



GEF/A.7/05/Rev.01
August 17, 2023

Seventh GEF Assembly
August 24-25, 2023
Vancouver, Canada

GEF-7 FUNDING RETROSPECTIVE

(PREPARED BY THE TRUSTEE)

I. GEF-7 REPLENISHMENT SUMMARY

1. Contributing Participants completed the negotiations under the Seventh Replenishment of the GEF Trust Fund ("GEF-7") in April 2018. Contributing Participants to the GEF-7 agreed to provide resources to the GEF Trust Fund for grant and other financing to GEF recipient countries for the period between July 1, 2018 and June 30, 2022. The agreed total envelope for the GEF-7 period was SDR 2.86 billion (USDeq. 4.1 billion). This funding envelope included USDeq 3,345¹ million from new pledges from donors, USDeq 573 million of resources carried over from previous replenishments, and USD 149.5 million of projected investment income.
2. On June 26, 2018, the Council endorsed the replenishment document and requested the CEO/Chairman of the Facility to transmit the document to the World Bank with a request that the Executive Directors of the World Bank be invited to authorize the World Bank, as Trustee of the GEF Trust Fund, to manage the resources made available under the GEF-7. The World Bank Executive Directors adopted the GEF-7 resolution on August 9, 2018.
3. The GEF Council commenced funding of GEF activities under GEF-7 upon adoption of the GEF-7 Replenishment Resolution by the World Bank Executive Directors, i.e., on August 9, 2018, with the amount paid-in but unallocated under GEF-6 (USD 573 million) and carried over to GEF-7.
4. The Advance Contribution Scheme provision under the GEF-7 replenishment resolution allows the Council to begin programming a portion of the GEF-7 resources when donors deposit Instruments of Commitment (IoC) representing twenty percent of the total contributions to the GEF-7, pending the full effectiveness of GEF-7. The Advance Contribution Scheme became effective on October 17, 2018 when ten Contributing Participants, whose contributions represent SDR 534.44 million representing 22.7% of the total contributions to the GEF-7, deposited their IoCs with the Trustee.
5. The Seventh Replenishment became effective on February 5, 2019 when 24 Contributing Participants, whose contributions aggregated more than sixty percent of the total contributions of all Contributing Participants under GEF-7, had deposited with the Trustee their IoCs or Qualified Instruments of Commitment (QIoCs) totaling SDR 1.452 billion.
6. Further to the pledging session in April 2018, the United States provided an additional USD 273.2 million to GEF-7 thus doubling their initial contribution. As a result of the additional funding, the final GEF-7 resource envelope increased to SDR 3.049 billion (USDeq. 4.341 billion).
7. As of July 24, 2022, 30 Contributing Participants had fully authorized their commitments to the GEF-7 replenishment and deposited Instruments of Commitment. Of these commitments, approximately 99.99% has been paid in cash or promissory notes. The remaining amount, representing 0.01% of the total authorized commitments, is expected to be paid shortly.

¹ Including USD 19.2 million in expected pledges

II. GEF-7 RESOURCE ENVELOPE

8. The original expected resources to be available to the GEF Trust Fund during the GEF-7 period totaled SDR 2.86 billion (USDeq. 4.07 billion) comprising (i) new pledges from Contributing Participants totaling SDR 2.35 billion (USDeq. 3.34 billion); (ii) a carryover from the GEF-6 replenishment totaling SDR 402.5 million (USDeq. 573 million); and (iii) projected investment income of SDR 105 million (USDeq. 149.5 million). Resources were to become available on an annual basis throughout the four-year replenishment period.
9. All the total GEF-7 pledges, SDR 2.53 billion (USDeq. 3.6 billion) have been confirmed by Contributing Participants depositing Instruments of Commitments or Qualified Instruments of Commitment with the Trustee. As of March 31, 2023, the Contributing Participants have paid USDeq. 3.6 billion towards their GEF-7 contributions.
10. Since the beginning of the GEF-7 replenishment period August 9, 2018 to July 24, 2022, USD 214 million of investment income has been earned in the GEF Trust Fund (representing 1.5% average return). Although the average rate of return was modest, the investment returns have exceeded the income originally projected (USD 149.5 million) for the GEF-7 replenishment period. This is primarily because of higher levels of cash balances in the GEF trust fund than originally estimated, as a number of donors decided to pay in cash over four years instead of paying by promissory note and encashing over a longer period of time.
11. Over the period August 9, 2018 to June 30, 2022, an amount of USD 3.9 billion was approved by the GEF Council and GEF CEO under the GEF-7. Allocations for Programmatic Initiatives amounted USD 1,217 million or 31% of GEF-7 funding decisions, while Projects not attached to Programmatic Initiatives and Fees amounted USD 2,616 million or 67% of GEF-7 funding decisions.
12. Table 1 shows the USD value of the GEF-7 resource envelope as of July 24, 2022. The GEF-7 excess is USD 29 million or 0.67% when measured against the target replenishment level. The excess envelope over the target replenishment is due to excess investment income earned during the GEF-7 period.

Table 1: GEF 7 Specific Funding Decisions (in USD millions)

| | | | |
|--|----------------------------|------------------------------------|--------------|
| 1. Target Replenishment Funding a/ | | | 4,341 |
| 2. Projected Available Resources during the GEF-7 Period | | | - |
| Estimated Funds Available to Support Council or CEO Financing Decisions | | | |
| | Potential Amount Available | of which Projected to be Available | |
| Receivables | | | |
| Arrears b/ | 90 | | |
| GEF-7 Installments due in FY23 | 0.2 | | |
| IoCs not yet Deposited with the Trustee | | | |
| GEF-7 c/ | 18 | | |
| Previous Replenishments d/ | 33 | | |
| Projected Investment Income e/ | - | | |
| Projected Reflows during GEF-7 f/ | - | | |
| Total i/ | 141 | | |
| 3. GEF-7 Specific Funding Decisions | | | 3,904 |
| Approvals by Council | | | 3,637 |
| Projects and Fees | | 2,271 | |
| Admin. Budget | | 147 | |
| Special Initiatives | | 2 | |
| Programmatic Initiatives | | 1,217 | |
| Approvals by CEO | | | 345 |
| Projects and Fees (MSPs, EEAs) | | 268 | |
| Project Preparation Activities and Fees | | 77 | |
| Net Changes to Initial Approvals g/ | | | (79) |
| Reductions (cancellations) on GEF-7 | | (79) | |
| Pending decisions on Intersessional and Council meetings | | - | - |
| Projects, Fees, Admin Budget, Special Initiatives, Programmatic Initiatives | | - | - |
| 4. GEF-7 "Envelope" as of July 23, 2022 (4 = 2 + 3) | | | 3,904 |
| 5. Funding expected to be carried forward from GEF-7 to GEF-8 h/ | | | 466 |
| 6. Changes in funding envelope (USDeq.) in GEF-7 period (6 = 5 + 4 - 1) | | | 29 |
| <p>a/ Represents the target replenishment level as agreed, including new resources from donors, projected investment income, and carryover of amounts from previous replenishments.</p> <p>b/ Includes arrears from the US for GEF-2 in the amount of USD 88 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.</p> <p>c/ Represents the balance of GEF-7 expected pledges.</p> <p>d/ GEF-6 IoC not received from Russia, GEF-5 IOCs not received from Greece, Nigeria, and Portugal and GEF-4 IoC not received from Nigeria.</p> <p>e/ The investment income earned since the beginning of GEF-7 period is USD 214 million, as against the projected amount of USD 149.5 million.</p> <p>f/ Umbrella balance cancellations from previous replenishments that were expected during GEF-7 period was \$60 million and expected reflows was \$25.2 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 \$152.4 million of cancellations from 48 umbrellas from previous replenishments. An amount of USD 30.9 million has been received as reflows from Non-grant instruments during GEF-7 period as against the projected reflows of USD 25.2 million.</p> <p>g/ To fit the GEF Secretariat's STAR model, net changes to pre-GEF-7 projects were excluded from the calculation.</p> <p>h/ Includes contribution arrears, IoCs not yet deposited with the Trustee and any funds unprogrammed at the end of GEF-7 period.</p> <p>i/ This amount is carried forward to GEF-8</p> | | | |

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

13. The GEF Trust Fund also carries FX risk as the Trustee makes funding commitments to GEF Agencies in USD against GEF resources which include non-USD promissory notes (PNs) that are encashed over a period of time up to ten years. Adverse movements in FX rates might impact the value of future

encashments of those Promissory Notes, thereby resulting in a lower value of resources compared to that anticipated at the time of making the commitments. To manage this uncertainty and as a buffer against adverse FX movement, the Trustee holds a defined level of financial reserve. The appropriate level of reserve is determined by the Trustee for every replenishment and is continuously monitored after considering projected contribution payments and estimated disbursements. The level of reserve was maintained at USD 175 million by end of GEF-7 and it was determined based upon simulations of movements in foreign exchange rates over a 12-month horizon of the currencies and amount of promissory note receivables. The Trustee continuously monitors the level of reserve and adjusts the amount annually to reflect variations in donor receivables and unencashed promissory notes.

14. The amount of USD 466 million carried forward from GEF-7 to GEF-8 includes arrears from GEF-7 as well as from previous replenishments, IoCs not yet deposited with the Trustee, and amounts that remained unallocated at the end of GEF-7 period.

III. FUNDING AVAILABILITY

15. The funding availability for the Council or CEO decision as of July 24, 2022 was USD 357 million (refer to Table 2). This amount is taking into account (i) Donor payments (ii) funding decisions by Council and CEO and (iii) Reserve to cover foreign exchange rate fluctuations. The USD 357 million is carried forward to GEF-8 period.

Table 2: GEF Trust Fund – Schedule of Funds Available (in USD millions)

| | As of July 24, 2022 (a) |
|---|----------------------------|
| 1. Funds Held In Trust | 5,437 |
| a. Cash and investments | 4,056 |
| b. Unencashed promissory notes | 1,381 |
| 2. Restricted Funds | 175 |
| a. Deferred Contribution in respect to the pro rata right | - |
| b. Contributions not released | - |
| c. Reserve to cover foreign exchange rate fluctuations | 175 |
| 3. Funds Held in Trust with no Restrictions (3 = 1 - 2) | 5,262 |
| 4. Approved Amounts Pending Cash Transfers to Agencies | 4,905 |
| a. Trustee committed | 3,455 |
| b. Approved by Council but not yet CEO Endorsed | 1,441 |
| c. Requested amounts for financing pending decision | 8 |
| 5. Funds Available to Support Council or CEO Decisions (5 = 3 - 4) | 357 |

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

Annex A

OVERVIEW OF GEF CUMULATIVE RESOURCES AND FUNDING DECISIONS

- Table 3 below shows total cumulative resources of the GEF Trust Fund and the cumulative funding decisions made since inception of the GEF. Of the total cumulative resources of USDeq. 21.22 billion, 99.3% or USDeq. 21.08 billion has been received from Contributing Participants. The remaining 0.7% or USDeq. 140 million represents resources not yet received. Of these, Installment Receivables from previous replenishments amounted to USDeq. 90 million; and IoCs not yet deposited with the Trustee totaled to USDeq. 50 million.
- Cumulative net funding decisions amounting to USDeq. 20.76 billion represent about 98% of the total cumulative GEF resources. As of July 24, 2022, Cumulative Resources net of Funding Decisions amounted to USDeq. 457 million.

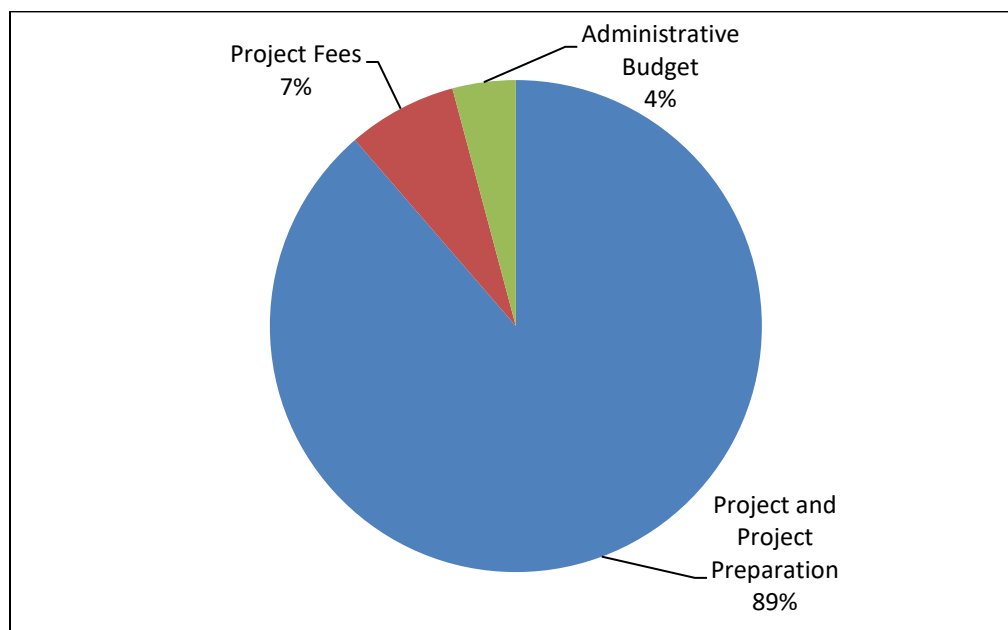
Table 3 Cumulative Resources and Funding Decisions (in USD millions)

July 24, 2022

| | | |
|---|---------|---------------|
| 1. Cumulative Resources | | 21,217 |
| <u>Resources not yet received</u> | | <u>140</u> |
| GEF-7 IoCs not yet deposited with the Trustee | 18 | |
| GEF-6 IoCs not yet deposited with the Trustee | 15 | |
| GEF-5 IoCs not yet deposited with the Trustee | 12 | |
| GEF-4 IoCs not yet deposited with the Trustee | 6 | |
| Installment Receivables from GEF-7 | 0 | |
| Installment Receivables from previous replenishments | 90 | |
| <u>Resources received</u> | | <u>21,077</u> |
| Cash receipts from installments and encashments | 18,128 | |
| Unencashed promissory notes | 1,381 | |
| Investment Income earned on undisbursed balances of GEF Trust Fund | 1,569 | |
| 2. Cumulative Funding Decisions | | 20,761 |
| Approvals by Council and CEO | 22,490 | |
| Cancellations | (1,741) | |
| Pending decisions of Intersessional and Council Meetings | 12 | |
| 3. Cumulative Resources Net of Funding Decisions (3 = 1 - 2) | | 457 |

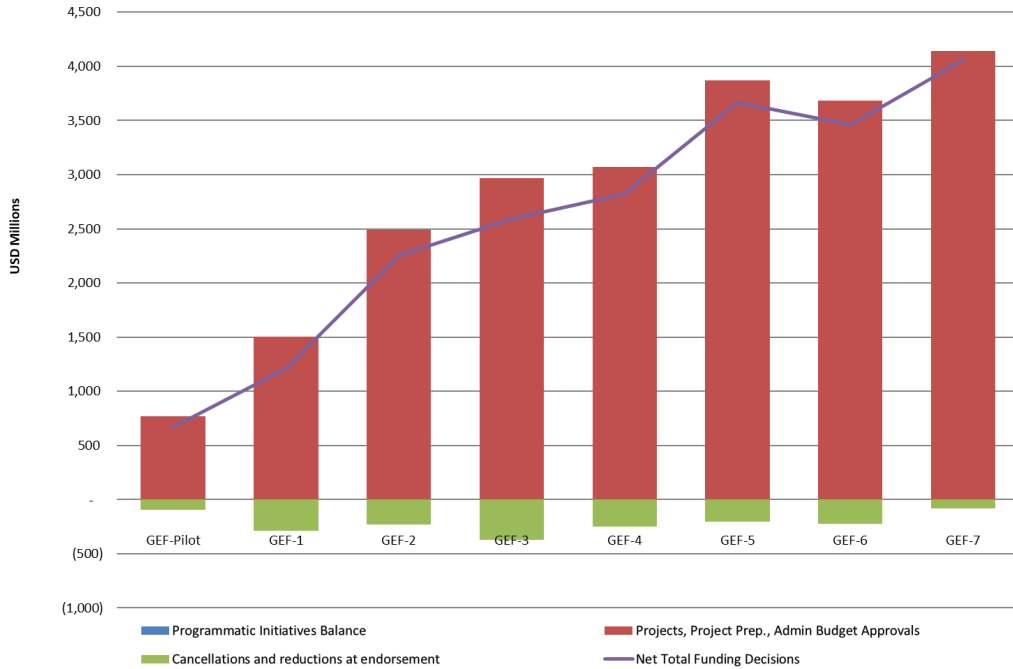
Note: Totals may not add up accurately due to rounding.

3. Since inception to July 24, 2022 funding approvals made by the Council and CEO totaled USD 22,490 million, of which 89% was approved for Projects and Project Preparation activities.



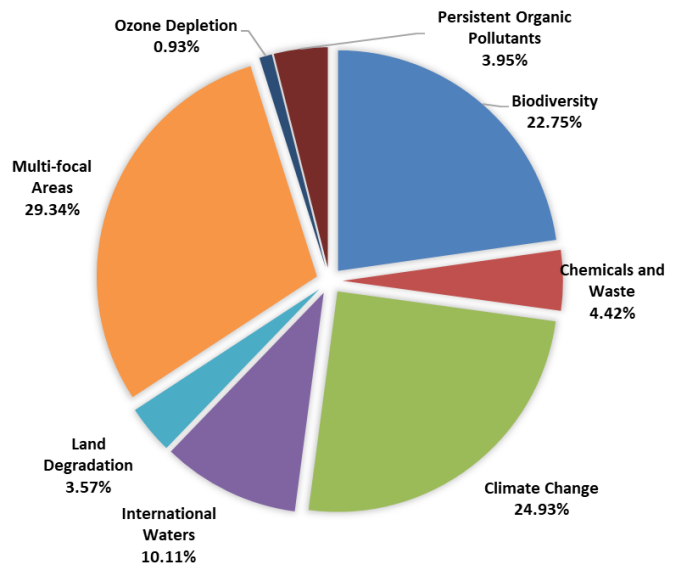
Annex A provides further details of GEF funding decisions since inception through July 24, 2022.

4. Funding decisions by Replenishment show the cumulative funding decisions of USD 20,761 million net of cancellations. Cumulative funding cancellations totaled USD 1,741 million.



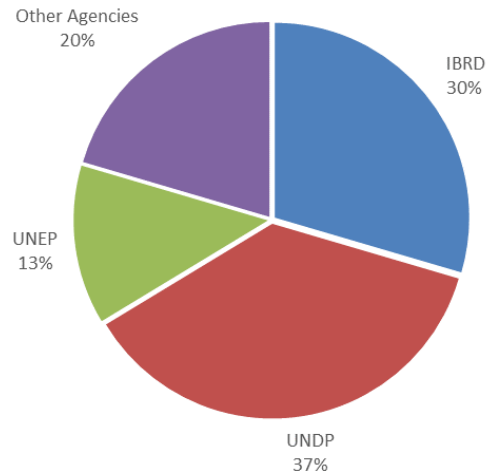
FUNDING DECISIONS BY FOCAL AREA

Funding Decisions by Focal Area show cumulative funding for projects only and exclude fees. Projects in the areas of biodiversity and climate change represent approximately 48% of the cumulative funding approved to date, followed by multi-focal areas with a share of 29%.



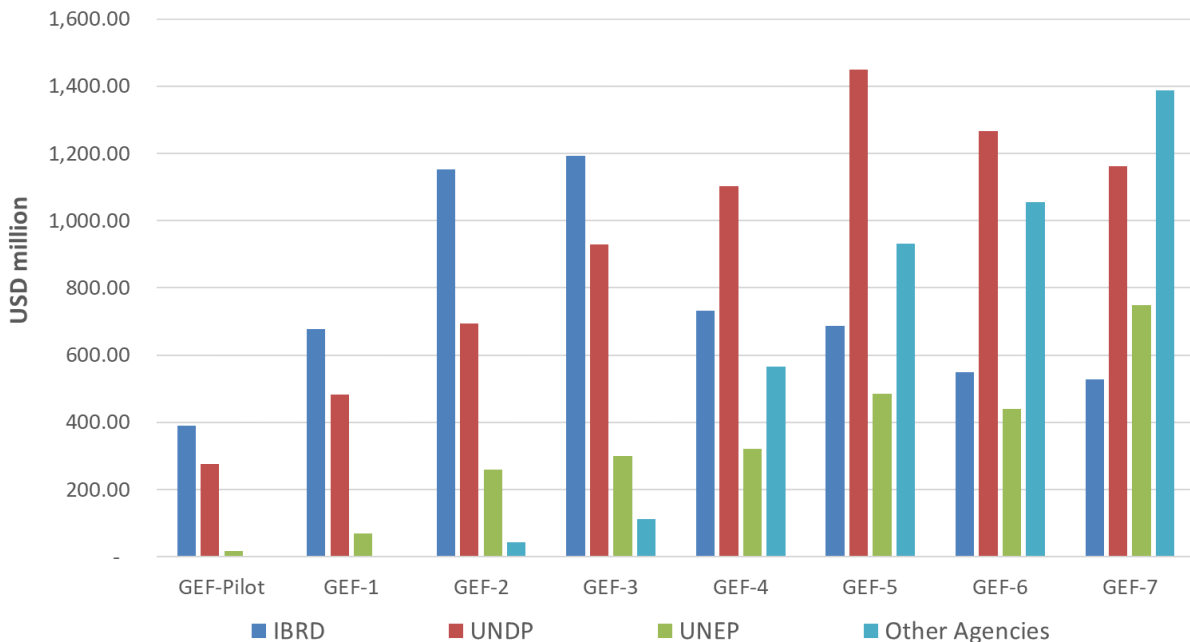
FUNDING DECISIONS BY AGENCY

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



FUNDING DECISIONS BY AGENCY AND BY REPLENISHMENT

The Agencies' share of funding approvals changes over time. IBRD's share fell from 57% in the GEF Pilot to 14% in GEF-7. UNDP's share also had a decline from 40% in the GEF Pilot to 30% in GEF-7. UNEP's share increased from 3% in the GEF Pilot to 20% in GEF-7. The combined share of other Agencies has increased from 2% in GEF-2 to 36% in GEF-7.



UPDATE ON GEF INVESTMENT MANAGEMENT STRATEGY

During the GEF-7 replenishment negotiations, participants requested the Trustee to develop options for social and responsible investment (SRI) strategies for the GEF Trust Fund that are consistent with international best practice for environmental, social and governance (ESG) standards. As such, the GEF-7 policy recommendations reflect that *“Recognizing the GEF’s unique role and mandate in the global environment architecture and the increased emphasis on integration and sustainability in GEF-7, Participants request the Trustee to develop options for a responsible investment strategy for the financial management of the GEF funds held in trust, for consideration by the Council and consistent with international best practice for environmental, social and governance (ESG) standards”*.

In response to the policy recommendation Trustee identified ESG Integration as the most appropriate strategy and starting from July 2019, started to apply ESG Integration as the default SRI approach for all portfolios managed by the World Bank, including for the GEF Trust Fund. The implementation of ESG Integration was within the purview of existing authorizations by the World Bank Board, and thus did not involve any changes in the existing investment objectives or risk limits for the GEF Trust Fund portfolio.

Further to the implementation of ESG Integration, the Trustee received several requests from the GEF participants to pursue and explore strategies which extend beyond ESG Integration and create a positive developmental impact. The Trustee explored several alternative SRI strategies which are within the purview of World Bank’s Investment Authorizations and uphold the overarching primary investment objectives of capital preservation and liquidity on demand without causing any meaningful alteration in the risk and return profile of the GEF Trust Fund.

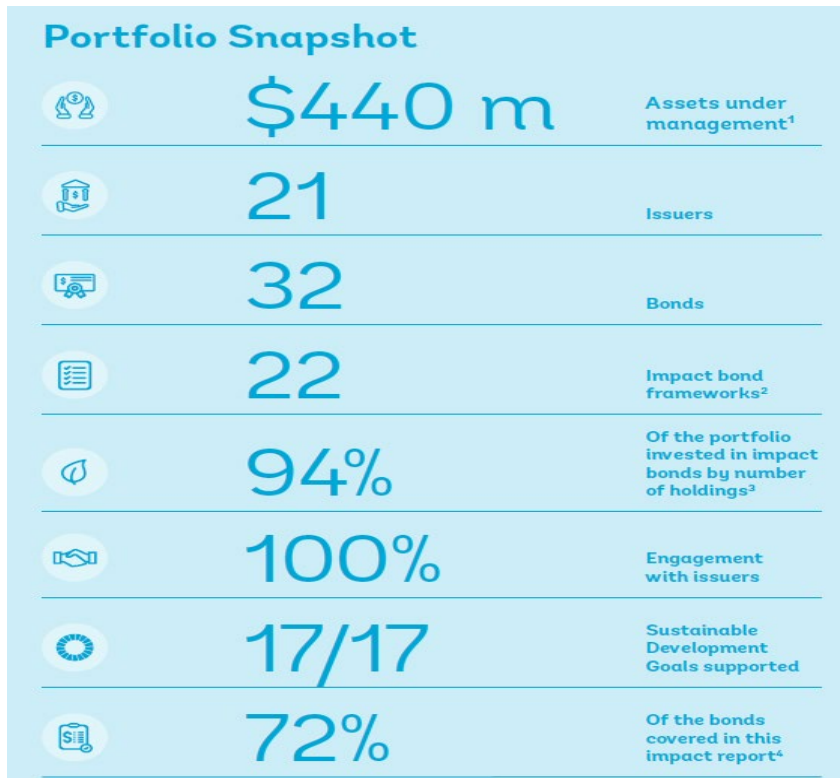
Through in-depth portfolio analysis and extensive market research, the Trustee proposed an SRI option through Sustainable Bond Strategy for the GEF Council’s consideration. The GEF (and any trust funds subsequently wanting to allocate to this strategy) would be required to explicitly “opt-in” to this strategy as it extends beyond the default ESG Integration used by the World Bank Treasury by limiting the investable universe to a specific subset of bonds that will have the required characteristics to qualify as “Sustainable”.

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. The Strategy began with an initial allocation of USD100 million from June 2021 and has grown to USD450 million as of June 30, 2023.

Inaugural Impact Report

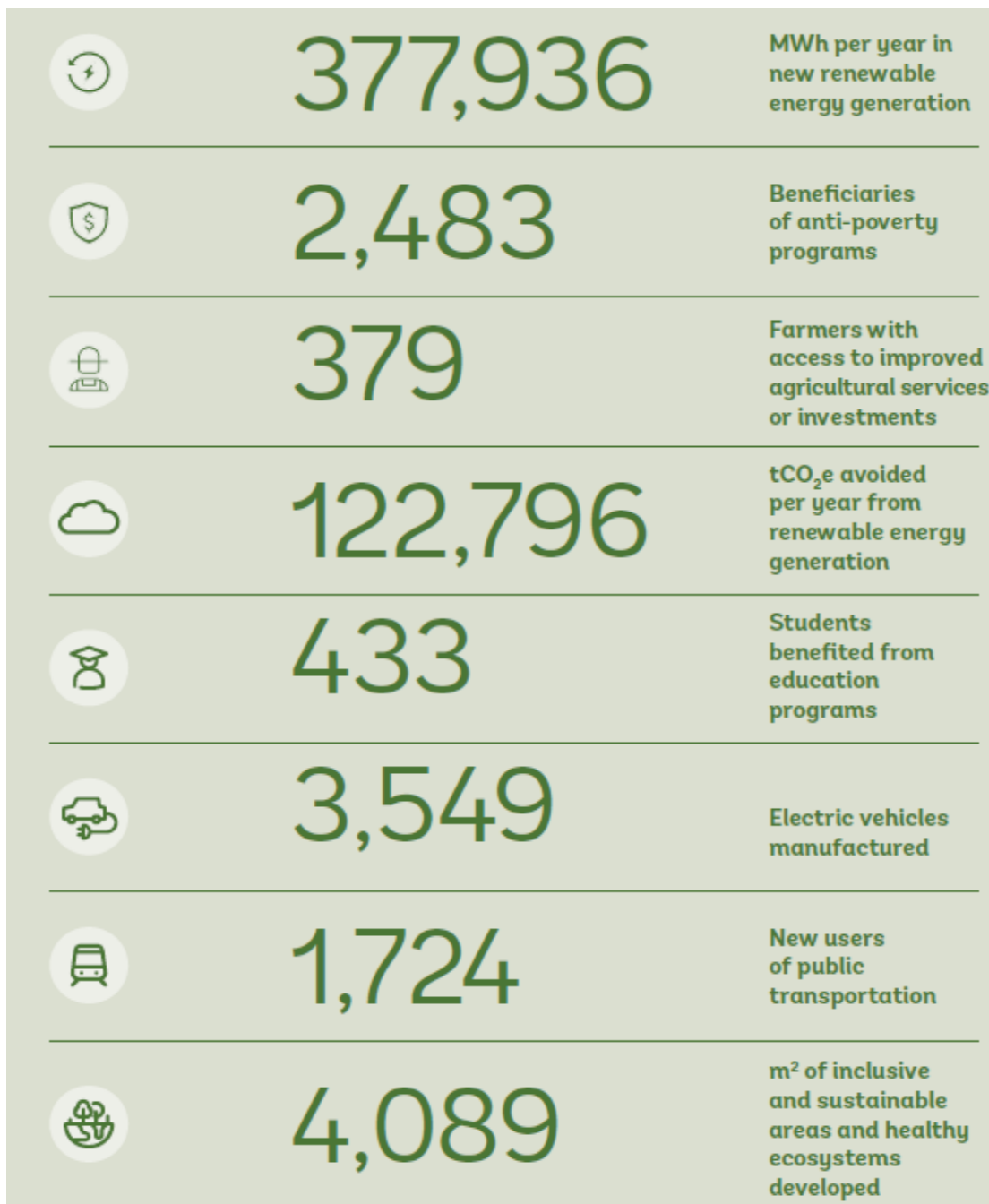
Trustee prepared the inaugural impact report for the strategy to provide an overview of the impact generated by the GEF Trust Fund Liquidity holdings. As an integral output of the Strategy, the impact report prepared for the participants of the GEF demonstrates Trustee’s commitment to delivering annual impact reporting in line with the highest industry standards.

Portfolio Impact



The strategy uses issuer information for each bond to calculate the impact at the issuance level, as well as at the holdings level, using a prorating approach. Both levels of impact are provided later in the report when aligned with the SDGs. The topline impact numbers to the right show prorated impact attributed to the holdings of the strategy as of June 30, 2022. This is a very simplified representation of the impact that aligns

to the methodology used by other investors. It provides an indication of the scope of impact yet



underestimates the actual support since only part of the results is reported.