

# Financial Considerations for the GEF-8 Replenishment (GEF/R.08/19): Third GEF-8 Replenishment Meeting

- February 03, 2022
- Presented by the GEF Trustee





- GEF replenishment process spans over four meetings.
- **First Meeting:** Trustee introduces the financial structure of the GEF, the underlying principles such as the burden-sharing framework, and the constituent elements of the resource envelope:
  - New Donor Funding
  - Carryover from previous Replenishments
  - Projected Investment Income
  - Reflows from Non-Grant Instrument (NGI)
- **Second Meeting:** The discussion on the financial structure continues, with the introduction of payment process and associated conditions as defined in the GEF instrument.
- **Third Meeting:** Trustee presents indicative financing scenarios, promissory note **encashment schedule, reference exchange rates**. Participants agree on the vision for the replenishment.
- **Fourth Meeting:** Participants announce their pledges, finalize GEF-8 Replenishment Resolution and agree on Summary of Negotiations.



## ❑ Reference Exchange Rates

- Reference exchange rates for GEF-8 are finalized and published based on the reference time period (July 1, 2021, to Dec 31, 2021) as agreed by the participants at the First GEF-8 replenishment meeting in April 2021.
- Refer to **Annex 2/ GEF\_R.08\_19/Financial\_Considerations\_GEF\_ Replenishment**

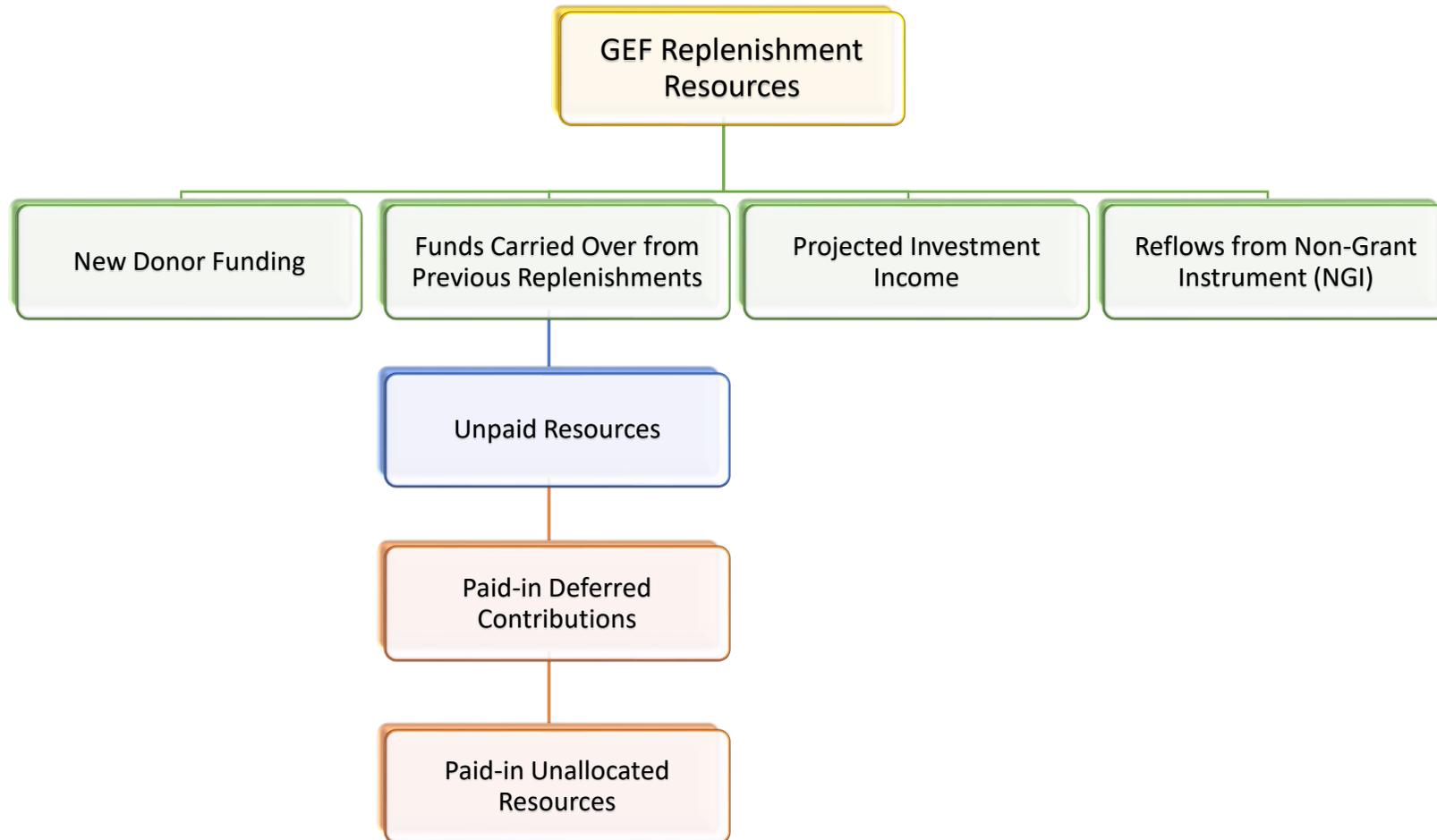
## ❑ Indicative Encashment Schedule

- GEF-8 indicative (or 'standard') Promissory Note encashment schedule based on GEF agencies anticipated programming needs is published.
- Credits and Discounts are calculated based on Indicative Encashment Schedule.
- Refer to **Page 7/ GEF\_R.08\_19/Financial\_Considerations\_GEF\_ Replenishment**

# GEF Replenishment Resources



THE WORLD BANK  
IBRD • IDA | WORLD BANK GROUP



❑ Carryover of Resources comprises of three broad categories

## Unallocated Resources

- Uncommitted Resources from GEF-7 will be carried over to GEF-8.
- Unallocated Resources will be finalized towards the end of GEF-7 cycle.

## Unpaid Resources

- IoCs for previous replenishments pending to be deposited with the Trustee.
- Resources in arrears i.e., contributions to be paid under deposited IoCs.

## Deferred Resources\*

- Donor's deferral for the use of resources that they have contributed.
- Based on provisions established in the Replenishment Resolution.
- *Proposed to be dropped from GEF-8 onwards*

❑ Trustee, in consultation with GEFSEC starts estimating the Carryover from the Third Meeting. This figure is finalized before the pledging session at the fourth meeting.

❑ Refer to Table 2 in **GEF\_R.08\_19\_Financial\_Considerations\_GEF-8\_Replenishment**



## 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.
- Expected rates of returns were simulated for the Model Portfolios (MPs) where GEF TF is invested by simulating the underlying risk factors over the investment horizon.
- Refer to **Annex 1/ GEF\_R.08\_19/Financial\_Considerations\_GEF\_ Replenishment**

## 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 as they are received by the Trustee i.e., reflows received during GEF-8 cycle will become part of the GEF-8 resource envelope. It includes reflows from NGI approved in previous replenishments as well.

# New Funding from Contributing Participants: Payment of Contributions



THE WORLD BANK  
IBRD • IDA | WORLD BANK GROUP

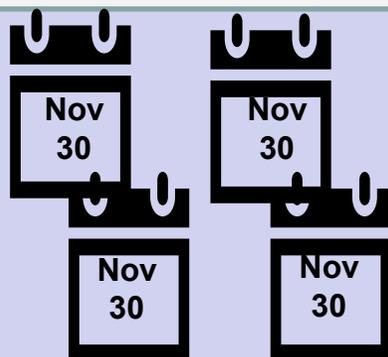
## Instrument of Commitment (IoC) by Contributing Participants

- Pledge is formalized by the deposit of an instrument of commitment (IoC) with the Trustee.



## Timing of Installments

- Four annual and equal installments by November 30th of each year during the GEF-8 replenishment cycle:  
Nov 30, 2022,  
Nov 30, 2023,  
Nov 30, 2024,  
Nov 30, 2025.



## Form of Payment

- Cash or promissory notes payable on demand.

## Promissory note



[https://en.wikipedia.org/wiki/File:Burma\\_1926\\_Promissory\\_Note.jpg](https://en.wikipedia.org/wiki/File:Burma_1926_Promissory_Note.jpg)

## Promissory Notes Encashments

- Indicative encashment schedule is 10 years; determined in advance, with options to accelerate.



# Credits and Discounts



THE WORLD BANK  
IBRD • IDA | WORLD BANK GROUP

## Credits

**Increase the SDR value of the contribution while maintaining the actual payment amount in the currency of contribution. Participant can either add this credit to their basic contribution or take the credit as supplemental contribution.**

## Discount

**Reduce the actual payment amount in the currency of contribution. No impact on the participant's share or reported pledge amount.**

# GEF Replenishment Process



THE WORLD BANK  
IBRD • IDA | WORLD BANK GROUP

## Participants in GEF-8 Replenishment Meetings

### FINAL REPLENISHMENT MEETING

- Participants decide on:
- OPS 7 (approved by GEF Council in Dec 2021)
  - GEF-8 Strategic Positioning
  - Programming priorities
  - Policy recommendations
  - Financing envelope

Agree on the Replenishment Summary and draft Replenishment Resolution.

### Council

- Endorses the replenishment package in June 2022.
- Asks CEO to send documents to the Trustee (World Bank) requesting the Bank to adopt the Replenishment Resolution.
- Sends documents to the GEF Assembly for information.

### WB Executive Directors

- Adopt the Replenishment Resolution.
- Trustee is thereby authorized to manage the resources under GEF-8 replenishment.
- GEF-8 financing period begins.

### Contributing Participants

- Deposit Instruments of Commitment (IoCs) with the Trustee.
- GEF-8 implementation commences.
- Funds are received by the Trustee.

# GEF-8 Draft Replenishment Resolution: (GEF/R.08/20)

Third GEF-8 Replenishment Meeting

- February 03, 2022
- Presented by the GEF Trustee



**THE WORLD BANK**  
IBRD • IDA | WORLD BANK GROUP

## ❑ **Significance of the Replenishment Resolution**

- The GEF-8 Replenishment Resolution is the legal document specifying the financial commitments agreed by the participants.
- Upon adoption by the World Bank's Executive Directors, authorizes the World Bank to act as Trustee for the Replenishment, and to accept contributions to the GEF Trust Fund.

## ❑ **Instrument of Commitment, Timing & mode of Payment and Promissory Note encashment** (as explained in the previous session)

## ❑ **GEF-8 Advance Contributions Scheme and Full Effectiveness**

- When the Trustee receives IoCs from Participants whose contributions aggregate to not less than 20% of all GEF-8 contributions, one quarter of such contributions shall be deemed advance contributions and become available for programming.
- GEF-8 shall become effective on the date when Participants whose contributions aggregate to not less than 60% of GEF-8 contributions have deposited Instruments of Commitments (IoCs) (“Effective Date”).

# Potential Changes to the Replenishment Resolution



THE WORLD BANK  
IBRD • IDA | WORLD BANK GROUP

- The Replenishment Resolution remains largely unchanged from previous replenishments.
- The only potential change (which has been marked up on the draft resolution) being the removal of the pro-rata clause.

## **Pro-Rata Provision: Proposed to be dropped from GEF-8 onwards**

- Right to defer the use of contributions for programming.
- The pro-rata provision has had limited effect on the timely clearance of arrears and not widely utilized.
- This provision does not apply to arrears from past replenishment.
- When invoked, it reduces the potential resources available for Council programming.
- Proposed changes in the draft GEF-8 Replenishment Resolution will be finalized for Participant's consideration at the fourth meeting in April 2022.

A young evergreen tree sapling with vibrant green needles is the central focus, growing from a thick carpet of moss. The background is a soft-focus forest with more trees and foliage, creating a sense of depth and tranquility. The lighting is natural, highlighting the texture of the moss and the sharpness of the sapling's needles.

**Thank you.**