inf.06/Rev.01, June 9, 2017

**Figure 2: Allocation of NGI portfolio by Financial Product and Agency**



**CONCLUSION**

14. The capacity of GEF NGI projects to attract strong co-financing and private sector engagement is well documented (see Table 1). Although these projects are inherently risky and realized reflows may come in lower or higher than expected, they are already demonstrating the capacity to generate reflows to the GEF Trust Funds.

15. In accordance with the new Monitoring Policy, the Secretariat will report annually to the Council on NGI projects. The value of the portfolio-level data will increase and allow for a better understanding of performance of NGI projects and reflows.

**Table 1: Reflow Table<sup>10</sup>**

GEF ID	Agency	GEF Phase	Program Title	Country/ Countries	Focal Area (s)	Type of Non- Grant Instrument	GEF Non-Grant Investment Amount	Investment Co- financing	Reflows generated as of Sept 2019	Estimated Investment Reflow <sup>11</sup>	Reflow End Date
111	World Bank	GEF - 1	IFC Energy Efficiency Co-financing Project	Hungary	CCM	Guarantee	1,150,000	-	996,597	0	2007
1541	World Bank	GEF - 2	IFC Commercializing Energy Efficiency Finance (CEEF) - Tranche I	ECA	CCM	Guarantee	10,550,000	94,750,000	10,319,687	0	2013
2174	World Bank	GEF - 3	IFC Commercializing Energy Efficiency Finance (CEEF) - Tranche II	ECA	CCM	Guarantee	6,750,000	94,750,000	6,750,000	0	2018
2000	World Bank		IFC EBFP	Global	CCM	Debt, Guarantee	13,593,000	485,351,219	7,231,523	4,000,000	2026
4257	World Bank	GEF - 4	IFC Earth Fund	Global	CCM BD IW	Debt, Equity, Guarantee	24,974,578	986,250,000	10,567,105	12,000,000	2026
4959	IADB	GEF - 5	IDB PPP Program	Latin America	CCM BD	Equity	15,000,000	116,450,000	2,802,650	25,200,000	2029
5388	IADB		Sustainable Caribbean Energy Fund	Caribbean Basin	CCM	Equity	15,000,000	10,300,000	0	24,000,000	2030
5754	IADB		IDB-GEF Climate-Smart Agriculture Fund for the Americas	Latin America	CCM LD	Debt	5,000,000	50,859,000	0	6,035,000	2030
5143	EBRD		Structured Financing for Energy Efficiency in Southern Mediterranean	EMEA	CCM	Debt	15,000,000	18,000,000	0	15,000,000	2035
4929	AfDB		AfDB PPP Program	Africa	CCM	Equity and Debt	20,000,000	178,150,000	0	22,177,302	2035
9058	IADB	GEF - 6	Impact Investment in Support of the Implementation of the Nagoya Protocol on Access and Benefit Sharing	Latin America	BD	Equity	10,000,000	101,000,000	0	15,700,000	2028
9277	IADB		Risk Mitigation Instrument for Land Restoration	Latin America	LD	Guarantee	15,000,000	0	0	15,000,000	2030
9047	EBRD		Green Logistics Program	EMEA	CCM	Debt	15,000,000	26,700,000	1,076,667	5,091,014	2027
9043	AfDB		Investing in Renewable Energy Project Preparation	Africa	CCM	Equity	10,000,000	39,600,000	0	6,900,000	2035
9051	AfDB		Moringa Agro-forestry Fund for Africa	Africa	LD	Equity	12,000,000	45,764,545	0	13,200,000	2027
9563	World Bank		Third South West Indian Ocean Fisheries Governance and Shared Growth Project (SWIOFish3)	Asia	BD IW	Debt	5,000,000	15,000,000	0	5,000,000	2057
9370	CI		Meloy Fund for Sustainable Small-Scale Fisheries	Philippines, Indonesia	BD	Equity	6,000,000	35,199,864	0	8,000,000	2030
9719	UNEP		Piloting Innovative Investments for Sustainable Landscapes	Brazil, Indonesia, Liberia	LD	Debt	2,000,000	52,518,998	0	2,416,218	2038
9914	IUCN		CPIC Conservation Finance Initiative - Scaling up and Demonstrating the Value of Blended Finance in Conservation	Global	BD LD	Equity	8,250,000	50,000,000	0	8,250,000	2040
9085	DBSA	Equity Fund for the Small Projects Independent Power Producer Procurement Programme (non-grant)	South Africa	CCM	Equity	15,000,000	147,006,333	0	15,000,000	2032	
<b>Total</b>							<b>225,267,578</b>	<b>2,547,649,959</b>	<b>39,744,229</b>	<b>202,969,534</b>	

<sup>10</sup> Of the reflow amount, USD 21.8 million has been returned to the Trustee as of September 30, 2019.

<sup>11</sup> Estimated investment reflows are based on original project documents and additional investment information from Agencies.