

GEF Council Meeting
December 17-19, 2019
Washington DC

GEF TRUST FUND FINANCIAL REPORT

*Summary of Financial Information
As of September 30, 2019*

(Prepared by the Trustee)



Global Environment Facility Trust Fund

Financial Report

Prepared by the Trustee

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Introduction

The information contained in this report is prepared based on financial information as of September 30, 2019, except where 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 environmental sustainable development. Today, the GEF is the largest funder of projects focused on global environmental challenges and a global partnership among 183 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 September 30, 2019 and recent developments since October 1, 2019; (ii) the details of financial activities of the GEF Trust Fund; and (iii) an update on Environmental, Social and Corporate Governance (ESG) Investing.



GEF Trust Fund Financial Summary as of September 30, 2019

Pledges and Contributions

GEF Contributing Participants have pledged SDR 13,932 million (USDeq. 19,958 million)¹ to date, of which SDR 13,882 million (USDeq. 19,878 million) has been confirmed by Donors depositing Instruments of Commitments (IoCs) or Qualified Instruments of Commitment (QIoCs) with the Trustee.

GEF-7 pledges totaled SDR 2,350 million (USDeq. 3,346 million), of which Contributing Partners have deposited 99% of the amount with the Trustee as IoCs or QIoCs.

Investment Income

As of September 30, 2019, cumulative investment income earned on the GEF Trust Fund balances amounted to USD 1,509 million.

The investment income earned in GEF-7 period until September 30, 2019 amounted to USD 154 million.

Funding Approvals and Commitments

As of September 30, 2019, cumulative funding decisions (approvals by the GEF Council/CEO) amount to USD 18,052 million net of USD 1,487 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 18,052 million, cumulative commitments amount to USD 16,296 million.

Cash Transfers

Cash transfers were made to GEF Agencies on an as-needed basis to meet their projected disbursement requirements. As of September 30, 2019, out of the cumulative commitment of USD 16,310 million (including administrative expenses and funding allocations to the GEF Secretariat), the Trustee has transferred USD 13,521 million. A balance of USD 2,790 million remains payable as of September 30, 2019.

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

Funds Held in Trust reflect financial activities related to new contribution payments (cash and promissory notes), encashment of promissory notes, investment income, cash transfers, and the revalued balance of promissory notes at month-end. Funds Held in Trust, including the reserve amount of USD 175 million, total USD 5,432 million as of September 30, 2019, 31% of which represents unencashed promissory notes.

Funds available to support Council or CEO decision amounted to USD 716 million as of September 30, 2019. This represents a decrease of USD 133 million compared to March 31, 2019.

Updates for the period October 1 to November 15, 2019. Installment payments for GEF-7 from Belgium (EUR 15 million), the Netherlands (EUR 20.9 million), and New Zealand (NZD 2 million) were received during this period.

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



1. GEF Trust Fund Summary – Inception through September 30, 2019

	Total (in SDR millions)
<u>Donor Pledges and Contributions (in SDR millions)</u>	
Received IoCs	13,881.6
GEF-4 IoCs not yet deposited	4.00
GEF-5 IoCs not yet deposited	12.35
GEF-6 IoCs not yet deposited	20.45
GEF-7 IoCs not yet deposited	13.49
Total Donor Pledges and Contributions (in SDR millions)	13,931.93

	Total (in USD millions)
<u>Cumulative Resources (in USD millions)</u>	
<u>Resources received</u>	
Cash Receipts	15,756.47
Unencashed promissory notes	1,657.80
Investment Income earned	1,508.72
Total Resources Received	18,922.99
<u>Resources not yet received</u>	
GEF-7 IoCs not yet deposited	18.39
GEF-6 IoCs not yet deposited	30.89
GEF-5 IoCs not yet deposited	12.25
GEF-4 IoCs not yet deposited	5.45
Installments Receivable from GEF-7	1,891.04
Installment Receivables from previous replenishments	136.77
Total resources not yet received	2,094.79
Total Cumulative Resources (A) (in USD millions)	21,017.78

<u>Cumulative Funding Decisions (in USD millions)</u>	
Approvals by Council and CEO	19,526.86
Cancellations and reductions at endorsement	(1,486.60)
Pending Decisions of Intersessional and Council Meetings	12.19
Total Funding Decisions Net of Cancellations (B) (in USD millions)	18,052.45
 Cumulative Resources Net of Funding Decisions (A) - (B) (in USD millions)	 2,965.33

<u>Funds Available (in USD millions)</u>	
Funds Held in Trust with no restrictions	5,257.31
Approved Amounts Pending Cash Transfers to Agencies	4,540.85
Total Funds Available to Support Council or CEO Decisions (in USD millions) ^{a/}	716.46 ^{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>September 30, 2019</u>	<u>March 31, 2019</u>
1. Cumulative Resources	21,018	20,983
<u>Resources not yet received</u>	<u>2,095</u>	<u>2,731</u>
GEF-7 IoCs not yet deposited with the Trustee	18	452
GEF-6 IoCs not yet deposited with the Trustee	31	31
GEF-5 IoCs not yet deposited with the Trustee	12	13
GEF-4 IoCs not yet deposited with the Trustee	5	6
Installment Receivables from GEF-7	1,891	2,085
Installment Receivables from previous replenishments	137	145
<u>Resources received</u>	<u>18,923</u>	<u>18,252</u>
Cash receipts from installments and encashments	15,756	15,195
Unencashed promissory notes	1,658	1,617
Investment Income earned on undisbursed balances of GEF Trust Fund	1,509	1,440
2. Cumulative Funding Decisions	18,052	17,217
Approvals by Council and CEO	19,527	18,595
Cancellations	(1,487)	(1,391)
Pending decisions of Intersessional and Council Meetings	12	12
3. Cumulative Resources Net of Funding Decisions (3 = 1 - 2)	<u>2,965</u>	<u>3,767</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. 21,018 million, USDeq. 2,095 million (10%) represents resources not yet received. Of these, IoCs not yet deposited with the Trustee total USDeq. 67 million, GEF-7 installments receivables amount to USDeq. 1,891 million, and installment receivables from previous replenishments amount to USDeq. 137 million.
- Cumulative net funding decisions amounting to USDeq. 18,052 million representing about 86% of the total cumulative GEF resources.
- As of September 30, 2019, cumulative resources net of funding decisions amount to USDeq. 2,965 million.



2a. Cumulative Resources

In USD millions

Instruments of Commitment to be Deposited					
Status as of September 30, 2019					
(Amounts in millions)					
Contributing Participant	Replenishment	Currency of Obligation	Amount in Currency of Obligation	Amount in USDeq. a/	Percentage
Nigeria	GEF-4	SDR	4.0	5.5	100.0%
Total GEF-4 IoCs Not Yet Deposited				5.5	100.0%
Greece	GEF-5	EUR	4.4	4.8	39.6%
Nigeria	GEF-5	NGN	921.9	2.6	20.8%
Portugal	GEF-5	EUR	4.4	4.8	39.6%
Total GEF-5 IoCs Not Yet Deposited				12.2	100.0%
Brazil b/	GEF-6	USD	15.9	15.9	51.4%
Russian Federation	GEF-6	USD	15.0	15.0	48.6%
Total GEF-6 IoCs Not Yet Deposited				30.9	100.0%
Total GEF-4, GEF-5, and GEF-6 IoCs Not Yet Deposited				48.6	c/

a/ Based on exchange rates as of September 30, 2019.

b/ An amount of USD 5.24 million has been received and payment arrangements are being finalized with Brazil.

c/ Excludes the GEF-7 expected pledge amount of SDR 13.4 million (USDeq. 18.4 million).

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

STATUS OF QUALIFIED INSTRUMENTS OF COMMITMENT (QIOC)

As of September 30, 2019, Brazil, Canada, Finland, Norway and the United States are the Contributing Participants that have deposited a QIOC under GEF-7.

Contributing Participant	Replenishment	USD Eq. (millions) a/
Brazil	GEF-7	4.50
Canada	GEF-7	108.94
Finland	GEF-7	28.60
Norway	GEF-7	28.64
United States	GEF-7	136.64
Total		307.32

a/ Based on exchange rates as of September 30, 2019.



INSTALLMENT ARREARS BY REPLENISHMENT

As of September 30, 2019, cumulative arrears amounted to USDeq. 137 million. Of this amount, USDeq. 134 million represents arrears under GEF-1, GEF-2 and GEF-3. The GEF-5 and GEF-6 arrears totaled USDeq. 3.4 million.

Contributing Participant	Repl.	Currency	Installment Receivable Amount	USD eq. (millions)
Egypt	GEF-1	SDR	0.5	0.7
United States	GEF-2	USD	132.0	132.0
Nigeria	GEF-3	SDR	0.7	0.9
Pakistan	GEF-5	PKR	499.6	3.2
Pakistan a/	GEF-6	USD	0.2	0.2
				137.0

a/ Installment receivable balance under negotiation.

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 taking into account projected contribution payments and estimated disbursements.

As of September 30, 2019, the Trustee has determined the level of reserve as USD 175 million for GEF-7 period. The Trustee will continue to monitor the level of reserve and adjust periodically based on multiple factors including the foreign exchange fluctuations.



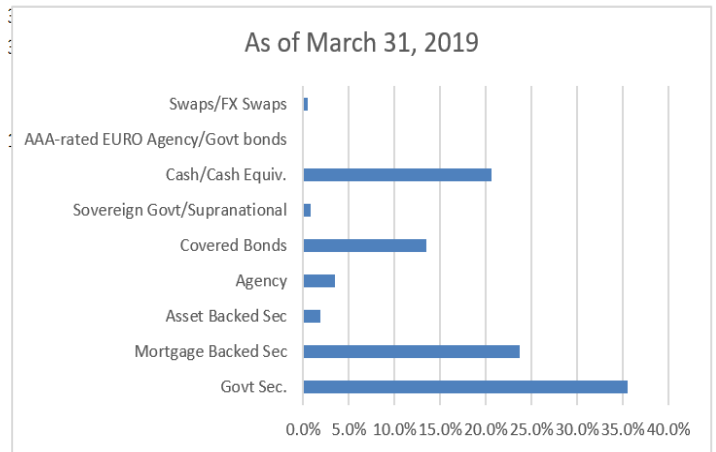
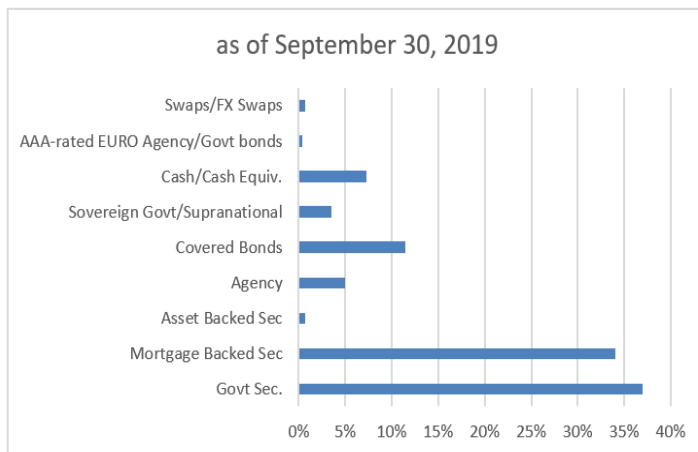
2b. Asset Mix and Investment Income

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 three 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, and “Model Portfolio 2” with a broader investment universe and an investment horizon of three years). 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, 2019 are to government securities, mortgage backed securities and covered bonds⁴.



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.

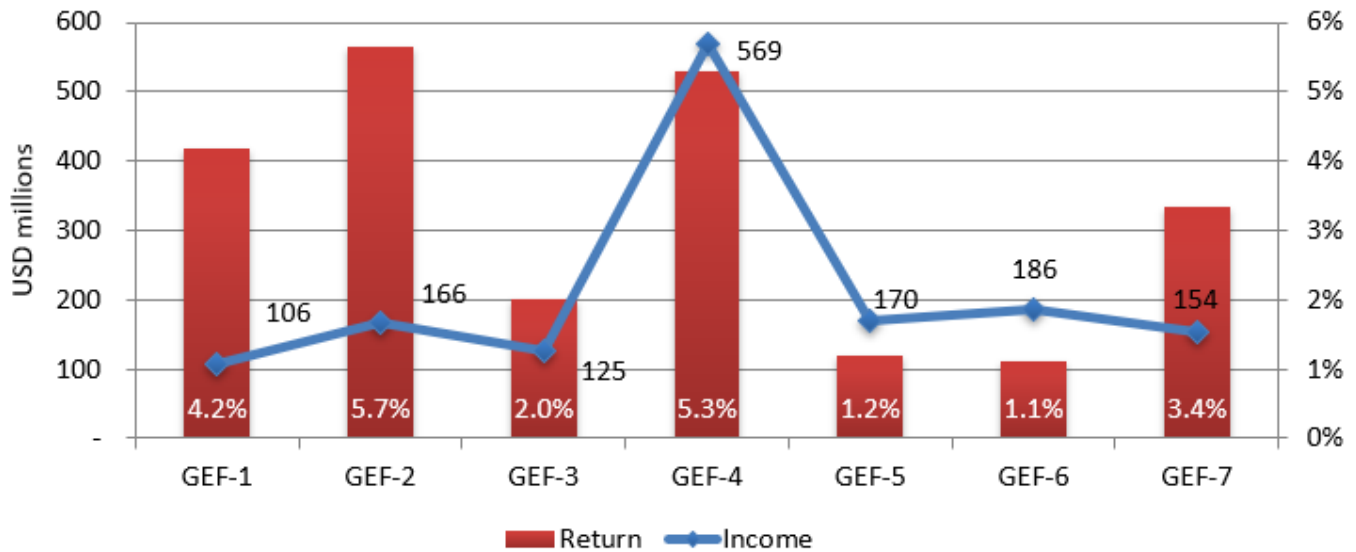
³ Mark-to-market gains or losses represent unrealized gains or losses resulting from changes in the value of securities in the portfolio which have not yet been sold.

⁴ Covered Bonds are securities issued by banks and mortgage institutions which provide additional protective layer to the investors wherein the investor has recourse to the issuer and collateral.



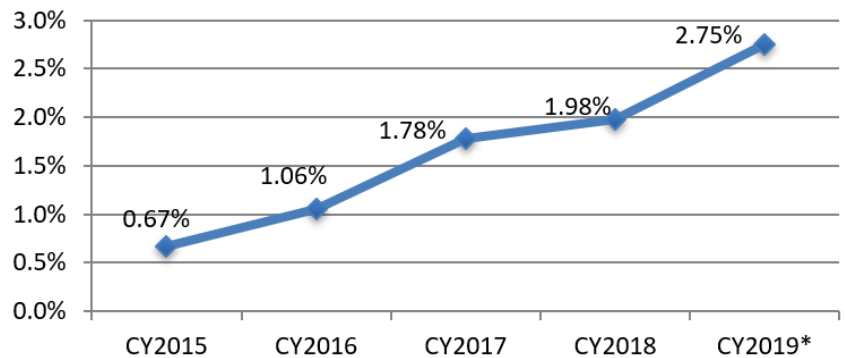
INVESTMENT INCOME

Cumulative investment income earned since the beginning of GEF Pilot phase through September 30, 2019 is USD 1,509 million. In the GEF-7 period the investment income received is USD 154 million, representing a 3.4% average return.



INVESTMENT RETURNS

Returns for the first nine months of 2019 were 2.75%, buoyed by lower yields and rising Libor rates coupled with carry advantage offered at the short end of the curve and extending duration of the long-term portfolio.



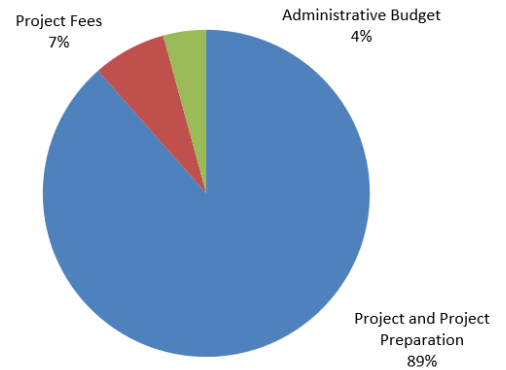
*non-annualized investment returns as of September 30, 2019



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

CUMULATIVE FUNDING DECISIONS

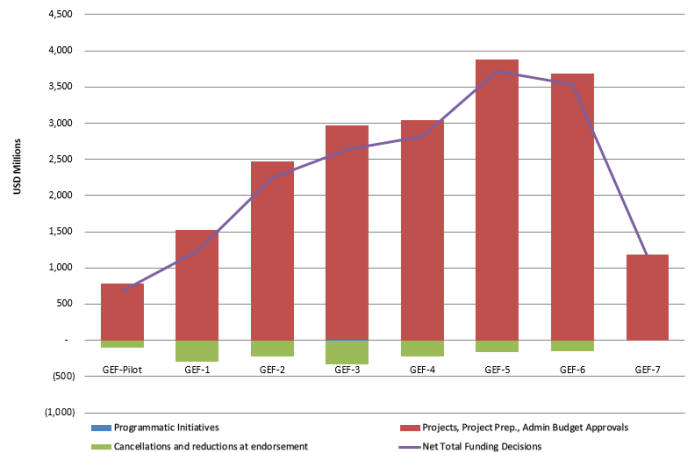
Since inception to September 30, 2019 funding approvals made by the Council and CEO total USD 19,527 million, of which 89% was approved for Projects and Project Preparation activities, 7% for Agency Fees and 4% for Administrative budgets.



FUNDING DECISIONS BY REPLENISHMENT

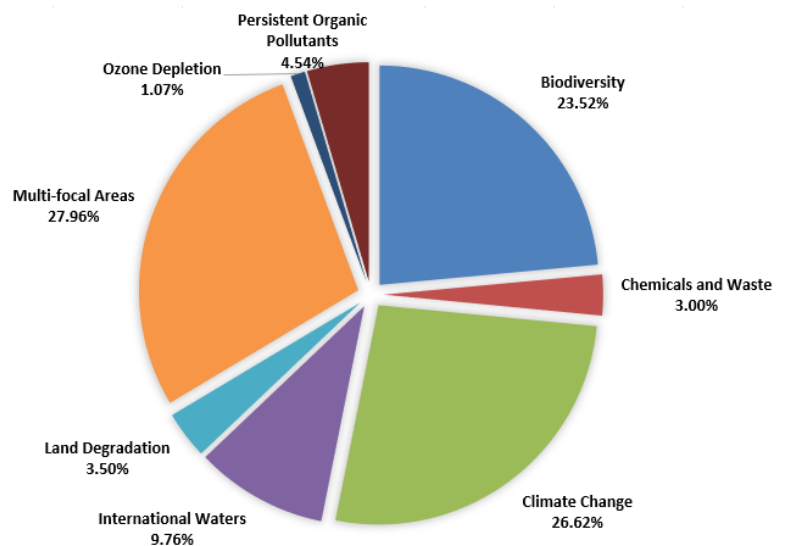
Funding decisions by replenishment show the cumulative Project/Program funding decisions of USD 18,052 million net of cancellations and reductions at endorsement of USD 1,487 million and including pending decisions on intersessional and Council meetings of USD 12 million.

Net funding decisions include an amount of USD 119 million resulting from clawback of unused balances of 44 programs from previous replenishments which were cancelled during the GEF-7 period until September 30, 2019.



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.

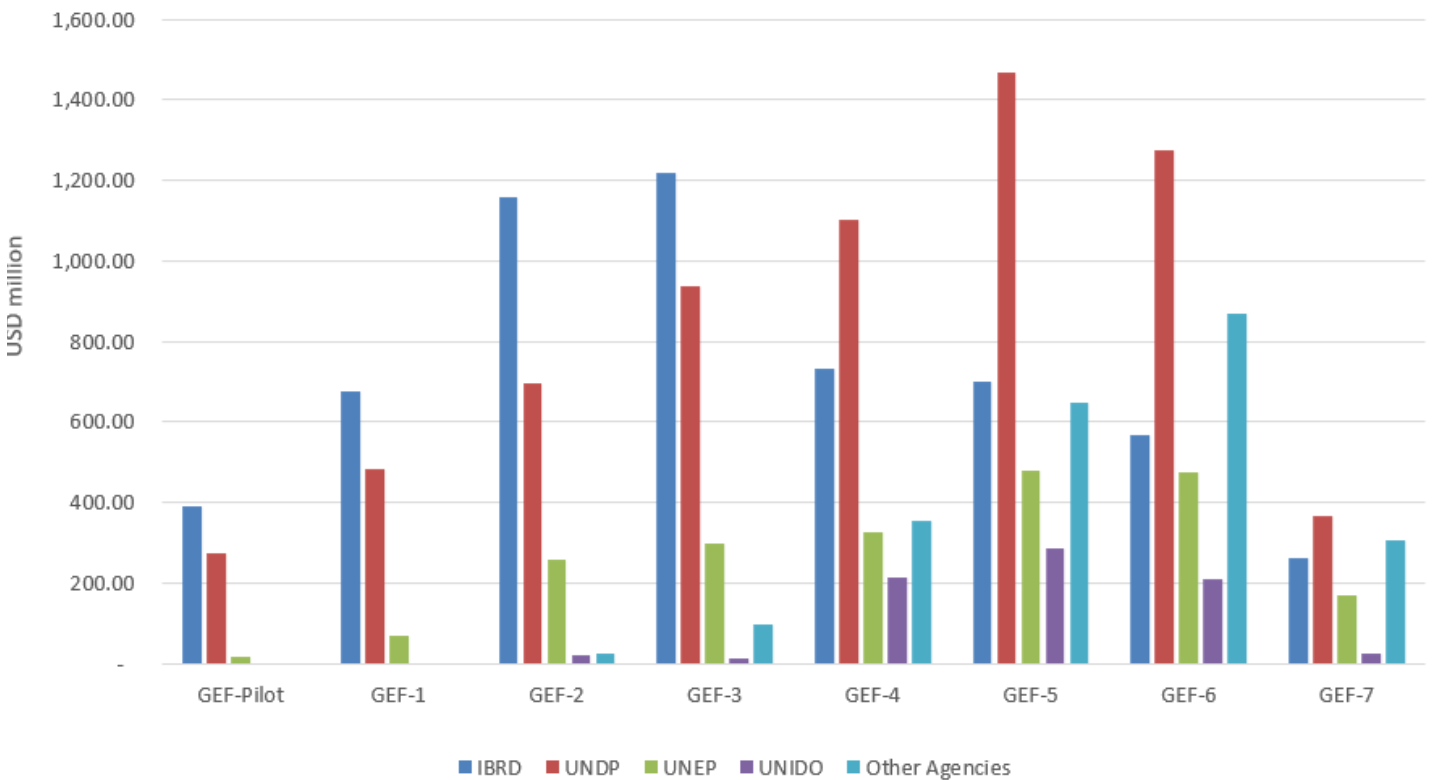
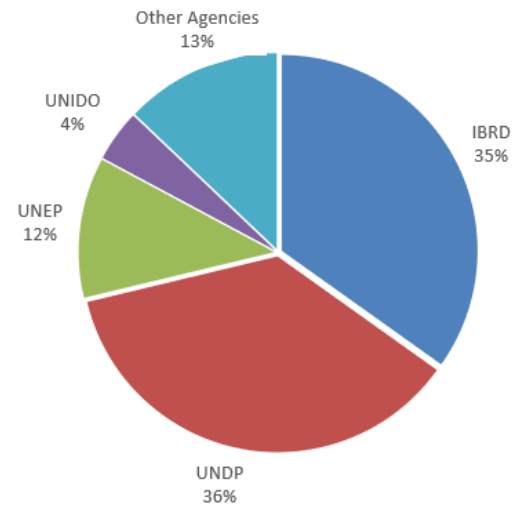




FUNDING DECISIONS BY AGENCY

71% of the cumulative approvals for projects (including related fees) were for implementation by IBRD and UNDP. UNEP's share of the total is 12% while the remaining Agencies implemented 13% of the funding.

The Agencies' share of funding approvals changes over time. IBRD's share fell from 57% in the GEF Pilot to 23% in GEF-7. UNDP's share decreased from 40% in the GEF Pilot to 32% in GEF-7. UNEP's share increased from 3% in the GEF Pilot to 15% in GEF-7. The combined share of the 15 other Agencies increased from 2% in GEF-2 to 29% in GEF-7.

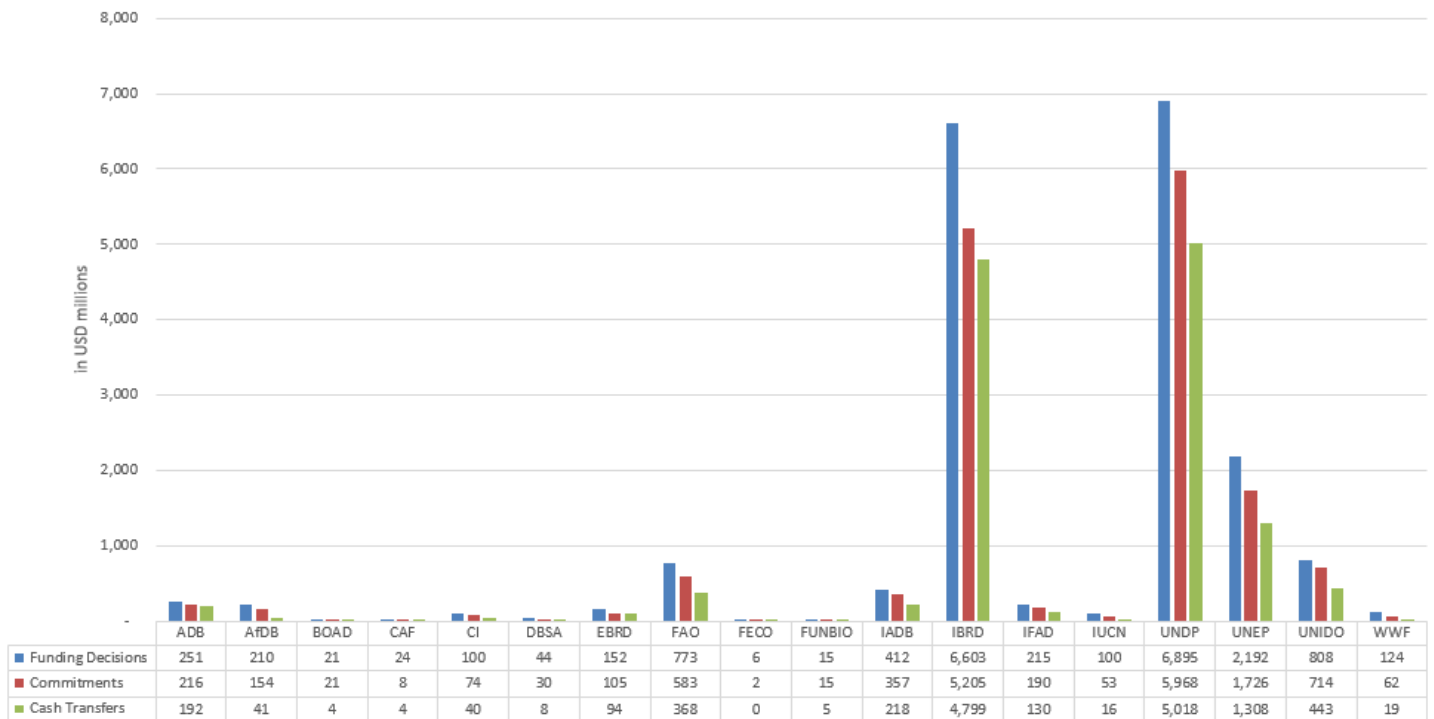




FUNDING DECISIONS, TRUSTEE COMMITMENTS AND CASH TRANSFERS TO AGENCIES

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 September 30, 2019, cumulative funding decisions (gross)⁵ to Agencies comprising of Projects, Project Preparation Grants, and Agency Fees excluding administrative expenses and funding allocations to the GEF secretariat totaled USD ⁶18,943 million. Of this amount, USD 15,482 million had been committed following the approval or endorsement by the GEF CEO. At the request of Agencies, a total amount of USD 12,707 million had been transferred.



⁵ Reflects initial Council and CEO approvals prior to drops and subsequent cancellations.

⁶ Excludes the program/umbrella balances.



2.d Report on Financially Closed Projects during GEF-7 Period

From the inception of the GEF-7 replenishment period through September 30, 2019, 579 projects and project preparation grants from previous replenishments had been reported as financially closed. Unused amounts from these projects totaled \$61.69 million.

While these projects were closed during the GEF-7 replenishment period, no GEF-7 projects have yet been financially closed.

Project Type	Number of Projects Closed	Total Unused Amount at Financial Closure (in USD millions)
Project Preparation	267	\$ 5.15
Projects	312	56.54
Full-Size	142	\$ 47.98
Medium-Size	74	5.91
Enabling Activities	96	2.65
Total	579	\$ 61.69



3. Funding Availability

In USD millions

	As of Sep 30, 2019 (a)	As of Mar 31, 2019 (b)	Change (a) - (b)
1. Funds Held In Trust	5,432	5,165	267
a. Cash and investments	3,775	3,548	226
b. Unencashed promissory notes	1,658	1,617	40
2. Restricted Funds	175	240	(65)
a. Deferred Contribution in respect to the pro rata right	-	-	-
b. Reserve to cover foreign exchange rate fluctuations	175	240	(65)
3. Funds Held in Trust with no Restrictions (3 = 1 - 2)	5,257	4,925	332
4. Approved Amounts Pending Cash Transfers to Agencies	4,541	4,076	465
a. Trustee committed	2,790	2,914	(124)
b. Approved by Council but not yet CEO Endorsed	1,738	1,149	589
c. Requested amounts for financing pending decision	12	12	-
5. Funds Available to Support Council or CEO Decisions (5 = 3 - 4)	716	850	(133)

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

Highlights for the period April 1, 2019 through September 30, 2019:

- **Funding Availability** decreased by USDeq. 133 million over the prior reporting period as a result of:
 - A net increase in **Funds Held in Trust** by USD eq. 332 million driven by contributions receipts and cash transfers offset by the decrease in **Restricted Funds** of USD 65 million due to adjustments to the reserve amount to cover foreign exchange rate fluctuations; and
 - A net increase in **Approved Amounts Pending Cash Transfers to Agencies** by USD 465 million reflecting the increase in funding approvals exceeding cash transfers to Agencies and funding cancellations during this period.



4. GEF-7 Specific Funding Decisions as of September 30, 2019

In USD millions

1. Target Replenishment Funding a/			4,068
2. Projected Available Resources during the GEF-7 Period			2,836
Estimated Funds Available to Support Council or CEO Financing Decisions			716
	Potential Amount Available	of which Projected to be Available	
Receivables			2,028
Arrears b/	137	137	
GEF-7 Installments			
- due in FY20	431	431	
- due in FY21	669	669	
- due in FY22	791	791	
IoCs not yet Deposited with the Trustee			67
GEF-7 c/	18	18	
Previous Replenishments d/	49	49	
Projected Investment Income e/	-	-	-
Others f/	25	25	25
Total	2,120	2,120	
3. GEF-7 Specific Funding Decisions			1,130
Approvals by Council			1,089
Projects and Fees		384	
Admin. Budget		36	
Special Initiatives		-	
Programmatic Initiatives		669	
Approvals by CEO			41
Projects and Fees (MSPs. EEAs)		22	
Project Preparation Activities and Fees		19	
Net Changes to Initial Approvals g/			-
Reductions (cancellations) on GEF-7			-
Pending decisions on Intersessional and Council meetings			-
Projects, Fees, Admin Budget, Special Initiatives, Programmatic Initiatives			-
4. GEF-7 "Envelope" as of September 30, 2019 (4 = 2 + 3)			3,966
5. Changes in funding envelope (USDeq.) in GEF-7 period (5 = 4 - 1)			(102)
<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 135 million, Egypt for GEF-1 in the amount of SDR 0.5 million, Nigeria for GEF-3 in the amount of SDR 0.7 million and Pakistan for GEF-5 in the amount of SDR 4 million.</p> <p>c/ Represents the balance of GEF-7 expected pledges.</p> <p>d/ GEF-6 IoCs not received from Brazil and 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 153.8 million, which is more than 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. In collaboration with the GEF Secretariat and the Agencies, the Trustee was able to clawback \$119 million of cancellations from 44 umbrellas from previous replenishments. The balance of \$25 million represents expected reflows from non-grant instruments.</p> <p>g/ To fit the GEF Secretariat's STAR model, net changes to pre-GEF-7 projects were excluded from the calculation.</p>			

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



5. Update on Environmental, Social and Corporate Governance (ESG) Investing

As informed at the 55th GEF Council meeting, Environmental, Social, and Governance (ESG) Integration was identified as the most appropriate overarching Sustainable and Responsible Investment (SRI) approach all portfolios managed by the World Bank including Trust Funds and FIFs liquid asset portfolio (“Pool”). Further to the Council discussion, the World Bank’s Finance and Risk Committee (FRC) agreed that ESG Integration would be the default SRI approach for all portfolios managed by the World Bank, noting that ESG Integration is within the existing Investment Authorizations of the IBRD and IDA.

The World Bank Treasury is taking necessary steps to include ESG Integration in the existing investment process for all portfolios managed by the World Bank. ESG Integration does not necessitate any changes in the investment objectives or risk limits for portfolios in the Pool. Furthermore, it should be noted that, given the investment objective of the Pool and the World Bank’s Articles of Agreement, which prohibit consideration of non-economic factors in its dealings with member countries, the World Bank Treasury will continue to manage all portfolios solely on the basis of preservation of capital and risk-adjusted financial return.

Against this backdrop, the trustee will continue to engage with the GEF participants on further steps leading to the formulation of the SRI strategy for GEF Council’s consideration.