



GEF/C.66/Inf.05
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GEF TRUST FUND FINANCIAL REPORT

*Summary of Financial Information
As of December 31, 2023*

(Prepared by the Trustee)



Global Environment Facility Trust Fund

Financial Report

Prepared by the Trustee

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Table of Contents

Table of Contents

Introduction	1
GEF Trust Fund Financial Summary as of December 31, 2023	2
1. GEF Trust Fund Summary – Inception through December 31, 2023.....	3
2. Cumulative Resources and Funding Decisions	4
2a. Cumulative Resources	5
2b. Asset Mix and Investment Income.....	7
2c. Funding Decisions, Trustee Commitments and Cash Transfers to Agencies	9
3. Funding Availability	13
4. GEF-8 Envelope as of December 31, 2023.....	14



Introduction

The information contained in this report is prepared based on financial information as of December 31, 2023 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 as of December 31; (ii) the details of financial activities of the GEF Trust Fund 2023 since its inception to December 31, 2023.



GEF Trust Fund Financial Summary as of December 31, 2023

Pledges and Contributions

GEF Contributing Participants have pledged SDR 17,410 million (USDeq. 24,868 million)¹ to date. Of which SDR 17,379 million (USDeq. 24,824 million) has been confirmed by deposit of Instruments of Commitments (IoCs) or Qualified Instruments of Commitment (QIoCs) with the Trustee.

GEF-8 donor pledges totaled SDR 3,299.8 million (USDeq. 4,664 million)², of which donors have deposited 99.9% of the amount with the trustee as IoCs or QIoCs.

Investment Income

As of December 31, 2023, the GEF trust fund accumulated investment earnings amounting to USD 1,896 million, inclusive of investment income from implementing agencies. Of this, USD 250 million has been earned since the beginning of the GEF-8 replenishment period that opened on July 24, 2022.

Funding Approvals and Commitments

As of December 31, 2023, cumulative funding decisions (approvals by the GEF Council/CEO) amount to USD 22,269 million net of USD 1,938 million in cancellations and reductions at CEO approval/endorsement, and inclusive of USD 12 million pending decisions of intersessional and Council meetings.

Of the total funding decision, cumulative commitments amount to USD 20,170 million including for administrative expenses and funding allocations to the GEF Secretariat.

Cash Transfers

Cash transfers were made on an as-needed basis to meet projected disbursement requirements. As of December 31, 2023, out of the cumulative commitment of USD 20,170 million, the Trustee has transferred USD 17,084 million. A balance of USD 3,086 million remains payable as of December 31, 2023.

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 December 31, 2023, Funds Held in Trust, including the reserve amount of USD 175 million, total USD 6,448 million, 34% of which represents unencashed promissory notes.

Funds available to support Council or CEO decision amounted to USD 1,194 million as of December 31, 2023.

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

² Includes supplemental contributions made by donors since the beginning of GEF-8 period.



1. GEF Trust Fund Summary – Inception through December 31, 2023

	Total (in SDR millions)
<u>Donor Pledges and Contributions (in SDR millions)</u>	
Received IoCs	17,379.46
GEF-4 IoCs not yet deposited	4.00
GEF-5 IoCs not yet deposited	12.35
GEF-6 IoCs not yet deposited	9.93
GEF-8 IoCs not yet deposited	4.00
Total Donor Pledges and Contributions (in SDR millions)	<u>17,409.74</u>

	Total (in USD millions)
<u>Cumulative Resources (in USD millions)</u>	
<u>Resources received</u>	
Cash Receipts	19,387.73
Unencashed promissory notes	2,191.75
Investment Income earned	1,896.40
Total Resources Received	<u>23,475.88</u>
<u>Resources not yet received</u>	
GEF-8 IoCs not yet deposited	5.65
GEF-6 IoCs not yet deposited	15.00
GEF-5 IoCs not yet deposited	10.86
GEF-4 IoCs not yet deposited	5.37
GEF-8 Installment Receivables	2,190.00
Installment Receivables from previous replenishments	89.62
Total resources not yet received	<u>2,316.50</u>
Total Cumulative Resources (A) (in USD millions)	<u>25,792.39</u>

<u>Cumulative Funding Decisions (in USD millions)</u>	
Approvals by Council and CEO	24,194.93
Cancellations and reductions at endorsement	(1,938.07)
Pending Decisions of Intersessional and Council Meetings	12.19
Total Funding Decisions Net of Cancellations (B) (in USD millions)	<u>22,269.05</u>
Cumulative Resources Net of Funding Decisions (A) - (B) (in USD millions)	<u>3,523.34</u>

<u>Funds Available (in USD millions)</u>	
Funds Held in Trust with no restrictions	6,272.56
Approved Amounts Pending Cash Transfers to Agencies	5,078.21
Total Funds Available to Support Council or CEO Decisions (in USD millions)	<u>1,194.34</u> <i>a/</i>

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>December 31, 2023</u>	<u>March 31, 2023</u>
1. Cumulative Resources	25,792	26,662
<u>Resources not yet received</u>	<u>2,317</u>	<u>4,645</u>
GEF-4 IoCs not yet deposited with the Trustee	5	5
GEF-5 IoCs not yet deposited with the Trustee	11	11
GEF-6 IoCs not yet deposited with the Trustee	15	15
GEF-8 IoCs not yet deposited with the Trustee	6	671
GEF-8 Installment Receivables	2,190	3,853
Installment Receivables from previous replenishments	90	90
<u>Resources received</u>	<u>23,476</u>	<u>22,017</u>
Cash receipts from installments and encashments	19,388	18,616
Unencashed promissory notes	2,192	1,762
Investment Income earned on undisbursed balances of GEF Trust Fund	1,896	1,639
2. Cumulative Funding Decisions	22,269	20,778
Approvals by Council and CEO	24,195	22,572
Cancellations	(1,938)	(1,806)
Pending decisions of Intersessional and Council Meetings	12	12
3. Cumulative Resources Net of Funding Decisions (3 = 1 - 2)	<u>3,523</u>	<u>5,884</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. 25,792 million, USDeq. 2,317 million (9%) represents resources not yet received. Of these, IoCs not yet deposited with the Trustee total USDeq. 37 million, GEF-8 installment receivables amount to USDeq. 2,190 million, and installment receivables from previous replenishments amount to USDeq. 90 million.
- Cumulative net funding decisions amounting to USDeq. 22,269 million represents about 86% of the total cumulative GEF resources.
- As of December 31, 2023, cumulative resources net of funding decisions amount to USDeq. 3,523 million.



2a. Cumulative Resources

In USD millions

Instruments of Commitment to be Deposited For Previous Replenishments				
Status as of December 31, 2023				
(Amounts in millions)				
Contributing Participant	Replenishment	Currency of Obligation	Amount in Currency of Obligation	Amount in USD eq. a/
Nigeria	GEF-4	SDR	4.0	5.4
Total GEF-4 IoCs Not Yet Deposited				5.4
Greece	GEF-5	EUR	4.4	4.9
Nigeria	GEF-5	NGN	921.9	1.0
Portugal	GEF-5	EUR	4.4	4.9
Total GEF-5 IoCs Not Yet Deposited				10.9
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				31.2

a/ Based on exchange rates as of December 31, 2023.

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

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

As of December 31, 2023, Canada, Denmark, Finland, Norway, and United States have deposited QIoCs for GEF-8.

Contributing Participant	Replenishment	USD eq. (millions) a/
Canada	GEF-8	71.65
Denmark	GEF-8	59.45
Finland	GEF-8	38.77
Norway	GEF-8	38.43
United States	GEF-8	450.60
Total		658.90

a/ Based on exchange rates as of December 31, 2023.



INSTALLMENT ARREARS BY REPLENISHMENT

As of December 31, 2023, cumulative arrears amounted to USDeq. 89.6 million under GEF-1, GEF-2, and GEF-3.

Contributing Participant	Repl.	Currency	Installment Receivable Amount	USDeq. (millions) a/
Egypt	GEF-1	SDR	0.5	0.71
United States	GEF-2	USD	88.0	88.01
Nigeria	GEF-3	SDR	0.7	0.90
Total				89.6

a/ Based on exchange rates as of December 31, 2023.

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 December 31, 2023, the level of reserve currently stood at USD 175 million and was determined based upon simulations of movements in foreign exchange rates over a 24-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.



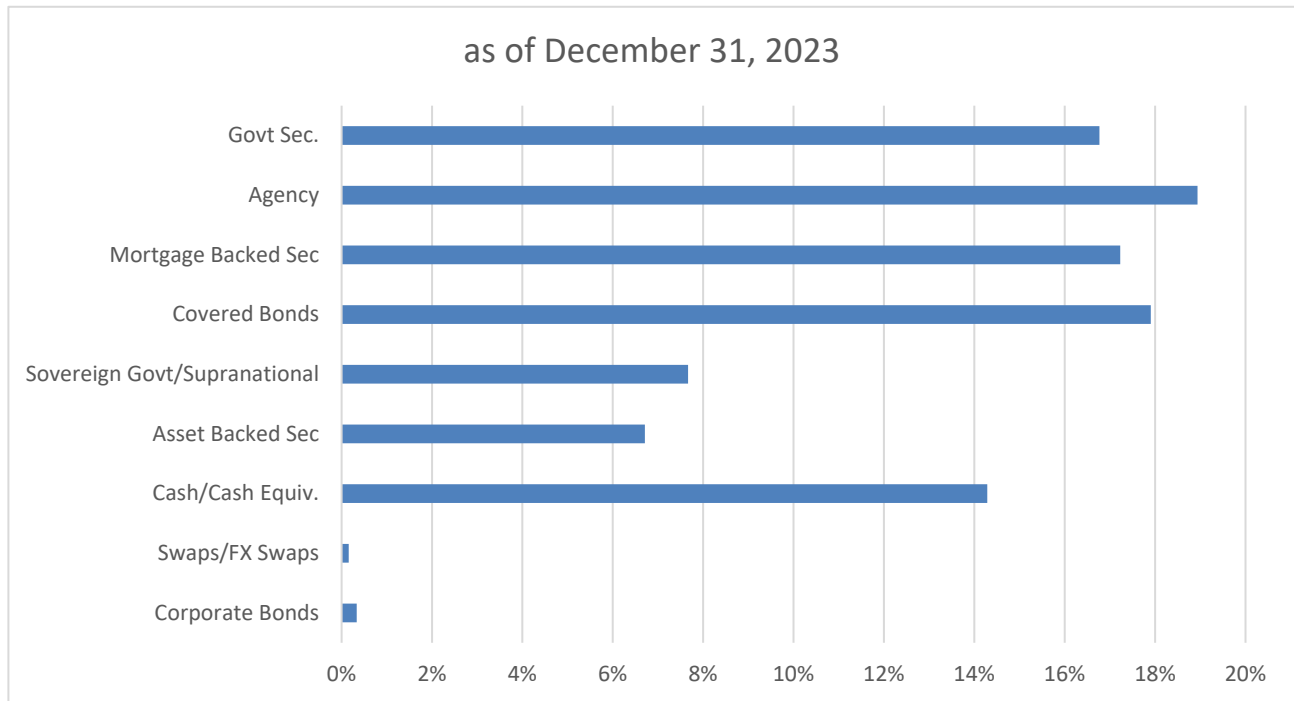
2b. Asset Mix and Investment Income

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 that are predominantly fixed income: (“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 framework³. 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’⁴ 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 December 31, 2023 are to agency securities, covered Bonds, , mortgage-backed securities, and government securities.



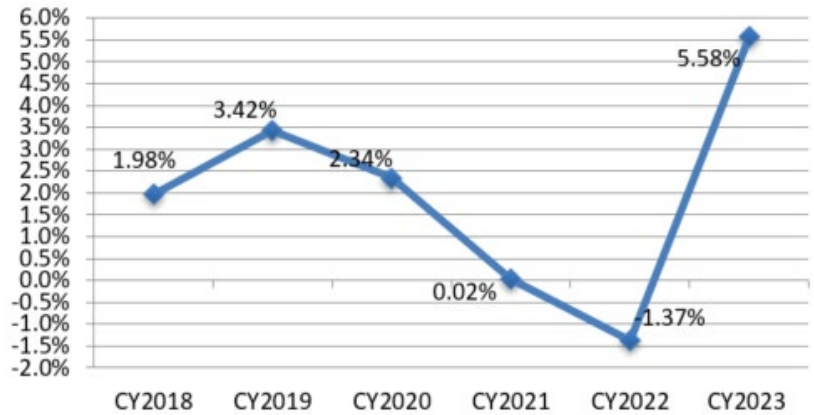
³ World Bank defines the market risk measures and tolerances for Model Portfolios of 1-year or less investment horizon as 99% CVaR be no worse than -0.25%; and for Model Portfolios of longer than 1-year but less or equal to 5-year investment horizon as 99% CVaR be no worse than -1%.

⁴ Mark-to-market returns or losses represent unrealized returns or losses reported via accounting entries rather than the actual sale of a security.



INVESTMENT RETURNS

For 2023, the investment return was 5.58%. Portfolio performance during the calendar year 2023 was driven by the interest rate path dictated by the US Federal Reserve Bank decisions that signaled that the monetary policy rates will remain “higher for longer” until inflation returns to target. At its December meeting, the Fed opened door for rate cuts in 2024 owing to continued moderation in inflation expectations and the more moderate outlook for economic activity that suggests a soft landing. As a result, fixed income yields declined by 40 bps across the



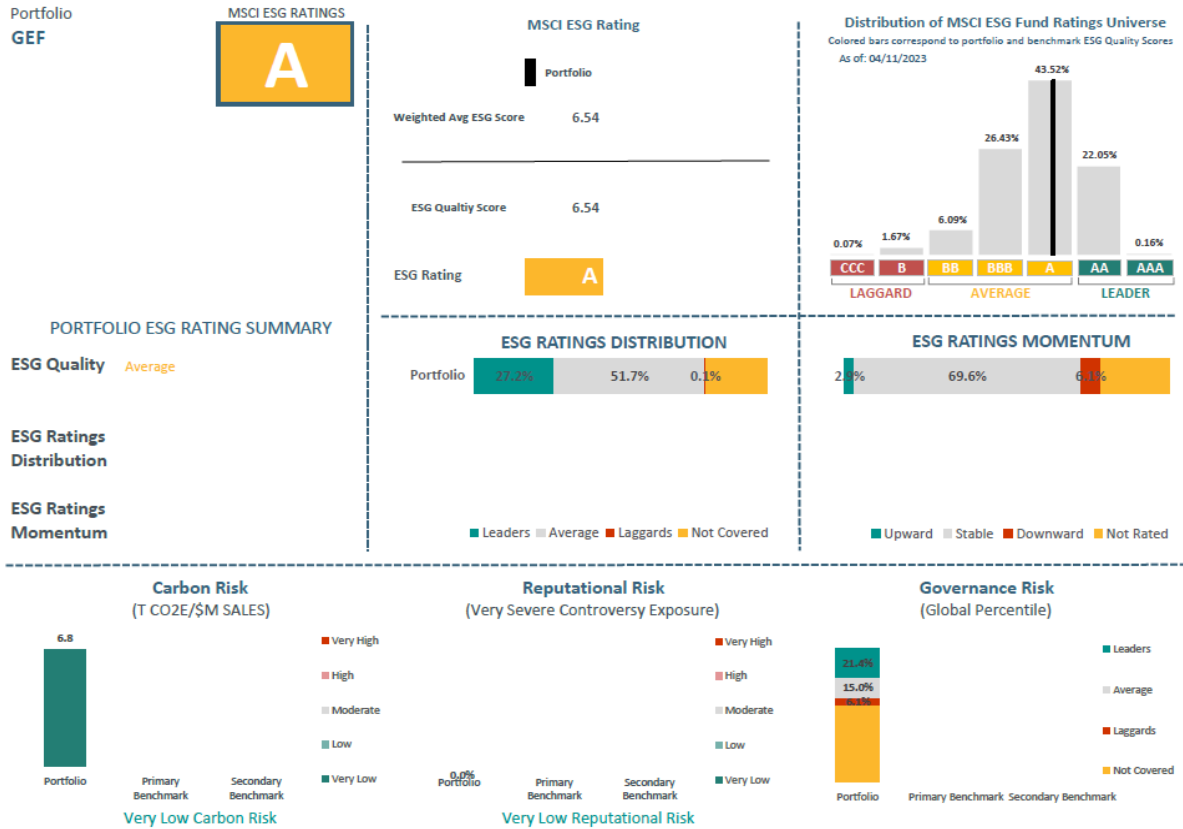
yield curve into the year-end that was beneficial for fixed income securities. It is noteworthy that the markets have seemingly ignored rising geopolitical risks around the globe. The Portfolio positioning continues to be duration neutral.

ESG RATING OF THE GEF TRUST FUND

Starting from July 2019, the Trustee has applied ESG Integration as the default SRI (Sustainable and Responsible Investment) 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 December 2023, the portfolio has an ESG Quality Score⁵ of 6.54 and an ESG Rating⁶ of A. 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 Average group of the ratings universe. This reflects average 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.

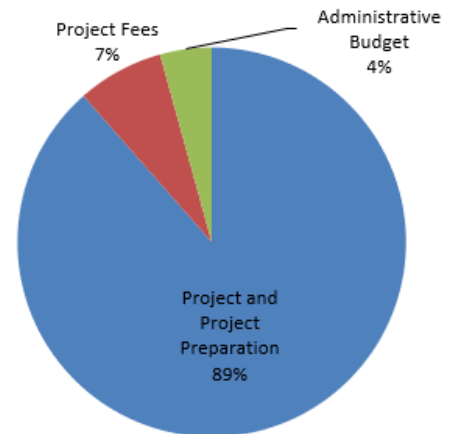
^{5/6} ESG Quality Score is based on MSCI ESG Ratings and measured on a scale of 0 to 10 (worst to best) following a rule-based methodology. ESG Ratings Momentum represents the percentage of a portfolio’s market value coming from holdings that have had an ESG Ratings upgrade, and those with a downgrade, 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

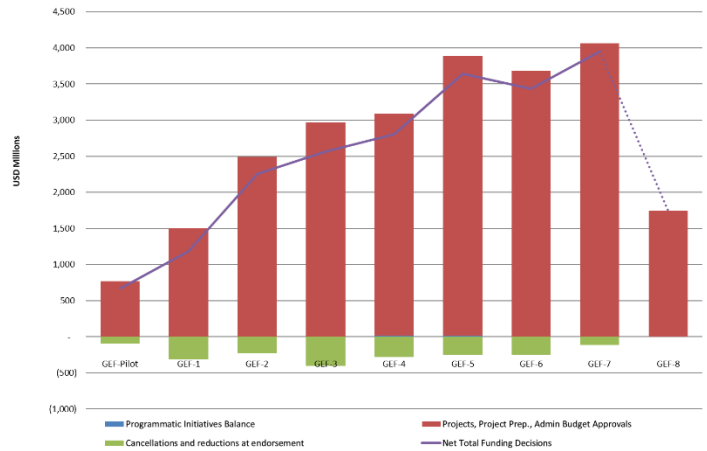
Since inception to December 31, 2023 funding approvals made by the Council and CEO total USD 24,195 million, of which 89% was approved for Projects and Project Preparation activities, 7% for Agency Fees and 4% for Administrative budgets.





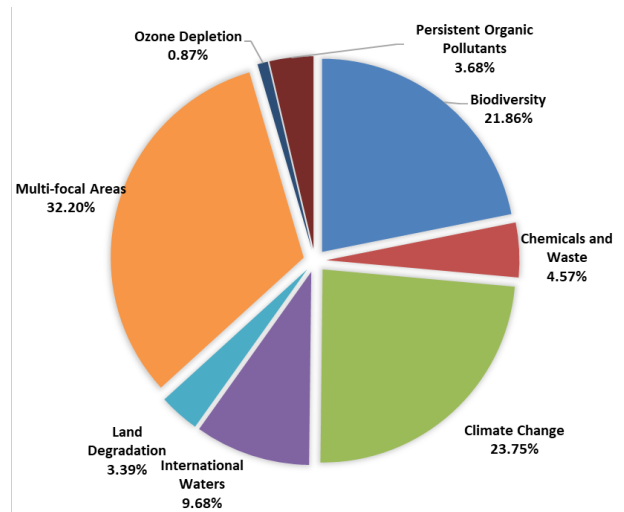
FUNDING DECISIONS BY REPLENISHMENT

Funding decisions by replenishment show the cumulative Project/Program funding decisions of USD 22,269 million net of cancellations and reductions at endorsement of USD 1,938 million, and including pending decisions on intersessional and Council meetings of USD 12 million.



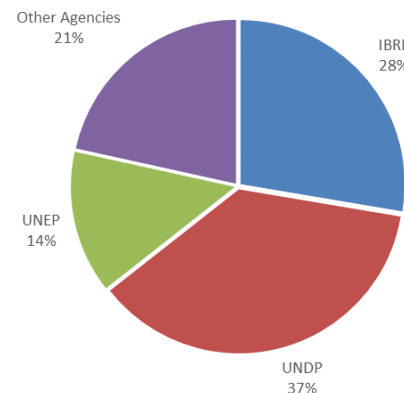
FUNDING DECISIONS BY FOCAL AREA

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 78% of the cumulative funding approved to date.



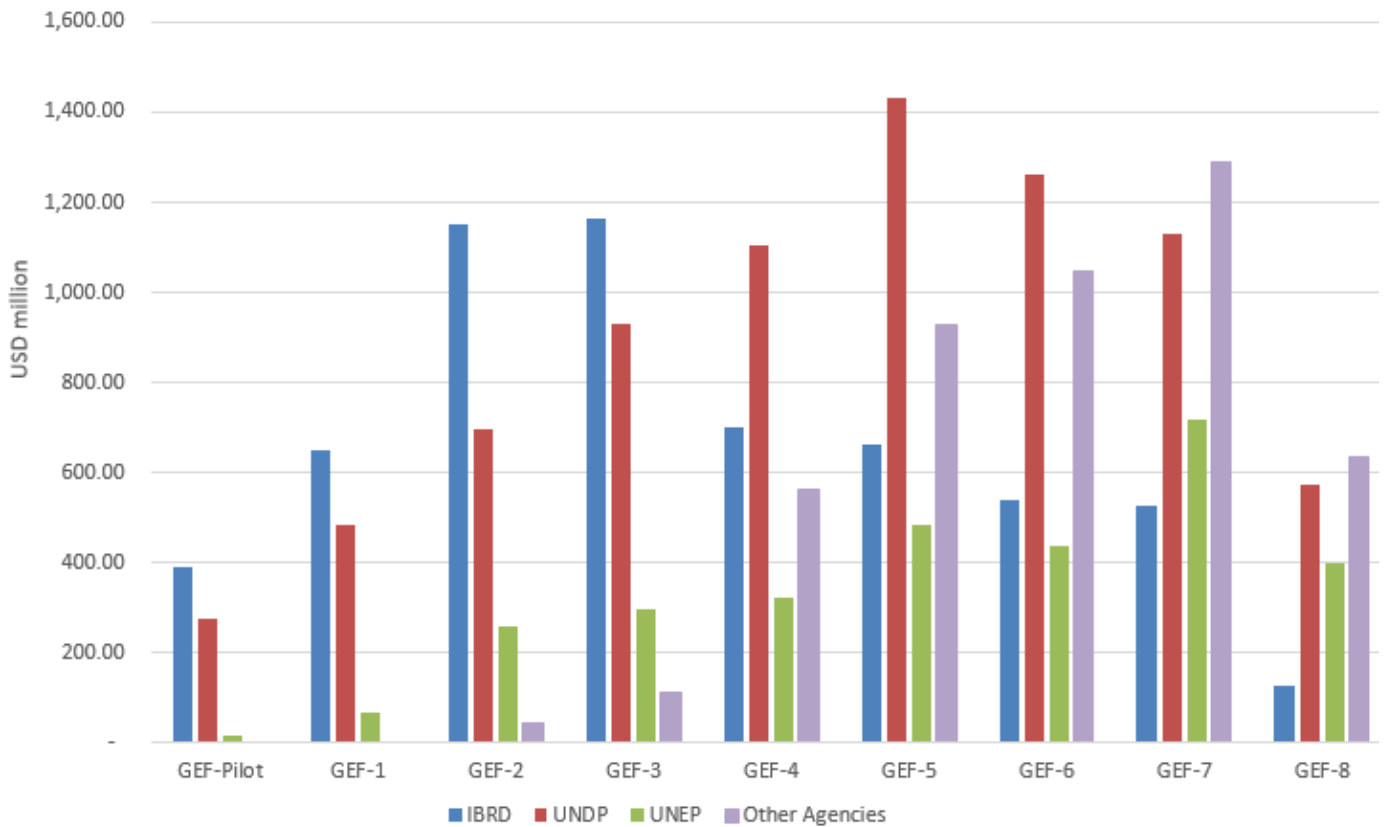
FUNDING DECISIONS BY AGENCY

65% of the cumulative approvals for projects (including related fees) were for implementation by IBRD and UNDP. UNEP’s share of the total is 14% while the remaining Agencies implemented 21% of the funding.





The Agencies' share of funding approvals changes over time. IBRD's share fell from 57% in the GEF Pilot to 7% in GEF-8. UNDP's share decreased from 40% in the GEF Pilot to 33% in GEF-8. UNEP's share increased from 3% in the GEF Pilot to 23% in GEF-8. The combined share of other Agencies increased from 2% in GEF-2 to 37% in GEF-8.



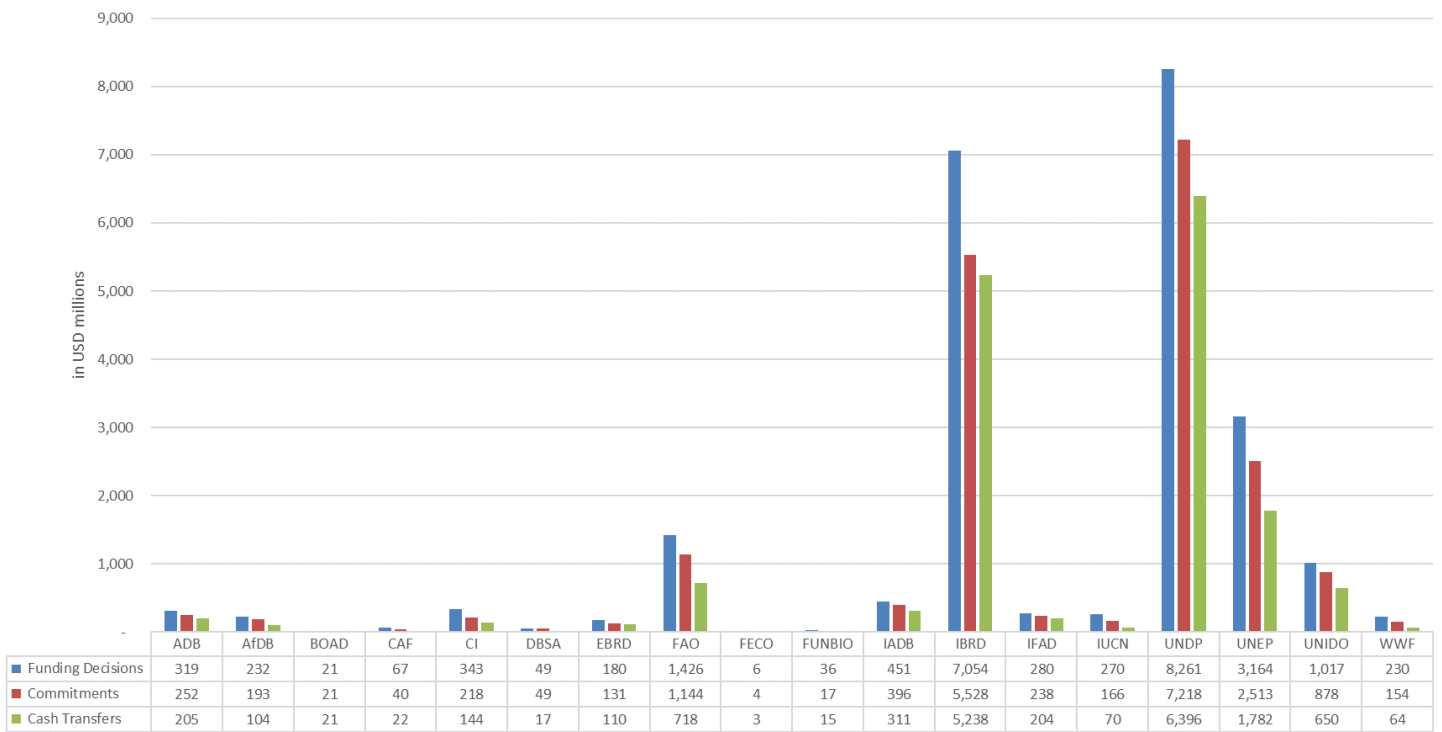
FUNDING DECISIONS, TRUSTEE COMMITMENTS AND CASH TRANSFERS TO AGENCIES

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 December 31, 2023, cumulative funding decisions (gross)⁷ to Agencies comprising of Projects, Project Preparation Grants, and Agency Fees excluding administrative expenses and funding allocations to the GEF secretariat totaled USD 23,405 million⁸. Of this amount, USD 19,159 million had been committed following the approval or endorsement by the GEF CEO. At the request of Agencies, USD 16,076 million has been transferred.

⁷ Reflects initial Council and CEO approvals prior to drops and subsequent cancellations.

⁸ Excludes the program/umbrella balances.





3. Funding Availability

In USD millions

	As of Dec 31, 2023 (a)	As of Mar 31, 2023 (b)	Change (a) - (b)
1. Funds Held In Trust	6,448	5,848	600
a. Cash and investments	4,256	4,086	170
b. Unencashed promissory notes	2,192	1,762	430
2. Restricted Funds	175	175	-
a. Reserve to cover foreign exchange rate fluctuations	175	175	-
3. Funds Held in Trust with no Restrictions (3 = 1 - 2)	6,273	5,673	600
4. Approved Amounts Pending Cash Transfers to Agencies	5,078	4,450	628
a. Trustee committed	3,086	3,412	(326)
b. Approved by Council but not yet CEO Endorsed	1,985	1,031	954
c. Requested amounts for financing pending decision	8	8	0
5. Funds Available to Support Council or CEO Decisions (5 = 3 - 4)	1,194	1,223	(29)

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

Highlights for the period April 1, 2023, through December 31, 2023:

- **Funding Availability** decreased by USDeq. 29 million over the prior reporting period as a result of:
 - A net increase in **Funds Held in Trust** by USD eq. 600 million driven by cash receipts from donors and investment income offset by cash transfers to Agencies; and
 - Offset by a net increase in **Approved Amounts Pending Cash Transfers to Agencies** by USD eq. 628 million reflecting the increase in funding approvals exceeding cash transfers and funding cancellations during this period.



4. GEF-8 Envelope as of December 31, 2023

In USD millions

1 Target Replenishment Funding a/			5,354
2. Projected Available Resources during the GEF-8 Period			3,523
Estimated Funds Available to Support Council or CEO Financing Decisions			1,194
	Potential Amount Available	of which Projected to be Available	
Receivables			2,279
Arrears b/	90	90	
GEF-8 Installments past due h/	14	14	
GEF-8 Installments due in FY24	265	265	
GEF-8 Installments due in FY25	951	951	
GEF-8 Installments due in FY26	960	960	
IoCs not yet Deposited with the Trustee			37
GEF-8 c/	6	6	
Previous Replenishments d/	31	31	
Projected Investment Income e/	-	-	-
Projected Reflows during GEF-8 f/	13	13	13
3. GEF-8 Specific Funding Decisions			1,625
Approvals by Council			1,601
Projects and Fees		629	
Admin. Budget		46	
Special Initiatives		0.1	
Programmatic Initiatives		926	
Approvals by CEO			24
Projects and Fees (MSPs, EEAs)		17	
Project Preparation Activities and Fees		7	
Net Changes to Initial Approvals g/		0	-
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 December 31, 2023 (4 = 2 + 3)			5,148
5. Changes in funding envelope (USDeq.) in GEF-8 period (5 = 4 - 1)			(206)

a/ Represents the target replenishment level as agreed, including new resources from Donors, projected investment income, and carryover of amounts from previous replenishments. This also includes supplemental resources received from donors since the

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.

c/ Represents GEF-8 IoCs to be received by the Trustee as of December 31, 2023.

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

e/ The investment income earned in GEF-8 period is currently USD 247 million, as against the projected amount of USD 196 million.

f/ Projected reflows from Non-Grant instruments during GEF-8 period

g/ To fit the GEF Secretariat's STAR model, pre-GEF-8 project net changes were excluded from the calculation.

h/ Past due installments from China.

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