

GEF Council Meeting
November 28 – December 2, 2022
Virtual Meeting

GEF TRUST FUND FINANCIAL REPORT

*Summary of Financial Information
As of November 7, 2022*

(Prepared by the Trustee)



Global Environment Facility Trust Fund

Financial Report

Prepared by the Trustee

Summary of Financial Information

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Introduction

The information contained in this report is prepared based on financial information as of November 7, 2022 (date of Advance Contribution Effectiveness of GEF-8 replenishment), except 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 182 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, and (vi) 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 November 7, 2022, and recent developments since November 08, 2022; (ii) the details of financial activities of the GEF Trust Fund; (iii) Update on GEF-8 replenishment status; (iv) an inaugural Impact Report for the Sustainable Bond Strategy (“the Strategy”) implemented by the World Bank as Trustee of the Global Environment Facility Trust Fund.

GEF Trust Fund Financial Summary as of November 7, 2022

Pledges and Contributions

GEF Contributing Participants have pledged SDR 17,392.84 million (USDeq. 24,845 million)¹ to date, of which SDR 14,846 million (USDeq. 21,244 million) has been confirmed by Donors depositing Instruments of Commitments (IoCs) or Qualified Instruments of Commitment (QIoCs) with the Trustee.

GEF-8 pledges totaled SDR 3,283 million (USDeq. 4,640 million), of which Donors have deposited 23.2% of the amount with the trustee as IoCs or QIoCs.

Investment Income

As of November 7, 2022, cumulative investment income earned on the GEF Trust Fund balances amounted to USD 1,519 million.

Funding Approvals and Commitments

As of November 7, 2022, cumulative funding decisions (approvals by the GEF Council/CEO) amount to USD 20,727 million net of USD 1,754 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 20,727 million, cumulative commitments amount to USD 19,301 million.

Cash Transfers

Cash transfers were made on an as-needed basis to meet projected disbursement requirements. As of November 7, 2022, out of the cumulative commitment of USD 19,301 million (including administrative expenses and funding allocations to the GEF Secretariat), the Trustee has transferred USD 15,888 million. A balance of USD 3,413 million remains payable as of November 7, 2022.

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

Funds Held in Trust reflect financial activities related to new donor payments (cash and promissory notes), encashment of promissory notes, investment income, cash transfers, and the revaluation of the balance of promissory notes at month-end. As of November 7, 2022, Funds Held in Trust, including the reserve amount of USD 175 million, total USD 5,115 million, 23% of which represents unencashed promissory notes.

Funds available to support Council or CEO decision amounted to USD 193.4 million as of November 7, 2022. This represents a decrease of USD 185 million compared to March 31, 2022.

¹ Does not include co-financing under the GEF Pilot Program.

UPDATE TO THE GEF-8 REPLENISHMENT AS OF NOVEMBER 21, 2022

Replenishment size. The GEF-8 replenishment was finalized on April 8, 2022, with a total replenishment level amounting to SDR 3,771 million (USDeq. 5,330 million) including projected investment income and carryover of resources. These pledged contributions from 29 Contributing Participants, including credits for accelerated encashments and expected pledges.

Implementation of GEF-8. The World Bank's Executive Directors adopted the GEF-8 Replenishment Resolution on July 25, 2022 (Resolution No. 2022-0003), thereby authorizing the World Bank to act as Trustee in respect of the resources made available for the Eighth Replenishment of the GEF Trust Fund. Following this, the Trustee has been working closely with Contributing Participants to facilitate the deposit of Instruments of Commitment (IoCs) or Qualified Instruments of Commitment, tracking donor commitments for purposes of the GEF-8 Advance Contribution Scheme, ensuring compliance with the provisions of GEF-8 Replenishment Resolution, and addressing inquiries regarding GEF-8 cash outlays, credits and discounts.

Instruments of Commitment (IoCs). Since the adoption of the GEF-8 Replenishment Resolution to November 21, 2022, 16 Contributing Participants have deposited their IoCs in the form and substance as agreed under the GEF-8 Replenishment Resolution, representing 33.5% of the total GEF-8 pledges. Table 1 shows the details of the status of IoCs received by the Trustee as of November 21, 2022.

Advance Contribution Scheme. In accordance with Paragraph 7(a) of the GEF-8 Replenishment Resolution, the Advance Contribution Scheme for the GEF-8 becomes effective when the Trustee has received Instruments of Commitment or Qualified Instruments of Commitment from Contributing Participants whose contributions aggregate no less than SDR 656.59 million. GEF-8 Advance Contribution Scheme became effective on November 7, 2022, when the Trustee received IoCs from thirteen Contributing Participants whose contributions totaled SDR 763.1 million.

Table 1: GEF-8 Instruments of Commitment a/

Status report as of November 21, 2022

| Contributing Participant | GEF-8 Pledges (in SDR millions) | Instruments of Commitment deposited with the Trustee | |
|--------------------------|---------------------------------------|---|--------------------------|
| | | SDR (millions) | USD Eq. (millions) b/ |
| Australia | 41.41 | - | - |
| Austria | 48.28 | 48.28 | 68.24 |
| Belgium | 79.40 | - | - |
| Brazil | 4.25 | - | - |
| Canada | 128.94 | 128.94 | 182.23 |
| China | 22.57 | 22.57 | 31.90 |
| Cote d'Ivoire | 4.00 | - | - |
| Czech Republic | 4.00 | 4.00 | 5.65 |
| Denmark | 92.05 | - | - |
| Finland | 41.25 | - | - |
| France | 254.75 | 254.75 | 360.05 |
| Germany | 575.15 | - | - |
| India | 13.27 | 13.27 | 18.75 |
| Ireland | 8.56 | 8.56 | 12.10 |
| Italy | 86.27 | 86.27 | 121.93 |
| Japan | 451.46 | - | - |
| Korea, Republic of | 5.31 | - | - |
| Luxembourg | 4.26 | 4.26 | 6.02 |
| Mexico | 6.93 | 6.93 | 9.79 |
| Netherlands | 101.88 | 101.88 | 144.00 |
| New Zealand | 11.60 | - | - |
| Norway | 65.74 | 65.74 | 92.91 |
| Slovenia | 5.00 | 5.00 | 7.07 |
| South Africa | 4.64 | 4.64 | 6.55 |
| Spain | 25.31 | 25.31 | 35.78 |
| Sweden | 333.77 | - | - |
| Switzerland | 119.50 | - | - |
| United Kingdom | 318.30 | 318.30 | 449.86 |
| United States | 425.09 | - | - |
| | 3,282.93 | 1,098.69 | 1,552.82 |

a/ The list includes IOCs deposited after the date of ACS effectiveness on November 7, 2022

b/ based on exchange rates agreed under GEF-8

1. GEF Trust Fund Summary – Inception through November 7, 2022

| | Total (in SDR millions) |
|---|--------------------------------|
| <u>Donor Pledges and Contributions (in SDR millions)</u> | |
| Received IoCs | 14,846.14 |
| GEF-4 IoCs not yet deposited | 4.00 |
| GEF-5 IoCs not yet deposited | 12.35 |
| GEF-6 IoCs not yet deposited | 10.52 |
| GEF-8 IoCs not yet deposited | 2,519.83 |
| Total Donor Pledges and Contributions (in SDR millions) | <u>17,392.84</u> |

| | Total (in USD millions) |
|---|--------------------------------|
| <u>Cumulative Resources (in USD millions)</u> | |
| <u>Resources received</u> | |
| Cash Receipts | 18,194.01 |
| Unencashed promissory notes | 1,163.02 |
| Investment Income earned | 1,519.27 |
| Total Resources Received | <u>20,876.30</u> |
| <u>Resources not yet received</u> | |
| GEF-8 IoCs not yet deposited | 3,561.34 |
| GEF-6 IoCs not yet deposited | 15.00 |
| GEF-5 IoCs not yet deposited | 10.96 |
| GEF-4 IoCs not yet deposited | 5.15 |
| GEF-8 IoCs submitted | 1,078.56 |
| Installment Receivables from previous replenishments | 89.76 |
| Total resources not yet received | <u>4,760.77</u> |
| Total Cumulative Resources (A) (in USD millions) | <u>25,637.06</u> |

| | |
|--|-------------------------|
| <u>Cumulative Funding Decisions (in USD millions)</u> | |
| Approvals by Council and CEO | 22,468.42 |
| Cancellations and reductions at endorsement | (1,754.03) |
| Pending Decisions of Intersessional and Council Meetings | 12.19 |
| Total Funding Decisions Net of Cancellations (B) (in USD millions) | <u>20,726.57</u> |
| Cumulative Resources Net of Funding Decisions (A) - (B) (in USD millions) | <u>4,910.49</u> |

| | |
|--|------------------------------------|
| <u>Funds Available (in USD millions)</u> | |
| Funds Held in Trust with no restrictions | 4,939.75 |
| Approved Amounts Pending Cash Transfers to Agencies | 4,746.33 |
| Total Funds Available to Support Council or CEO Decisions (in USD millions) | <u>193.42</u> ^{a/} |

a/ Excludes the FX reserve amount of USD 175 million.

Note: Totals may not add up accurately due to rounding

2. Cumulative Resources and Funding Decisions

In USD millions

| | <u>November 7, 2022</u> | <u>March 31, 2022</u> |
|---|-------------------------|-----------------------|
| 1. Cumulative Resources | 25,637 | 21,260 |
| <u>Resources not yet received</u> | <u>4,761</u> | <u>371</u> |
| GEF-8 IoCs not yet deposited with the Trustee | 3,561 | |
| GEF-7 IoCs not yet deposited with the Trustee | - | 19 |
| GEF-6 IoCs not yet deposited with the Trustee | 15 | 31 |
| GEF-5 IoCs not yet deposited with the Trustee | 11 | 12 |
| GEF-4 IoCs not yet deposited with the Trustee | 5 | 6 |
| Installment Receivables from GEF-7 | - | 199 |
| GEF-8 IoCs submitted | 1,079 | - |
| Installment Receivables from previous replenishments | 90 | 104 |
| <u>Resources received</u> | <u>20,876</u> | <u>20,890</u> |
| Cash receipts from installments and encashments | 18,194 | 17,708 |
| Unencashed promissory notes | 1,163 | 1,604 |
| Investment Income earned on undisbursed balances of GEF Trust Fund | 1,519 | 1,578 |
| 2. Cumulative Funding Decisions | 20,727 | 20,422 |
| Approvals by Council and CEO | 22,468 | 22,118 |
| Cancellations | (1,754) | (1,708) |
| Pending decisions of Intersessional and Council Meetings | 12 | 12 |
| 3. Cumulative Resources Net of Funding Decisions (3 = 1 - 2) | <u>4,910</u> | <u>839</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. 25,637 million, USDeq. 4,761 million (19%) represents resources not yet received. Of these, IoCs not yet deposited with the Trustee total USDeq. 3,592 million, GEF-8 IoCs received amount to USDeq. 1,079 million, and installment receivables from previous replenishments amount to USDeq. 90 million.
- Cumulative net funding decisions amounting to USDeq. 20,727 million represent about 81% of the total cumulative GEF resources.
- As of November 7, 2022, cumulative resources net of funding decisions amount to USDeq. 4,910 million.

2a. Cumulative Resources

In USD millions

| Instruments of Commitment to be Deposited For Previous Replenishments | | | | |
|---|----------------------|-------------------------------|---|----------------------------|
| Status as of November 07, 2022 | | | | |
| (Amounts in millions) | | | | |
| <u>Contributing Participant</u> | <u>Replenishment</u> | <u>Currency of Obligation</u> | <u>Amount in Currency of Obligation</u> | <u>Amount in USDeq. a/</u> |
| Nigeria | GEF-4 | SDR | 4.0 | 5.2 |
| Total GEF-4 IoCs Not Yet Deposited | | | | 5.2 |
| Greece | GEF-5 | EUR | 4.4 | 4.4 |
| Nigeria | GEF-5 | NGN | 921.9 | 2.1 |
| Portugal | GEF-5 | EUR | 4.4 | 4.4 |
| Total GEF-5 IoCs Not Yet Deposited | | | | 11.0 |
| Russian Federation | GEF-6 | USD | 15.0 | 15.0 |
| Total GEF-6 IoCs Not Yet Deposited | | | | 15.0 |
| Total GEF-4, GEF-5, and GEF-6 IoCs Not Yet Deposited | | | | 31.1 |

a/ Based on exchange rates as of Nov 07, 2022.

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

STATUS OF QUALIFIED INSTRUMENTS OF COMMITMENT (QIOC) UNDER GEF-8

As of November 7, 2022, Norway and Canada have deposited a QIoC for GEF-8.

| <u>Contributing Participant</u> | <u>Replenishment</u> | <u>USD Eq. (millions) a/</u> |
|---------------------------------|----------------------|------------------------------|
| Norway | GEF-8 | 57.12 |
| Canada | GEF-8 | 138.60 |
| Total | | 195.72 |

a/ Based on exchange rates as of November 07, 2022.

INSTALLMENT ARREARS BY REPLENISHMENT

As of November 7, 2022, cumulative arrears amounted to USDeq. 89.8 million. Of this amount, USDeq. 89.54 million represents arrears under GEF-1, GEF-2 and GEF-3.

| Table 3b: Installment arrears by replenishment | | | | |
|---|--------------|-----------------|--------------------------------------|------------------------------|
| Status as of November 7, 2022 (in millions) | | | | |
| <u>Contributing Participant</u> | <u>Repl.</u> | <u>Currency</u> | <u>Installment Receivable Amount</u> | <u>USD eq. (millions) a/</u> |
| Egypt | GEF-1 | SDR | 0.5 | 0.68 |
| United States | GEF-2 | USD | 88.0 | 88.01 |
| Nigeria | GEF-3 | SDR | 0.7 | 0.86 |
| Republic of Korea | GEF-7 | USD | 0.2 | 0.21 |
| Total | | | | 89.8 |

a/ Based on exchanges rates as of November 7, 2022.

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 considering projected contribution payments and estimated disbursements.

As of November 7, 2022, the level of reserve currently stood at USD 175 million and 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 will continue to monitor the level of reserve and adjust the amount annually to reflect variations in GEF-8 donor receivables and unencashed promissory notes, both in the amounts and currency composition.

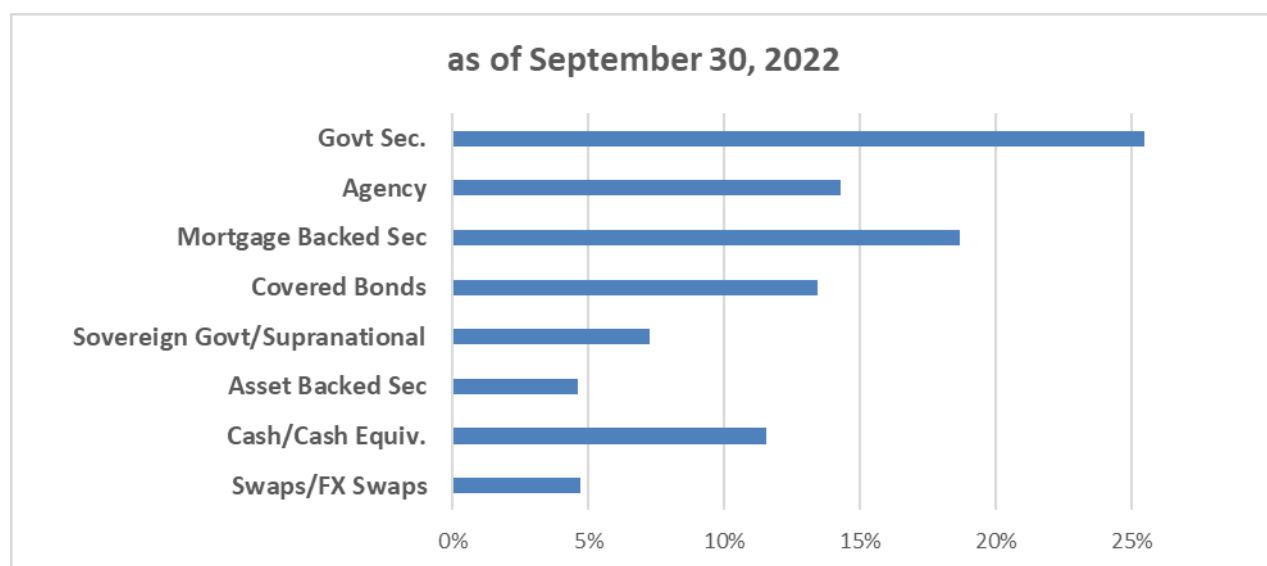
2b. Asset Mix and Investment Income

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.

ASSET MIX

GEF Trust Fund assets are invested across four 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, “Model Portfolio 2” with a broader investment universe and an investment horizon of three years, and “Model Portfolio 8” to map the Sustainable Bond strategy). 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 framework². 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’³ 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 September 30, 2022 are to government securities, mortgage-backed securities, and agency securities.

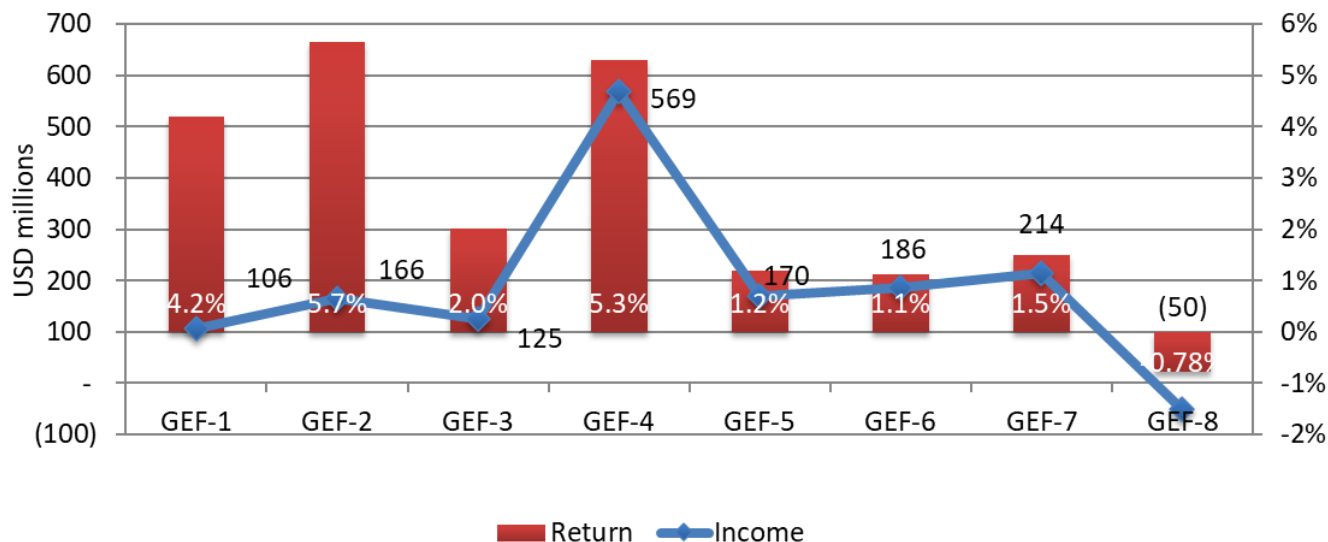


² Risk tolerance is defined as the expected maximum loss, as measured by the Conditional Value-at-Risk (CVaR), at the portfolio’s investment horizon, not to exceed 1% at portfolio’s investment horizon, with 99% confidence.

³ Mark-to-market returns or losses represent unrealized returns or losses reported via accounting entries rather than the actual sale of a security.

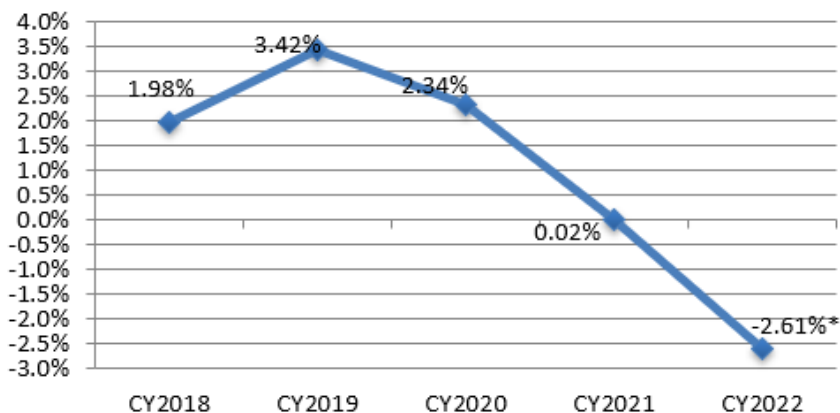
INVESTMENT INCOME

Cumulative investment income earned since the beginning of GEF Pilot phase through November 7, 2022 is USD 1,519 million. During the GEF-7 replenishment period, the GEF Trust Fund liquid investment portfolio earned an investment income of USD 214 million, representing a 1.50% average return over the period. The portfolio generated an investment loss of USD 50 million (-0.78%) since the beginning of the GEF-8 period until November 7, 2022.



INVESTMENT RETURNS

For the first nine months of 2022, the investment return was negative 2.61%. Persistent global inflationary trends since the beginning of the calendar year resulted in policy rate hikes by central banks across the globe including the US Federal Reserve. This coupled with tightening liquidity environment, and heightened volatilities across asset classes have resulted in negative returns across fixed income assets particularly those with longer durations. However, the current valuations are attractive across fixed income classes and as such for the GEF portfolio over its investment horizon.

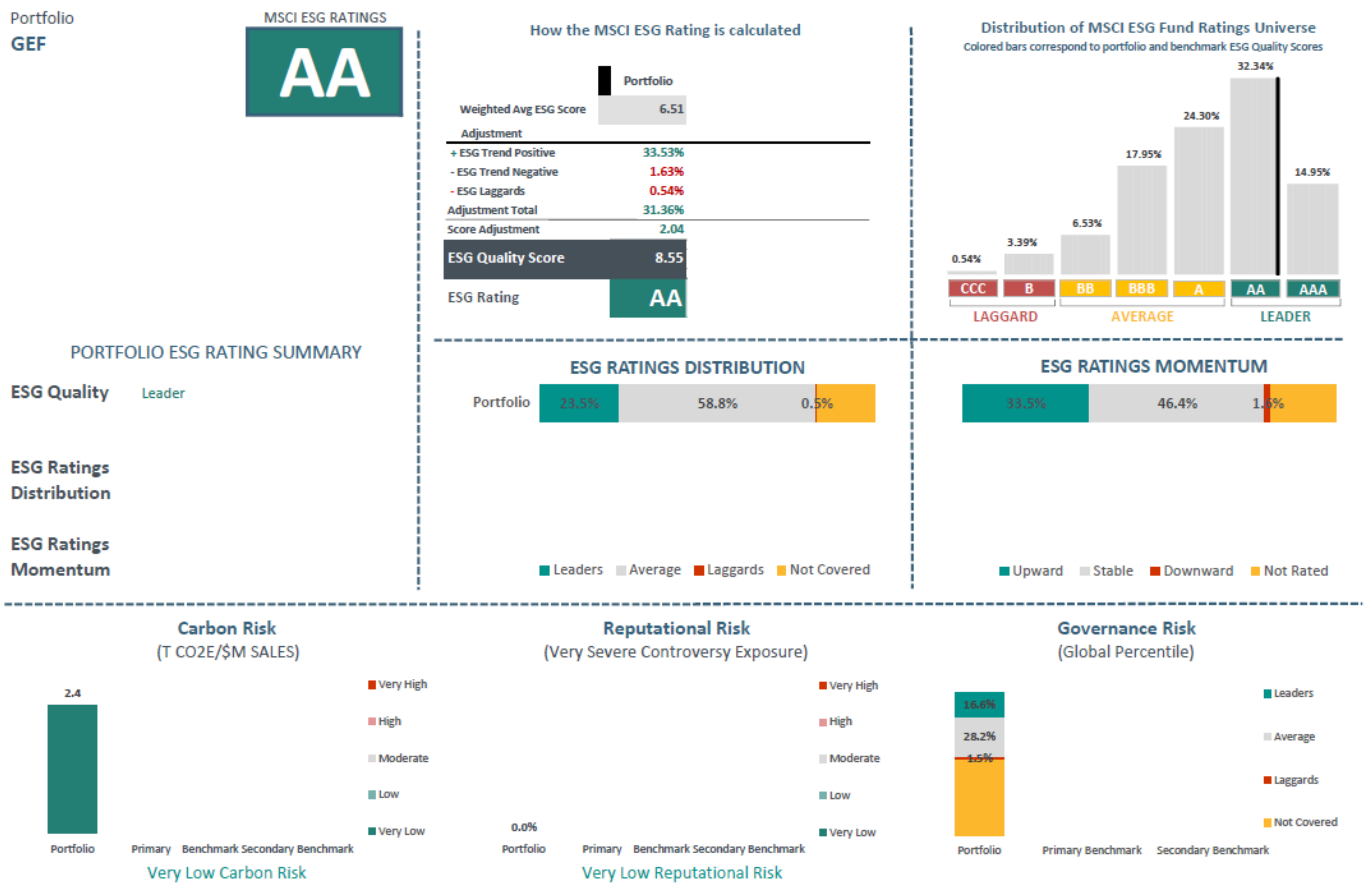


*non-annualized investment returns as of Sep 30, 2022

ESG RATING OF THE GEF TRUST FUND

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.

The GEF investment portfolio is primarily comprised of high-grade fixed-income securities (sovereign, supranational and agency securities, and bank deposits) and, as of September 2022, the portfolio has an ESG Quality Score⁴ of 8.55 and an ESG Rating⁵ of AA. 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 within the top quartile 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.

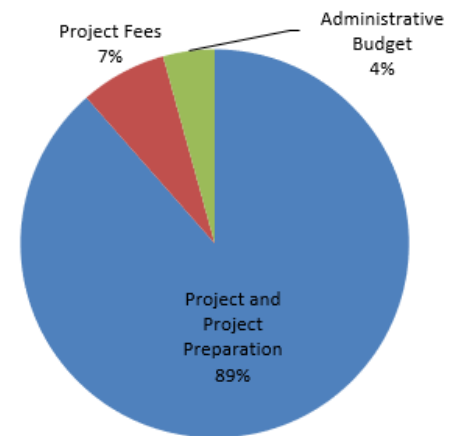


^{4/5} ESG Quality Score is based on MSCI ESG Ratings and measured on a scale of 0 to 10 (worst to best) following a rule-based methodology. ESG Ratings Momentum represents the percentage of a portfolio’s market value coming from holdings that have had an ESG Ratings upgrade, and those with a downgrade, 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 [here](#).

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

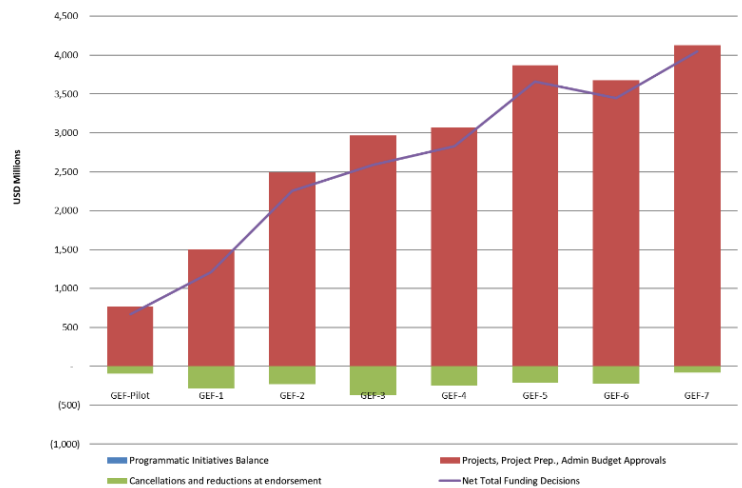
CUMULATIVE FUNDING DECISIONS

Since inception to November 7, 2022 funding approvals made by the Council and CEO total USD 22,463 million, of which 89% was approved for Projects and Project Preparation activities, 7% for Agency Fees and 4% for Administrative budgets.



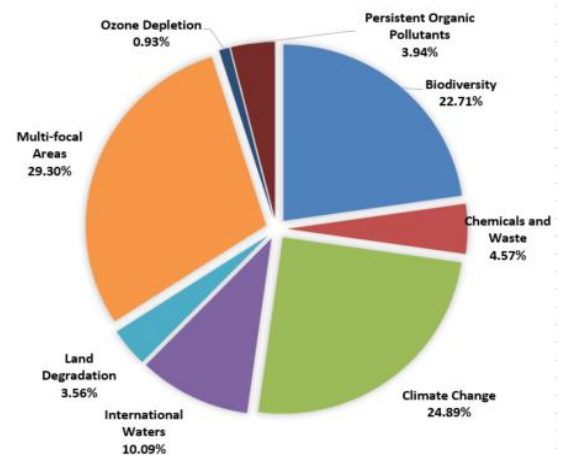
FUNDING DECISIONS BY REPLENISHMENT

Funding decisions by replenishment show the cumulative Project/Program funding decisions of USD 20,714 million net of cancellations and reductions at endorsement of USD 1,754 million, and including pending decisions on intersessional and Council meetings of USD 12 million.



FUNDING DECISIONS BY FOCAL AREA

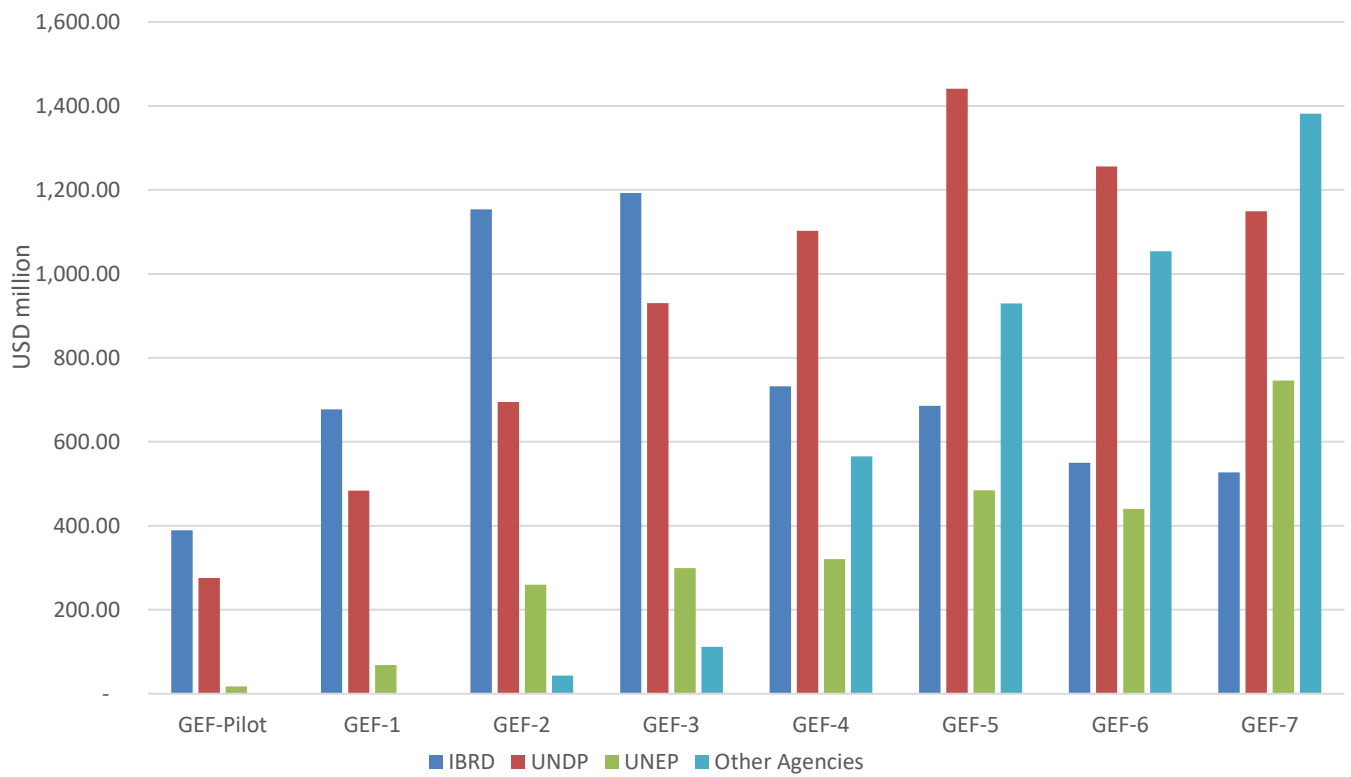
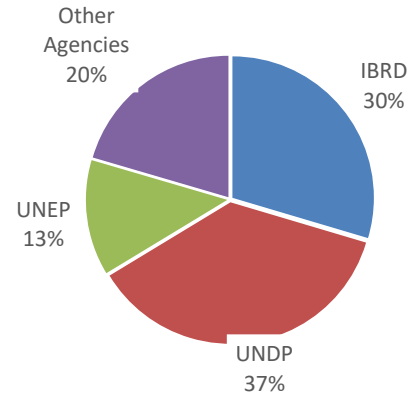
Funding Decisions by Focal Area show cumulative funding for projects only, and exclude fees. Projects in the areas of climate change, multi-focal areas, and biodiversity represent approximately 77% of the cumulative funding approved to date.



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.

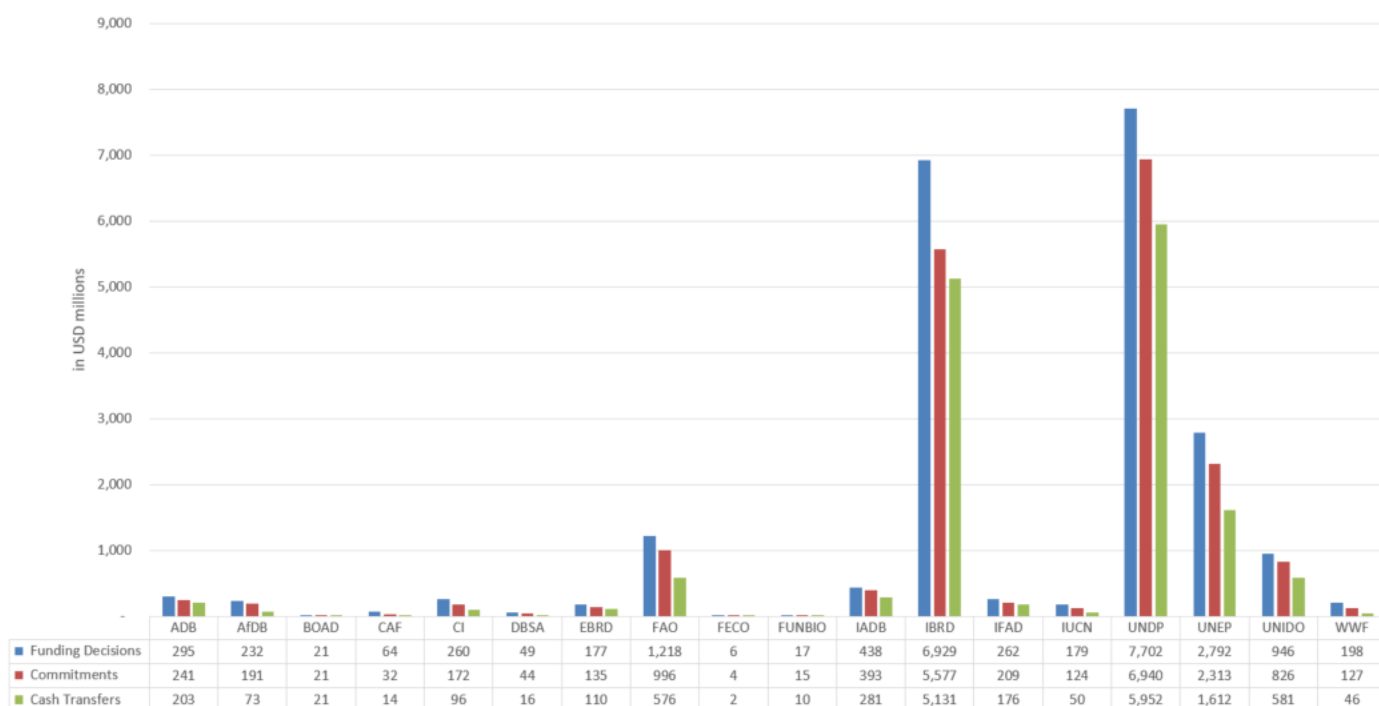
The Agencies' share of funding approvals changes over time. IBRD's share fell from 57% in the GEF Pilot to 14% in GEF-7. UNDP's share decreased from 40% in the GEF Pilot to 30% in GEF-7. UNEP's share increased from 3% in the GEF Pilot to 20% in GEF-7. The combined share of other Agencies increased from 2% in GEF-2 to 36% 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 November 7, 2022, cumulative funding decisions (gross)⁶ to Agencies comprising of Projects, Project Preparation Grants, and Agency Fees excluding administrative expenses and funding allocations to the GEF secretariat totaled USD ⁷21,784 million. Of this amount, USD 18,360 million had been committed following the approval or endorsement by the GEF CEO. At the request of Agencies, a total amount of USD 14,951 million had been transferred.



⁶ Reflects initial Council and CEO approvals prior to drops and subsequent cancellations.

⁷ Excludes the program/umbrella balances.

3. Funding Availability

In USD millions

| | As of Nov 07, 2022 (a) | As of Mar 31, 2022 (b) | Change (a) - (b) |
|---|---------------------------|---------------------------|---------------------|
| 1. Funds Held In Trust | 5,115 | 5,554 | (439) |
| a. Cash and investments | 3,952 | 3,951 | 1 |
| b. Unencashed promissory notes | 1,163 | 1,604 | (441) |
| 2. Restricted Funds | 175 | 240 | (65) |
| a. Deferred Contribution in respect to the pro rata right | - | - | - |
| b. Contributions not released | - | - | - |
| c. Reserve to cover foreign exchange rate fluctuations | 175 | 240 | (65) |
| 3. Funds Held in Trust with no Restrictions (3 = 1 - 2) | 4,940 | 5,314 | (374) |
| 4. Approved Amounts Pending Cash Transfers to Agencies | 4,746 | 4,936 | (190) |
| a. Trustee committed | 3,456 | 3,130 | 327 |
| b. Approved by Council but not yet CEO Endorsed | 1,282 | 1,794 | (512) |
| c. Requested amounts for financing pending decision | 8 | 12 | (5) |
| 5. Funds Available to Support Council or CEO Decisions (5 = 3 - 4) | 193 | 378 | (185) |

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

Highlights for the period April 1, 2022, through November 7, 2022:

- **Funding Availability** decreased by USDeq. 185 million over the prior reporting period as a result of:
 - A net decrease in **Funds Held in Trust** by USD eq. 439 million driven by cash transfers to Agencies exceeding receipts from donors and investment income earned;
 - Offset by the net decrease in **Approved Amounts Pending Cash Transfers to Agencies** by USDeq. 190 million reflecting cash transfers and funding cancellations during this period exceeding the increase in funding approvals; and decrease in restricted funds by USDeq. 65 million.

4. GEF-8 Envelope as of November 7, 2022

In USD millions

| | | | |
|--|----------------------------------|---|--------------|
| 1 Target Replenishment Funding a/ | | | 5,330 |
| 2. Projected Available Resources during the GEF-8 Period | | | 5,178 |
| Estimated Funds Available to Support Council or CEO Financing Decisions | | | 193 |
| | Potential Amount Available | of which Projected to be Available | |
| Receivables | | | 1,169 |
| Arrears b/ | 90 | 90 | |
| - GEF-7 Installments due in FY23 | 0 | 0 | |
| - GEF-8 IoCs submitted | 1,079 | 1,079 | |
| IoCs not yet Deposited with the Trustee | | | 3,816 |
| GEF-8 c/ | 3,561 | 3,561 | |
| Previous Replenishments d/ | 31 | 31 | |
| Projected Investment Income e/ | 197 | 197 | |
| Projected Reflows during GEF-8 f/ | 27 | 27 | |
| Total | 4,985 | 4,985 | |
| 3. GEF-8 Specific Funding Decisions | | | - |
| Approvals by Council | | | - |
| Projects and Fees | | | - |
| Admin. Budget | | | - |
| Special Initiatives | | | - |
| Programmatic Initiatives | | | - |
| Approvals by CEO | | | - |
| Projects and Fees (MSPs, EEAs) | | | - |
| Project Preparation Activities and Fees | | | - |
| Net Changes to Initial Approvals g/ | | | - |
| Reductions (cancellations) on GEF-8 | | | - |
| Pending decisions on Intersessional and Council meetings | | | - |
| Projects, Fees, Admin Budget, Special Initiatives, Programmatic Initiatives | | | - |
| 4. GEF-8 "Envelope" as of November 7, 2022 (4 = 2 + 3) | | | 5,178 |
| 5. Changes in funding envelope (USDeq.) in GEF-8 period (5 = 4 - 1) | | | (152) |
| <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 GEF-8 IoCs to be received by the Trustee as of November 7, 2022.</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/ Projected amount of Investment Income anticipated during GEF-8.</p> <p>f/ Projected reflows from Non-Grant instruments.</p> <p>g/ To fit the GEF Secretariat's STAR model, pre-GEF-8 project net changes were excluded from the calculation.</p> | | | |

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

5. Impact Report for the Sustainable Bond Strategy

Objective of the Impact Report

To provide an overview of the impact generated by the GEF Trust Fund Liquidity holdings in the Sustainable Bond Strategy (“the Strategy”) implemented by the World Bank as Trustee of the Global Environment Facility Trust Fund. As an integral output of the Strategy, this inaugural impact report prepared for the participants of the GEF Council fulfills Trustee’s commitment to delivering annual impact reporting in line with the highest industry standards.

About the Report - Data Inputs

The primary inputs for this report are the annual impact reports and dedicated newsletters of green, social, and sustainability bond issuers and information published in official websites of these issuers. To calculate impact, Trustee collected relevant data, engaged with issuers, and conservatively estimated the impact from the funded activities, adjusted for holdings as of June 30, 2022. To the extent that issuers have provided meaningful impact data, this information has been included in the report. If issuers did not report in time for annual impact data collection, or if other data gaps could not be mitigated, this impact has not been captured in this report. Therefore, the impact communicated in this report should be considered conservative.

Trustee has not audited or verified the impact data that issuers have provided. An independent third party sometimes, but not always, completes this at the request of issuers. The accuracy, completeness, and relevance of the information provided are not guaranteed. This report has been prepared using sources considered to be reliable and may be amended without prior notice.

These figures only begin to tell the story of the strategy’s impact, because issuers are not always able to provide complete data on all their funded assets, the first impact report for a recently issued bond is not yet available, or an issuer provides non-conforming or qualitative reporting. It is important to note that the bonds held in this strategy are providing financing to issuers, who are then financing an equivalent amount for projects deemed eligible under their bond frameworks. By purchasing these securities, the Trustee does not claim to have direct exposure to the projects financed by these issuers. Similarly, nor does it bear any direct project risk.


Overview of the Strategy

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.

While upholding the overarching primary investment objectives of capital preservation and liquidity on demand, the Strategy also aims to achieve sustainable development impact by using the more mission-driven sustainable and responsible investment approach of *thematic investment*. The implementation of the Strategy follows a gradual and phased approach starting with bonds that fall within the existing investment authorizations and guidelines by the World Bank Board, thus preserving the risk/return profile of the GEF Trust Fund assets. The current bond holdings under the Strategy are therefore only Sovereign, Supranational and Agency (SSA) securities from well-know, high-grade issuers, whose issuances tend to be among the most liquid and offer more transparency around the use of proceeds.

The Strategy began with an initial allocation of US\$100 million in June 2021, and has grown to US\$440 million as supply of eligible securities picked up in fall 2021.

PORTFOLIO SNAPSHOT (as of June 30, 2022)

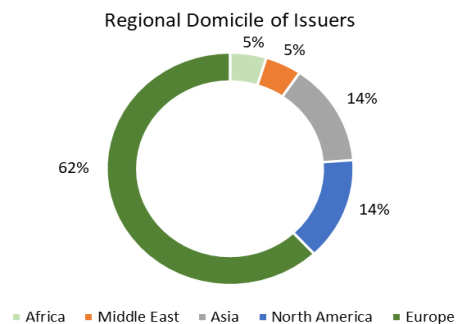
| | | | |
|---|--|---|--|
|  <p>\$440 m Assets under management¹</p> |  <p>21 Issuers</p> |  <p>32 Bonds</p> |  <p>22 Impact bond frameworks²</p> |
|  <p>94% Of the portfolio invested in impact bonds by number of holdings</p> |  <p>100% Engagement with issuers</p> |  <p>17 of 17 Sustainable Development Goals supported</p> |  <p>63% Of the bonds covered in this impact report³</p> |

¹ Reflects market values as of June 30, 2022.

² A green, social, or sustainability bond framework is a document created by the issuer that clearly articulates the proposed use of proceeds from the bond. It also includes information on eligible projects and impact reporting commitments.

³ Bonds not covered include non-labelled bonds, those that have not yet issued impact reports, and those with non-conforming impact reporting.

PORTFOLIO FUNDAMENTALS



100% of Issuers
in this Strategy:



Offer frameworks aligned with ICMA Principles

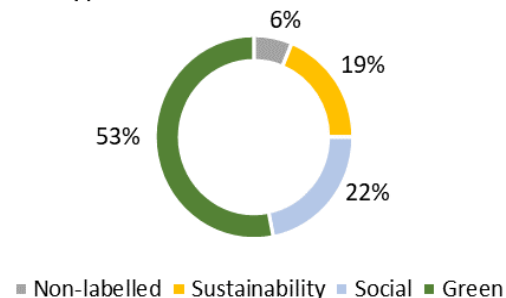


Have a second party opinion or external audit of framework



Issue impact reporting

Types of Bonds in the Portfolio



Note: The bond type distribution (right most chart) is by the number of bond holdings

PORTFOLIO IMPACT

The strategy uses issuer information for each bond to calculate the impact at the holdings level, using a prorating approach. The topline impact numbers below show impact attributed to the holdings of the strategy as of June 30, 2022.



393,099

MWh per year in new renewable energy generation



2,609

Beneficiaries of anti-poverty programs



381

Farmers with access to improved agricultural services or investments



134,079

tCO2e avoided per year from renewable energy generation



455

Students benefited from education programs



3,547

Electric vehicles manufactured



2,784

Users of public transportation

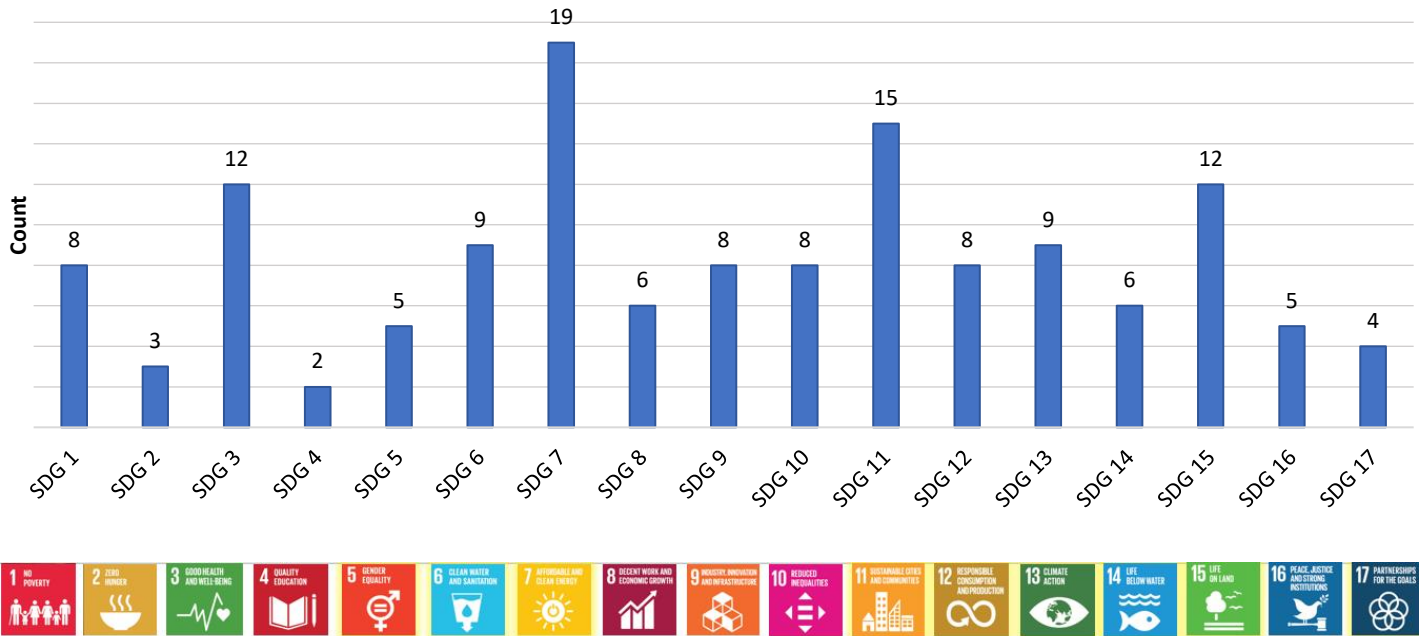


4,082

m² of inclusive and sustainable areas and healthy ecosystems

Note on units: MWh = megawatt-hour; tCO2e = tonnes of carbon dioxide equivalent; issuers use different methodologies to calculate emissions reductions; m² = square meters

Sustainable Development Goals (SDGs) Represented in Issuers' Impact Reports



Notes:

1. SDG count from allocation and impact reports; most issuers cite multiple SDGs.
2. Does not include non-labelled bonds or recently issued bonds without impact reporting.
3. Coverage by number of bonds in strategy is 88%.
4. Highlighted SDG goals (in yellow glow) are most directly related to the GEF's mission and mandates.

TO BE EXPECTED

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

Since the initial allocation to the Strategy in June 2021 followed by a substantial ramp-up of the portfolio one year ago, the Trustee has conducted extensive consultation and engagement industry-wide, and has gained meaningful presence in the sustainable fixed income market both from a financial standpoint, for portfolio-building purposes, but also to ensure accountability by issuers for the projects and project types underlying the bonds in the portfolio from a wider sustainable development perspective. With the inaugural impact report delivered, the Trustee will continue to deliver high-quality annual impact report on the Strategy that the GEF invests in. A full version of this report with detailed impact metrics will be available upon request in mid-December 2022.

APPENDIX - 1

STATE AND TRENDS OF THE MARKET

- The universe of green, social, and sustainability (GSS) bonds has been growing rapidly in recent years, with total issuance across all sub-asset classes rising from US\$160 billion in 2017 to a peak of US\$915 billion in 2021.
- Despite the market dislocation caused by the combination of market uncertainty and the war in Ukraine, as of mid-2022, issuance was still robust and on course to exceed 2020 issuance comfortably and challenge the 2021 total.
- In terms of market sector, issuers in the non-financial sector have been the primary vehicle for GSS issuance, accounting for 28 percent of total issuance, on average, between 2017 and 2022 (Figure 1).

Figure 1: Green, Social, and Sustainability Issuance by Sector

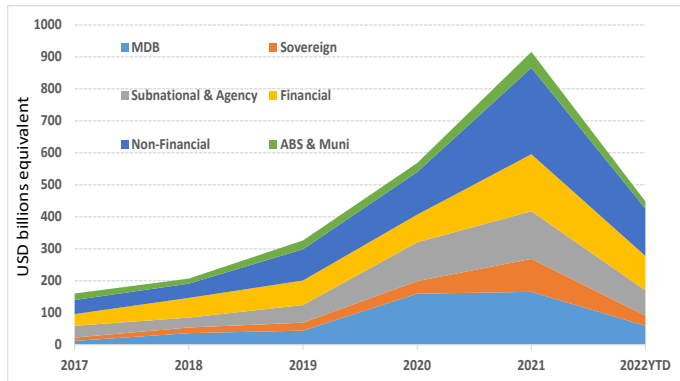
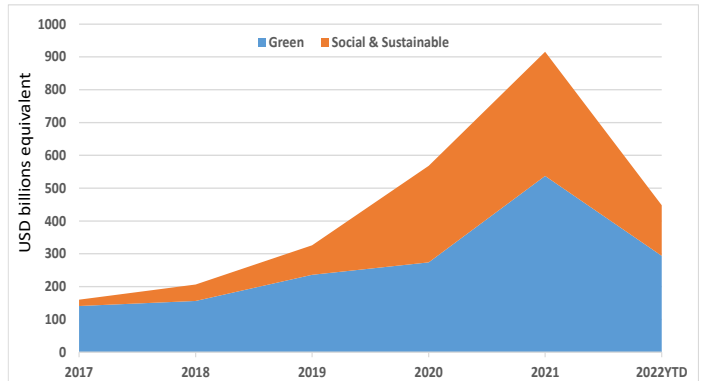


Figure 2: Green, Social, and Sustainability Issuance Bond Type



Source: Dealogic, Bloomberg, dealer reports, and World Bank analysis

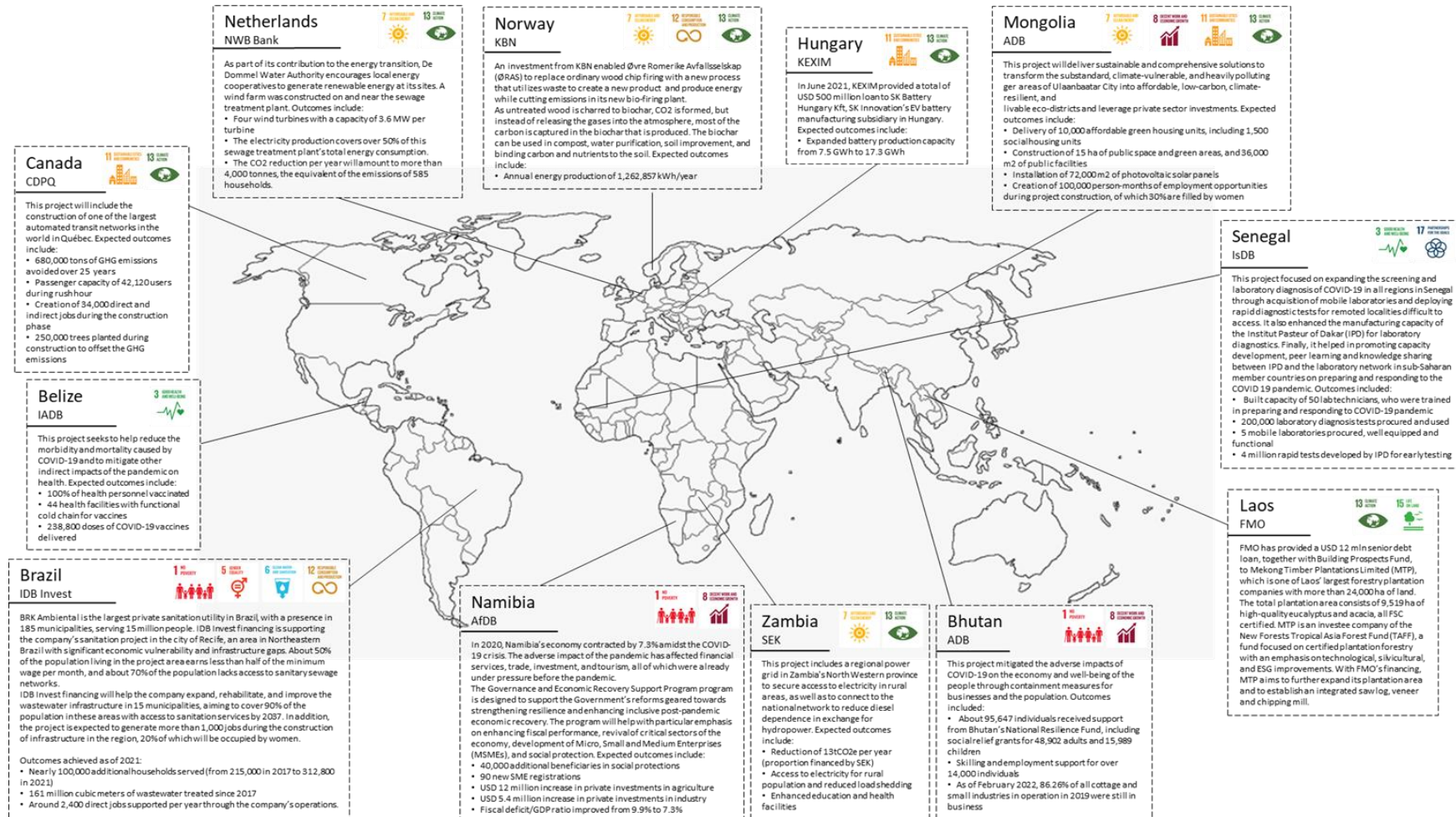
Note: MDB = Multilateral Development Banks; ABS = Asset-Backed Securities; Muni = Municipal Bonds

- Of the total GSS issuance, green bonds remain the dominant issuance theme among the categories, although social and sustainability bond issuance as a percentage of total issuance has grown over time (Figure 2).
- Focusing on the sovereign, supranational, and agency (SSA) segment of the market, which comprised the initial investable universe for the Sustainable Fixed Income Strategy, the strongest growth in relative issuance has come from multilateral development banks, which accounted for 7 percent (US\$12 billion) of total issuance in 2017, rising to 13 percent (US\$165 billion) in 2021 having risen as high as 28 percent in 2020, although the strong multilateral response to the COVID-19 pandemic explained that. It is prudent to note that the World Bank, which issued the first green bond in 2008, comprises a significant portion of the SSA universe, but is not eligible for investment due to internal restrictions on investment activity in World Bank Group securities.

APPENDIX - 2

Selected Projects from Holdings

Issuers have provided project stories through impact reporting or direct engagement. To provide a broader overview of intended impact, expected or achieved impact noted below is by issuance rather than prorated per holdings level.





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