



GEF/R.9/04
April 23, 2025

First Meeting for the Ninth Replenishment of the GEF Trust Fund
May 20-21, 2025
Paris, France

**REFERENCE EXCHANGE RATES FOR USE IN THE
NINTH GEF REPLENISHMENT
(PREPARED BY THE TRUSTEE)**

I. Introduction

1. Contributions to GEF replenishments are typically pledged in national currencies. While the operating currency of the GEF is the US dollar (USD), the SDR¹ is used in GEF replenishments as the base currency for burden sharing purposes and to provide a common denominator for expressing the overall size of the replenishment. For GEF replenishments, Contributing Participants agree in advance on a set of reference exchange rates that are used to translate contributions between SDR and national currency values. These reference rates are used to calculate Contributing Participants' specific shares in the replenishment as well as the aggregate size of the replenishment in SDR terms.

2. This note proposes that Contributing Participants: (i) adopt a specified time period for setting the reference exchange rates for the GEF-9 Replenishment, and (ii) approve the continuation of the practice that a Contributing Participant country experiencing an average annual inflation rate² in its economy over a certain threshold during a specified period will denominate its contribution in SDR or United States dollars.

II. Reference Exchange Rates

3. Reference exchange rates are used to translate contributions between SDR values and national currency values for the purpose of burden sharing in replenishment negotiations. For each of the previous GEF replenishments, Contributing Participants have agreed, early on in the replenishment cycle, on a time period to use for determining the reference exchange rates. Following this, an average of the daily exchange rates of each national currency against the SDR was calculated for the agreed time period. These rates were subsequently used as the reference exchange rates for the replenishment.

4. In choosing a reference time period for the GEF-9, Contributing Participants may consider using the following criteria which were used in each of the previous replenishments:

- *The time period chosen should not include known exchange rates to keep the reference exchange rates as unbiased as feasible.* This criterion can be met by defining a forward-looking time period over which the relevant exchange rates will be determined at the outset of the replenishment.
- *The end point of the reference time period chosen should allow for sufficient lead time to determine the national currency amounts in which Contributing Participants will pledge to meet a specific shared objective.* Before Contributing Participants can pledge a specific level of contributions at the end of the replenishment discussions, they typically have to obtain pledging authorization in their national currencies. Therefore, they need to know in advance the national currency amount required to meet their notional replenishment share in SDR. Thus, the end date for the reference time period should precede the expected conclusion of the replenishment discussions.

¹ The SDR or Special Drawing Rights is a currency basket consisting of fixed proportions of EUR, JPY, GBP, CNY and USD.

² Inflation as measured by the consumer price index (CPI) which reflects the annual percentage change in the cost to the average consumer of acquiring a basket of goods and services that may be fixed or changed at specified intervals, such as yearly. Source: International Monetary Fund, World Economic Outlook Database, October 2024.

- *The method for determining reference exchange rates should minimize distortions that may be caused by short-term currency fluctuations.* Using average exchange rates over several months will serve this purpose³. In the context of the GEF-9 replenishment, analysis was performed on the currency volatility of the GEF contributing currencies over the 6-, 9-, and 12-month periods prior to December 31, 2024. In general, the 6-month volatility has been lower than the 9-month and 12-month during most of the time period, despite short-term spikes due to exogenous factors for some currencies. The reference exchange rate period used for each of the previous GEF replenishments is shown in Table 1 below.

Table 1: Reference Time Periods for Determining the Average Exchange Rates for Previous Replenishments

<u>Replenishment</u>	<u>Negotiations Completed</u>	<u>Reference Time Periods Adopted</u>	<u>Length</u>
GEF-1	March 1994	February 1 - October 31, 1993	9 months
GEF-2	February 1998	May 1 - October 31, 1997	6 months
GEF-3	August 2002	May 15 - November 15, 2001	6 months
GEF-4	August 2006	May 1 - October 31, 2005	6 months
GEF-5	May 2010	March 1 - September 30, 2009	7 months
GEF-6	April 2014	April 1 - September 30, 2013	6 months
GEF-7	April 2018	September 1, 2017 - February 28, 2018	6 months
GEF-8	April 2022	July 1, 2021 to December 31, 2021	6 months

5. Based on the criteria in paragraph 4 and the GEF-8 practice of setting the reference period close to the pledging meeting while still allowing sufficient time for Contributing Participants to complete their internal approvals processes, it is recommended that the reference time period for the GEF-9 include the dates July 1, 2025, through December 31, 2025. This is also consistent with the feedback of some of the Contributing Participants for the GEF-9 Replenishment.

III. Contributing Participant Countries Experiencing High Inflation

6. Contributions to the GEF are normally denominated in national currencies, with the exception of contributions from countries experiencing high inflation rates over a given period of time. In previous replenishments, Contributing Participants agreed that countries with average annual inflation rates greater than 10% during the three years preceding the replenishment would denominate their contributions in SDR. This practice recognizes that the largest impact (and potential loss) on the value of replenishment resources over a replenishment commitment and encashment period tends to be caused by the depreciation of national currencies in countries with high inflation rates. Following previous practice, the time period for determining the average

³ Other multilateral institutions such as IDA and the African Development Bank use a 6-month reference period for this purpose.

annual inflation rate⁴ for the GEF-9 will encompass the years 2022-2024. Annex 1 presents the 2022 – 2024 inflation rates for all previous GEF Contributing Participants.

IV. Recommendation

7. Based on the criteria described in Section II, the Trustee recommends that Contributing Participants adopt the six-month period from July 1, 2025, through December 31, 2025, as the reference time period for translating GEF-9 contributions between SDR values and national currency values.

8. The Trustee also recommends that Contributing Participants agree that those countries experiencing an average annual inflation rate in their economies exceeding 10% over the years 2022-2024 will denominate their GEF-9 contributions in either SDR or USD.

9. Since the operating currency of the GEF is the USD, the Trustee strongly encourages Contributing Participants to make their contributions to GEF-9 in USD when possible.

⁴ Inflation as measured by the Consumer Price Index (CPI) which reflects the annual percentage change in the cost to the average consumer of acquiring a basket of goods and services that may be fixed or changed at specified intervals, such as yearly. *Source:* International Monetary Fund, World Economic Outlook Database, October 2024.

Annex 1

Average Annual Inflation Rates⁵ for all Past and Present GEF Contributors For the period 2022 – 2024

Contributing Participants a/	2022	2023	2024	Average
	(%)	(%)	(%)	(%)
Argentina	72.43	133.49	229.82	145.25
Australia	6.62	5.62	3.32	5.18
Austria	8.61	7.71	3.04	6.46
Bangladesh	6.15	9.02	9.73	8.30
Belgium	10.33	2.29	4.32	5.65
Brazil	9.28	4.59	4.27	6.05
Canada	6.80	3.88	2.44	4.37
China	1.98	0.23	0.42	0.88
Côte d'Ivoire	5.21	4.39	3.80	4.47
Czech Republic	15.10	10.66	2.34	9.37
Denmark	8.53	3.35	1.80	4.56
Egypt	8.50	24.39	33.30	22.06
Finland	7.17	4.34	1.24	4.25
France	5.90	5.66	2.31	4.63
Germany	8.67	6.03	2.37	5.69
Greece	9.30	4.16	2.91	5.45
India	6.65	5.36	4.37	5.46
Indonesia	4.14	3.71	2.48	3.45
Ireland	8.05	5.21	1.66	4.97
Italy	8.74	5.90	1.27	5.30
Japan	2.50	3.27	2.23	2.67
Korea	5.09	3.60	2.52	3.74
Luxembourg	8.15	2.93	2.49	4.52
Mexico	7.90	5.53	4.68	6.03
Netherlands	11.62	4.12	3.17	6.30
New Zealand	7.17	5.73	2.72	5.21
Nigeria	18.85	24.66	32.46	25.32
Norway	5.76	5.52	3.26	4.85
Pakistan	12.15	29.18	23.41	21.58
Portugal	8.10	5.26	2.51	5.29
Russia	13.75	5.86	7.86	9.16
Slovak Republic	12.14	10.96	2.78	8.63
Slovenia	8.83	7.45	2.02	6.10
South Africa	6.87	5.90	4.70	5.82
Spain	8.32	3.40	2.75	4.83
Sweden	8.06	5.91	2.05	5.34
Switzerland	2.83	2.13	1.25	2.07
Türkiye	72.31	53.86	60.92	62.36
United Kingdom	9.07	7.31	2.62	6.33
United States	7.99	4.13	2.99	5.04

Source: International Monetary Fund, World Economic Outlook Database, October 2024

⁵ Inflation as measured by the Consumer Price Index (CPI) which reflects the annual percentage change in the cost to the average consumer of acquiring a basket of goods and services that may be fixed or changed at specified intervals, such as yearly. *Source:* International Monetary Fund, World Economic Outlook Database, October 2024.