



# Pandemic Emergency Financing Facility

## Financial Report

Prepared by the Trustee

*As of December 31, 2020*



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## Introduction

The Pandemic Emergency Financing Facility (PEF) Trust Fund was established by the World Bank in May 2016 as a Financial Intermediary Fund (FIF). This report covers the financial status of the PEF Trust Fund, and is produced by the World Bank as Trustee in accordance with its role as set forth in Section 6.2 of the Standard Provisions for the Pandemic Emergency Financing Facility Trust Fund in Annex 1 of the Contribution Agreement, which states:

*“Unless otherwise agreed between the Steering Body and the Trustee, the Trustee shall annually furnish to the Steering Body a report on the receipts in, transfers from and fund balance of the Trust Fund in the Holding Currency.”*

This report provides (i) a snapshot of the financial situation of the PEF Trust Fund since its inception to December 31, 2020, (ii) the status of pledges and contributions, and (iii) the details of financial activities of the PEF Trust Fund.

## PEF Trust Fund Financial Summary as of December 31, 2020

### ***Pledges and Contributions:***

A pledge represents a contributor's expression of intent to make a contribution. Pledges are converted to Contributions by way of a countersigned Contribution Agreement/Arrangement.

As of December 31, 2020, pledges to the PEF Trust Fund totaled USDeq. 181.1 million from four contributors. The Trustee has executed contribution agreements/arrangements and received the entire amount into the PEF Trust Fund.

### ***Insurance Payout:***

On April 16, 2020, the third-party calculation agent for the PEF determined that the conditions for a payout from the insurance window for COVID-19 (coronavirus) had been met. This triggered an insurance payout of USD 195.84 million which was paid into the PEF Trust Fund in two tranches in April and May 2020.

### ***Investment Income:***

As of December 31, 2020, the PEF Trust Fund earned investment income of approximately USD 4.24 million on the liquid balances of the Trust Fund. The PEF Trust Fund portfolio has returned 1.07% during the first six months of calendar year 2020.

### ***Funding Approvals:***

As of December 31, 2020, the PEF Steering Body (SB) had approved funding from the PEF Trust Fund totaling USD 373.15 million, with USD 257.23 million to support outbreak response, USD 110.64 million for Pandemic Bond and Swap costs, and USD 5.29 million, net of returned unused funds, for administrative budget to support the activities of the PEF Secretariat and Trustee.

Of the USD 257.23 million approved by the SB to support outbreak response, USD 243.74 million was allocated to response activities and USD 13.48 million to Responding Agency fees.

### ***Cash Transfers:***

The Trustee has transferred a total of USD 373.15 million as at December 31, 2020, with USD 243.74 million being transferred for response activities, USD 13.48 for Responding Agency fees, USD 110.64 million for Pandemic bond and swap costs, and USD 5.29 million for administrative costs.

### ***Funds Held in Trust:***

Funds Held in Trust<sup>1</sup> reflect contributions paid-in from contributors, receipt of insurance pay-out and investment income earned, less cash transfers. Funds Held in Trust as of December 31, 2020 amounted to USDeq. 8.03 million.

### ***Unallocated Funds:***

As of December 31, 2020, unallocated funds amounted to USD 8.03 million.

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<sup>1</sup> Funds Held in Trust represents balance of cash, investments and unencashed promissory notes (if any) as of the reporting date.

## 1. PEF Trust Fund Summary – Inception through December 31, 2020

In USD millions

	Total	% of Total
<b><u>Pledges, Contributions and Payout</u></b>		
Contributions	181.10	48.0%
Pledges	-	0.0%
Insurance Payout for COVID-19	195.84	52.0%
<b>Total Pledges, Contributions and Payout</b>	<b>376.94</b>	<b>100.0%</b>
<b><u>Cumulative Resources</u></b>		
<b><u>Resources received</u></b>		
Cash Receipts from Donors	181.10	47.5%
Insurance Payout for COVID-19	195.84	51.4%
Investment Income earned	4.24	1.1%
<b>Total Resources Received</b>	<b>381.19</b>	<b>100.0%</b>
<b><u>Resources not yet received</u></b>		
Contributions not yet received	-	0.0%
Pledges	-	0.0%
<b>Total resources not yet received</b>	<b>-</b>	<b>0.0%</b>
<b>Total Potential Resources (A) (in USD millions)</b>	<b>381.19</b>	<b>100.0%</b>
<b><u>Cumulative Funding Decisions</u></b>		
Response Activities	243.74	65.3%
Responding Agency Fees	13.48	3.6%
Pandemic Bond and Swap costs a/ b/	110.64	29.6%
Administrative Budget b/	5.29	1.4%
<b>Total Funding Decisions Net of Cancellations (B)</b>	<b>373.15</b>	<b>100.0%</b>
<b>Total Potential Resources Net of Funding Decisions (A) - (B) - (C)</b>	<b>8.03</b>	
<b><u>Funds Available</u></b>		
Funds Held in Trust	8.03	
Approved Amounts Pending Cash Transfers	-	
<b>Unallocated Funds</b>	<b>8.03</b>	

a/ Includes commitments made under provision 3.04 of the PEF Framework.

b/ Net of returned unused funds.

Note: Sub-totals may not add up to due to rounding

## 2. Pledges and Contributions as of December 31, 2020

*In millions*

Contributor	Curr	Pledge in Currency of Contribution	Effective (or signed) Contribution	Receipts in Currency of Contribution	Total Contributions in USDeq. a/	Total Receipts in USDeq. b/
Australia	AUD	9.50	9.50	9.50	7.05	7.05
Germany	EUR	65.00	65.00	65.00	74.05	74.05
IDA	USD	50.00	50.00	50.00	50.00	50.00
Japan	USD	50.00	50.00	50.00	50.00	50.00
<b>Total</b>					<b>181.10</b>	<b>181.10</b>

a/ Represents formalized contributions under signed agreements.

b/ Represents actual USD receipts.

*Note: totals may not add up due to rounding*



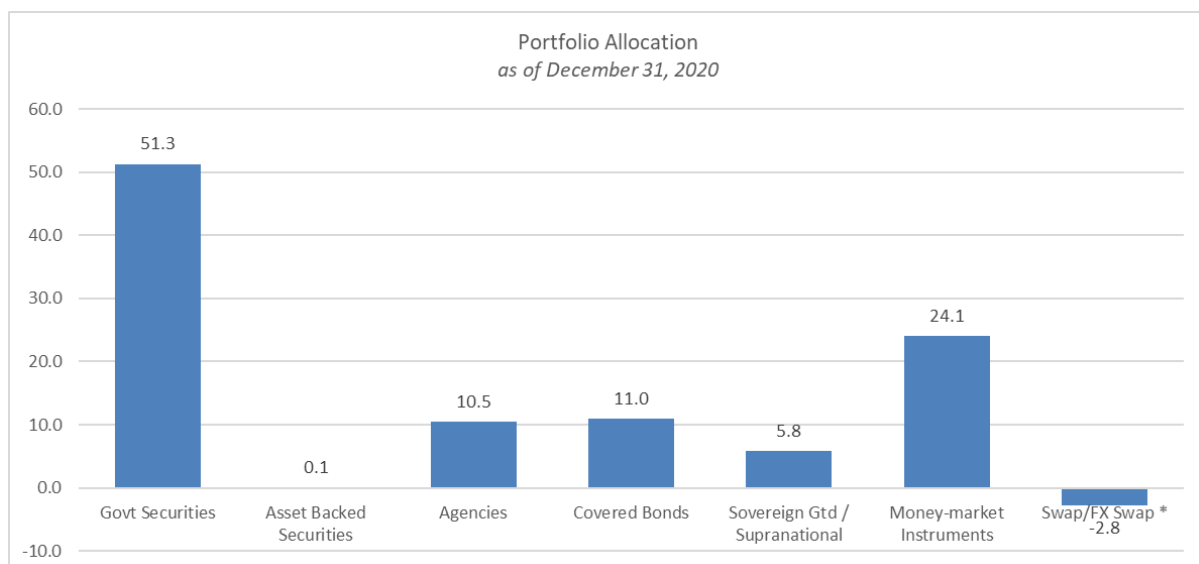
### 3. Asset Mix and Investment Income

#### ASSET MIX

Funds held in trust by the World Bank (as the Trustee) are maintained in a commingled investment portfolio (the “Pool”) for all trust funds administered by the World Bank. Within this Pool, the PEF funds are invested in a short term, high quality fixed income portfolio with an investment horizon of up to one year.

As of July 1, 2015, the World Bank adopted the Conditional Value-at-Risk (CVaR) measure as the risk constraint in the management of trust funds. Funds are managed such that the expected maximum loss, as measured by the CVaR, at the portfolio’s investment horizon, is not to exceed 1% with 99% confidence.

As of December 31, 2020, the portfolio allocation by asset class has the largest allocations to government securities and money-market instruments.



\* The negative position in swaps is primarily due to changes in foreign currency exchange (FX) rates in cross currency basis swaps. Such swap instruments are used to implement currency hedges on bond positions within the portfolio.

#### INVESTMENT RETURNS

The PEF funds are invested in accordance with the investment strategy established for the trust funds administered by the World Bank. The PEF Trust Fund portfolio, with a cash balance of USD 8.03 million at end-December 2020, has earned approximately USD 4.24 million in investment income since inception. It has returned 1.07% during the calendar year 2020.

#### 4. Cumulative Funding Decisions as of December 31, 2020

In USD millions

	Insurance Window	Cash Window	Admin Window	Total
Response Activities	186.55	57.20	-	243.74
Responding Agency Fees	9.28	4.20	-	13.48
Pandemic Bond and Swap costs	110.64 a/	-	-	110.64
	<b>306.47</b>	<b>61.40</b>	-	<b>367.87</b>
Administrative Budget b/				
PEF Coordinator	-	-	3.42	3.42
Trustee	-	-	1.86	1.86
	-	-	<b>5.29</b>	<b>5.29</b>
<b>Total Funding Decisions</b>	<b>306.47</b>	<b>61.40</b>	<b>5.29</b>	<b>373.15</b>

a/ Includes commitments made under provision 3.04 of the PEF Framework.

b/ PEF Coordinator and Trustee's budgets are funded on a pro-rata basis against Insurance and Cash Windows, and by investment income earned on IDA and administrative window balances. Amounts are net of unused funds which are returned to the Trust Fund.



## 5. Funds Available as of December 31, 2020

In USD millions

	Insurance Window	Cash Window	Admin Window	Total
<b>1 Cumulative receipts</b>	<b>312.28</b>	<b>63.61</b>	<b>5.30</b>	<b>381.19</b>
a. Cash receipts from Contributors				
Australia	-	7.05	-	7.05
Japan	50.00	-	-	50.00
Germany	17.11	56.95	-	74.05
IDA	50.00	-	-	50.00
b. Insurance Payout for COVID-19 ..... (a)	195.84			
c. Investment income earned	0.99	1.07	2.19 (b)	4.24
d. Pro-rata transfers to Admin Window	(1.66)	(1.45)	3.11 (c)	-
<b>2 Cumulative cash transfers</b>	<b>306.47</b>	<b>61.40</b>	<b>5.29</b>	<b>373.15</b>
Response Activities	186.55	57.20	-	243.74
Responding Agency Fees	9.28	4.20	-	13.48
Pandemic Bond and Swap costs ..... (d)	110.64	-	-	110.64
Administrative Costs ...	-	-	5.29	5.29
<b>3 Funds held in trust (3=1-2)</b>	<b>5.82</b>	<b>2.21</b>	<b>0.01</b>	<b>8.03</b>
<b>4 Amount committed for scheduled payments</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Response Activities	-	-	-	-
Responding Agency Fees	-	-	-	-
Pandemic Bond and Swap costs	-	-	-	-
Administrative Costs	-	-	-	-
<b>5 Unallocated Funds</b>	<b>5.82</b>	<b>2.21</b>	<b>0.01</b>	<b>8.03</b>

(a) Represents insurance payout received on April 24, 2020 and May 15, 2020.

(b) This amount is investment income earned on IDA and Administrative Window balances.

(c) Represents transfers, on a pro-rata basis, from the Insurance and Cash Windows to the Administrative Window to cover PEF Coordinator and PEF Trustee budgets, as per the PEF Framework.

(d) Includes premiums for the 3-year PEF Pandemic Bond/Insurance Coverage period (i.e. bond coupon payments and swap contract premiums) and initial set-up fees.

Note: Non-USD amounts are valued based on exchange rates as of December 31, 2020. Sub-totals may not add up due to rounding.



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**Highlights for the period July 1, 2020 through December 31, 2020<sup>2</sup>:**

- **Insurance Payout for COVID-19:** On April 16, 2020, the third-party calculation agent for the PEF determined that the conditions for a payout from the insurance window for COVID-19, one of the viruses covered by the PEF insurance window, had been met. USD 195.84 million in funding was provided from the reinsurance market and the proceeds of the catastrophe bonds and paid-in to the PEF Trust Fund in two tranches. On April 24, 2020, USD 63.34 million was received into the PEF Trust Fund from the reinsurance coverage, and on May 15, 2020 US\$132.51 million was received from the proceeds of the catastrophe bonds.
- **Cash Transfers to agencies for COVID-19 outbreak response:** As of December 31, 2020, USD 195.83 million of funds received from the USD 195.84 million insurance payout for COVID-19 had been transferred to Responding Agencies for Response Activities (USD 186.55 million) and Responding Agency Fees (USD 9.28 million), in line with country allocations for COVID-19 approved by the PEF Steering Body at their meeting of April 24, 2020.
- **Unallocated funds** amounted to USD 8.03 million as of December 31, 2020. Per the relevant legal agreements, the Trustee may not transfer funds to a responding agency six months prior to the Trust Fund End Disbursement Date (April 30, 2021). The unallocated funds shall be returned to each contributor in accordance with its Contribution Agreement, on a pro rata basis for each window.

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<sup>2</sup> Sub-totals may not add up due to rounding.