GEF-8 Replenishment: Financial Structure (GEF/R.8/09)

Second Meeting of the Eighth Replenishment of the GEF Trust Fund
Sep 29 - Oct 1, 2021
(Prepared by the GEF Trustee)
At the first meeting in April 2021, the Trustee presented an overview of the financial structure for GEF-8 which includes:

i) New Funding from Donors
ii) Carryover of Resources
iii) Projected Investment Income; and
iv) Reflows from Non-Grant Instruments.

The Trustee presented the burden sharing principles highlighting that the participants have the flexibility to adopt different approaches that meet their unique requirements for each replenishment.

The minimum contribution for participation in the replenishment discussions remains at SDR 4.0 million.

Participants agreed that the reference time period for translating GEF-8 contributions between national currency values and SDR values will be July 1, 2021 – December 31, 2021.

Participant countries with annual inflation rates greater than 10% during the calendar years 2018 – 2020 shall contribute in SDR or in USD.
New Funding from Donors: Terms of Contributions

- Special Drawing Rights (SDR) is used as the base currency for burden sharing as it provides a common denominator;
- Contributions are typically pledged in national currencies, except noted otherwise in the GEF-8 resolution.

### Pledges
- Formalized through legally binding Instrument of Commitment (IoCs)
- Option to deposit a Qualified IoC

### Payment of Contributions
**Two Features:**
- Timing: Four equal annual installments
- Form of Payment: Either by deposit of cash or on demand Promissory Notes (PN)

### Encashment of PNs
- Typically drawn down as per the agreed encashment schedule to be presented at the 3rd meeting
- Based on anticipated disbursement needs of the GEF agencies, and typically extends up to 10 years

### Accelerated Contributions
- Participants can accelerate Cash payments and PN Encashments
- Credit or increase in SDR value of contributions
- Discount or actual reduction in payment
Carryover of Resources

- **Unallocated Resources**
  - Uncommitted Resources from previous replenishment (GEF-7) will be carried over to GEF-8.
  - Details will be known towards the end of the GEF-7 cycle.

- **Unpaid Resources**
  - IoCs for previous replenishments that are not deposited with the Trustee.
  - Resources in arrears, for which IoCs have been deposited but resources remain to be paid in to the GEF TF.
Projected Investment Income and Reflows from NGI

- **Projected Investment Income**
  - Projected investment income over the replenishment period is estimated using projected liquidity balances for the four-year replenishment period (July 2022-June 2026), and the expected investment return over this period.

  ➢ **Sustainable and Responsible Investments**
    - In December 2020, the GEF Council approved the Sustainability Themed Investments Strategy ("the Strategy") for the GEF.
    - Implementation began in June 2021 with an initial US$100 million allocation and purchase of 9 bonds spanning green, social and sustainability categories.

- **Reflows from Non-Grant Instruments (NGI)**
  - Resources provided under the NGI are expected to be returned to the GEF Trust Fund over time.
  - Reflows received from NGI will be included in the resource envelope of the replenishment cycle they are received in i.e., reflows received during GEF-8 cycle will become part of the GEF-8 resource envelope.
Third Replenishment Meeting in January 2022

- Draft Replenishment Resolution
  - The Trustee will present the draft replenishment resolution for discussion at the 3rd meeting that will be held in January 2022.
  - The Trustee will share the indicative encashment schedule for the encashment of Promissory Notes for GEF-8 over fiscal years 2022-2032.
- The Trustee will share the GEF-8 exchange rates (July 1, 2021– December 31, 2021) to be used for translating GEF-8 contributions between national currency values and SDR values.
- Financial scenarios for GEF-8 including, New Funding from Donors, Carryover of Resources, Projected Investment Income; and Reflows from Non-Grant Instruments.
Thank you.