



Global Environment Facility

GEF/C.28/9
May 10, 2006

GEF Council
June 6-9, 2006

Agenda Item 18

FINANCIAL STATEMENTS

(Prepared by Trustee)

Financial Statements of the GEF Entities

1. In accordance with the request by the Council at its June 2005 Council Meeting that there be annual Council discussion of financial statements and audits to ensure the adequacy of public financial reports, the Trustee hereby provides the Council with the financial statements and auditors' report thereon for each of the following entities as received by the Trustee:

<u>Entity</u>	<u>Financial Statements for the Year Ended</u>
IBRD acting as Trustee	June 30, 2005
IBRD acting as Implementing Agency	June 30, 2005
GEF Secretariat	June 30, 2005
UNDP	December 31, 2004
UNEP	December 31, 2004

2. The different year end dates for the above financial statements are the result of the different operating cycles used by the above entities. UNDP and UNEP operate on a calendar year. IBRD and GEF Secretariat (which is administratively supported by IBRD) operate on a July-June fiscal year basis.

3. The external auditors used by the above entities are varied. UNDP and UNEP's financial statements are audited by the U.N. Board of Auditors, while the financial statements of the Trustee, IBRD as Implementing Agency and Secretariat are audited by IBRD's external auditors, currently Deloitte & Touche LLP. The Trustee requires that audits on the financial statements of each IA and EA be carried out by independent external auditors acceptable to the Trustee.

4. The auditors reports attached reveal no exceptions for the financial position presented, and no new exceptions for noncompliance with the Instrument and decisions taken by the Council since last report to the Council.

5. As of December 31, 2005, the Executing Agencies operating under the new Financial Procedures Agreement either have not completed a full cycle of operations that mandates an external audit, or an audit is not completed and due to the Trustee, therefore, audited financial statements for the Executing Agencies are not provided at this juncture.

GLOBAL ENVIRONMENT FACILITY TRUST FUND
ADMINISTERED BY THE
THE INTERNATIONAL BANK FOR RECONSTRUCTION
AND DEVELOPMENT
AS TRUSTEE

WORLD BANK REFERENCE
TF029840

SPECIAL PURPOSE FINANCIAL STATEMENTS
AND INDEPENDENT AUDITORS' REPORT
June 30, 2005 and 2004

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INDEPENDENT AUDITORS' REPORT

To: Global Environment Facility Council and International
Bank for Reconstruction and Development (IBRD)
As Trustee for the Global Environment Facility Trust Fund

We have audited the accompanying special purpose statements of financial position of the Global Environment Facility Trust Fund (GEF) as of June 30, 2005 and 2004, and the related special purpose statements of income, special purpose statements of changes in net trust resources and special purpose statements of cash flows for the years then ended. These financial statements are the responsibility of the Trust Fund Trustee's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and International Standards on Auditing. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. GEF is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of GEF's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

As discussed in Note 2 to the financial statements, these special purpose financial statements are prepared on a modified accrual basis and are not intended to be a presentation in accordance with accounting principles generally accepted in the United States of America or with International Financial Reporting Standards.

In our opinion, such special purpose financial statements present fairly, in all material respects, the financial position of the Global Environment Facility Trust Fund as of June 30, 2005 and 2004, and the results of its operations and its cash flows for the years then ended in conformity with the basis of accounting described in Note 2.

This report is intended solely for the information and use of the Global Environment Facility Council and International Bank for Reconstruction and Development as Trustee for the Global Environment Facility Trust Fund, and the Donors to the Global Environment Facility Trust Fund, and is not intended to be and should not be used by anyone other than these specified parties.

Deloitte + Touche LLP

October 19, 2005

GLOBAL ENVIRONMENT FACILITY TRUST FUND

Special Purpose Statements of Financial Position

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Expressed in U.S. dollars

	<u>June 30, 2005</u>	<u>June 30, 2004</u>
ASSETS		
Share in Pooled Investments - Note 2	\$ 1,877,442,694	\$ 1,614,021,305
Investment Income Receivable	-	1,707,435
Notes Receivable - Note 3	<u>1,587,777,520</u>	<u>1,732,250,663</u>
Total Assets	<u><u>\$ 3,465,220,214</u></u>	<u><u>\$ 3,347,979,403</u></u>
LIABILITIES		
Grant Liability:		
IBRD/IA - Note 10	\$ 820,708,500	758,431,389
UNDP	74,435,428	111,314,379
UNEP	71,022,423	58,307,679
EAs	37,334,380	-
Fee Liability:		
IBRD/IA - Note 10	4,621,100	29,247,250
UNDP	3,280,005	16,426,882
UNEP	1,138,701	1,124,685
EAs	1,945,840	-
Total Liabilities	<u>1,014,486,377</u>	<u>974,852,264</u>
NET TRUST RESOURCES		
Contributions Committed - Note 3	7,297,208,615	7,205,685,573
Contributions Receivable - Notes 3 and 4	(873,741,653)	(1,374,800,650)
Unamortized Discounts	<u>(6,974,167)</u>	<u>(4,981,552)</u>
Contributions Paid In - Note 3	6,416,492,795	5,825,903,371
Cumulative Grants and Fees - Notes 6, 7 and 9	(3,939,330,409)	(3,401,487,666)
Deficit	<u>(26,428,549)</u>	<u>(51,288,566)</u>
Total Net Trust Resources	<u>2,450,733,837</u>	<u>2,373,127,139</u>
Total Liabilities and Net Trust Resources	<u><u>\$ 3,465,220,214</u></u>	<u><u>\$ 3,347,979,403</u></u>

The Notes to Special Purpose Financial Statements are an integral part of these Statements.

GLOBAL ENVIRONMENT FACILITY TRUST FUND**Special Purpose Statements of Income****Page 2***Expressed in U.S. dollars*

	For the Years Ended	
	<u>June 30, 2005</u>	<u>June 30, 2004</u>
INCOME		
Net Investment Income - Note 2	\$ 44,213,773	\$ 15,300,036
Income Earned on GEF Grant Funds - Note 8	1,621,871	-
Reimbursement of Ineligible Expenditures - Note 11	2,420,000	-
Grant Repayment - Note 9	<u>2,717,581</u>	<u>-</u>
Total Income	<u>50,973,225</u>	<u>15,300,036</u>
EXPENSES		
Administrative Budget:		
IBRD/IA - Note 10	2,939,274	2,768,702
UNDP	5,613,000	-
UNEP	4,620,879	2,801,359
Secretariat - Note 10	12,926,538	12,584,305
IBRD/Trustee - Note 10	1,450,000	874,000
Discount Amortization	<u>902,171</u>	<u>471,145</u>
Total Expenses	<u>28,451,862</u>	<u>19,499,511</u>
Foreign Exchange Gains	<u>2,338,654</u>	<u>4,685,481</u>
Net Income	<u>\$ 24,860,017</u>	<u>\$ 486,006</u>

The Notes to Special Purpose Financial Statements are an integral part of these Statements.

GLOBAL ENVIRONMENT FACILITY TRUST FUND
Special Purpose Statements of Changes in Net Trust Resources

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Expressed in U.S. dollars

For the Years Ended

	June 30, 2005			June 30, 2004		
	Balance, Beginning of Fiscal Year	Changes During Fiscal Year	Balance, End of Fiscal Year	Balance, Beginning of Fiscal Year	Changes During Fiscal Year	Balance, End of Fiscal Year
Contributions - Note 3:						
Unrestricted	\$ 6,490,373,337	\$ 333,959,300	6,824,332,637	\$ 5,929,472,632	\$ 560,900,705	\$ 6,490,373,337
Temporarily restricted: Restrictions on IoC - Note 5	502,297,974	(212,325,379)	289,972,595	652,098,990	(149,801,016)	502,297,974
Temporarily restricted: Pro Rata Right & Advance Payment - Note 5	213,014,262	(30,110,879)	182,903,383	222,365,199	(9,350,937)	213,014,262
Total Contributions Committed	7,205,685,573	91,523,042	7,297,208,615	6,803,936,821	401,748,752	7,205,685,573
Contributions receivable	(1,374,800,650)	501,058,997	(873,741,653)	(1,781,196,985)	406,396,335	(1,374,800,650)
Unamortized discounts	(4,981,552)	(1,992,615)	(6,974,167)	(2,321,241)	(2,660,311)	(4,981,552)
Contributions paid in - Notes 5 and 9	5,825,903,371	590,589,424	6,416,492,795	5,020,418,595	805,484,776	5,825,903,371
Grants and fees - Note 6 and 7:						
IBRD/IA	(2,001,229,875)	(301,157,960)	(2,302,387,835)	(1,652,274,670)	(348,955,205)	(2,001,229,875)
UNDP	(1,073,646,646)	(107,233,196)	(1,180,879,842)	(1,056,994,764)	(16,651,882)	(1,073,646,646)
UNEP	(299,119,078)	(76,104,317)	(375,223,395)	(199,918,949)	(99,200,129)	(299,119,078)
EAs	(24,746,467)	(52,744,270)	(77,490,737)	(23,510,467)	(1,236,000)	(24,746,467)
Secretariat	(2,745,600)	(603,000)	(3,348,600)	(2,745,600)	-	(2,745,600)
Total Grants and Fees	(3,401,487,666)	(537,842,743)	(3,939,330,409)	(2,935,444,450)	(466,043,216)	(3,401,487,666)
Deficit	(51,288,566)	24,860,017	(26,428,549)	(51,774,572)	486,006	(51,288,566)
TOTAL NET TRUST RESOURCES	\$ 2,373,127,139	\$ 77,606,698	\$ 2,450,733,837	\$ 2,033,199,573	\$ 339,927,566	\$ 2,373,127,139

GLOBAL ENVIRONMENT FACILITY TRUST FUND

Special Purpose Statements of Cash Flows

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Expressed in U.S. dollars

	For the Years Ended	
	June 30, 2005	June 30, 2004
Cash Flows from Operating Activities:		
Net Income	\$ 24,860,017	\$ 486,006
Adjustments to reconcile to net cash provided by operating activities:		
Unrealized loss on Pooled Investments	2,983,118	1,592,051
Decrease in Investment Income Receivable	1,707,435	3,504,824
Amortization of Discount on Contributions	902,171	471,145
Net Cash Flows from Operating Activities	30,452,741	6,054,026
Cash Flows from Financing Activities:		
Cash Contributions Received	735,062,567	1,003,345,563
Cash used for Grants and Fees	(499,110,801)	(368,972,424)
Net Cash Flows Provided by Financing Activities	235,951,766	634,373,139
Cash Flows from Investing Activities		
Cash transferred to Pooled Investments	(266,404,507)	(640,427,165)
Net Cash Flows Used in Investing Activities	(266,404,507)	(640,427,165)
Net Increase in Cash	-	-
Cash and Cash Equivalents, Beginning of Year	-	-
Cash and Cash Equivalents, End of Year	\$ -	\$ -

The Notes to Special Purpose Financial Statements are an integral part of these Statements.

GLOBAL ENVIRONMENT FACILITY TRUST FUND

Notes to Special Purpose Financial Statements

Years Ended June 30, 2005 and 2004

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NOTE 1: ORGANIZATION AND OPERATIONS

The Global Environment Facility (the "GEF") was formally established as a mechanism in 1994 by the Instrument for the Establishment of the Restructured Global Environment Facility (the "Instrument"). It provides funding to eligible countries for incremental costs of measures to achieve global environmental benefits in four focal areas specified in the Instrument: climate change, biological diversity, international waters and ozone layer depletion. In October 2002, an amendment to the Instrument to designate persistent organic pollutants ("POPs") and land degradation (primarily desertification and deforestation) as additional focal areas was approved at the second Assembly of the GEF (the "Assembly").

Incremental costs of such other activities under Agenda 21 (the action plan of the 1992 United Nations Conference on Environment and Development) as agreed by the GEF Council (the "Council") are eligible for funding insofar as they achieve global environmental benefits in the focal areas.

Under the Instrument, contributions to the GEF and all other assets and receipts of the GEF are held in the Global Environment Facility Trust Fund (the "Trust Fund") which, in accordance with the provisions of the Instrument, became effective on March 16, 1995. On that date, the Global Environment Trust Fund (the "GET") (a funding mechanism for the Global Environment Facility, established in 1991 as a pilot program) was terminated and all funds, receipts, assets and liabilities held in the GET were transferred to the Trust Fund at book value.

The Trust Fund is administered by the International Bank for Reconstruction and Development ("IBRD") as Trustee (the "Trustee"). The resources of the Trust Fund, held in trust by the Trustee, are kept separate and apart from the resources of IBRD. Under the Instrument, the Trustee was authorized to accept contributions to the Trust Fund for the period from July 1, 1994 to June 30, 1998 ("GEF-1"). To date, two additional replenishments to the original GEF have been agreed by the participants ("GEF-2" and "GEF-3"). In March 1998, the Contributing Participants agreed upon the terms of the GEF-2 for the period July 1, 1998 to June 30, 2002, and in August 2002 on the terms of the GEF-3 for the period July 1, 2002 to June 30, 2006. The total size of the GEF-3 was agreed at Special Drawing Rights ("SDR") 2.365 billion (US \$3.0 billion).

The Executive Directors of IBRD authorized IBRD to act as Trustee in respect of the resources made available for GEF-2 (Resolution No. 98-2) and GEF-3 (Resolution 2002-0005). For the time between the expiration of GEF-2 and the GEF-3 Resolution 2002-0005 becoming effective (March 24, 2003), the Trustee was authorized to accept contributions to the GEF Trust Fund under the GEF-2 Resolution No. 98-2 (amendment to Resolution No. 98-2). In continuation of the procedure for the transition from GEF-1 to GEF-2, upon effectiveness of the GEF-3, all funds receipts, assets and liabilities held by the Trustee under the GEF-2 became administered as part of the GEF-3.

Under the Instrument, there are three Implementing Agencies - IBRD, the United Nations Development Programme ("UNDP") and the United Nations Environment Programme

GLOBAL ENVIRONMENT FACILITY TRUST FUND

Notes to Special Purpose Financial Statements
Years Ended June 30, 2005 and 2004

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("UNEP") (jointly, the "IAs", each individually, an "IA"). Specific responsibilities are assigned to each of the IAs, the GEF Secretariat (the "Secretariat") and the Trustee.

Between May 1999 and May 2001, the Council approved proposals for the participation in the execution of GEF activities of the Asian Development Bank ("ADB"), the African Development Bank/African Development Fund, the European Bank for Reconstruction and Development ("EBRD"), the Food and Agriculture Organization of the United Nations ("FAO"), the Inter-American Development Bank ("IADB"), International Fund for Agriculture and Development ("IFAD"), and the United Nations Industrial Development Organization ("UNIDO") (jointly, the "Executing Agencies" or "EAs"), and authorized the Secretariat to make Project Development and Preparation Facility - Block B (the "PDF-B") resources available to them. In October 2002, the Council approved a proposal to expand direct access to PDF-B resources by ADB and IADB to provide full access to allocations of GEF resources. On November 21, 2003, the Council approved a proposal to expand direct access of all other EAs (namely, the African Development Bank/African Development Fund, EBRD, FAO, IFAD, and UNIDO), acting within their agreed scope for GEF operations, to include direct access to allocations of GEF resources for the implementation of medium and full size projects and, on a case by case basis, PDF-A in addition to PDF-B grants. As of July 31, 2005, arrangements allowing for expanded direct access have been entered into between the Secretariat, the Trustee and ADB, the African Development Bank/African Development Fund, FAO, IADB, IFAD, and UNIDO respectively. An Arrangement with EBRD is currently being negotiated.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING AND RELATED POLICIES

These special purpose financial statements have been prepared for the specific purpose of presenting the financial position of the Trust Fund and the statements of income, changes in net trust resources, and cash flows. These special purpose financial statements are not intended to be a presentation in accordance with accounting principles generally accepted in the United States of America (U.S.) or with International Financial Reporting Standards. These special purpose financial statements report operations and balances of the Trust Fund and are prepared in accordance with the accounting policies outlined below.

Basis of Presentation – The Trust Fund's special purpose financial statements are prepared on the modified accrual basis of accounting. Specifically, the effects of transactions and other events are recognized when they occur (and not when cash or its equivalent is received or paid) and they are recorded in the accounting records and reported in the special purpose financial statements in the periods to which they relate. This basis is consistently applied to all financial statement line items and note disclosures except for the investment income earned on the grant funds held by the IAs and EAs and administrative budget expense amounts, which are reported on a cash basis of accounting.

Use of Estimates – These special purpose financial statements include estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of income and expenses during the reporting period. In measuring Cumulative

GLOBAL ENVIRONMENT FACILITY TRUST FUND

Notes to Special Purpose Financial Statements
Years Ended June 30, 2005 and 2004

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Grants and Fees, Grant Liability, and Income earned on GEF Grant and Administrative Budget Funds, the Trustee relies on the information provided by the IAs and EAs. The Trustee records liabilities upon receipt of notification of project approval by the respective IAs and EAs. Significant reliance is placed upon the IAs and EAs to report such approvals and/or amendments to the Trustee on a timely basis. The Trustee records investment income earned on grant funds and administrative budget funds held by the IAs and EAs as described in the preceeding paragraph. Any adjustment from the information previously provided to the Trustee by the IA and EAs is recorded in the fiscal year in which such adjustment is reported to the Trustee.

Share in Pooled Investments – The Trustee maintains all Trust Fund assets separate and apart from the funds of IBRD, the International Development Association, the International Finance Corporation, the Multilateral Investment Guarantee Agency, the International Centre for Settlement of Investment Disputes (the “World Bank Group”), but commingles the Trust Fund’s assets with other trust fund assets administered by the World Bank Group.

Amounts paid into the Trust Fund, but not yet disbursed, are managed by the Trustee, which maintains an investment portfolio (the “Pool”) administered by the World Bank Group. Under the Pool’s investment strategy in effect during the current reporting periods, a significant portion of the Pool is invested in liquid instruments such as money market deposits, U.S. Treasury securities, high grade bonds, asset backed securities, and mortgage backed securities. The pooled investments are reported at fair value.

IBRD maintains the investments on a pooled accounting basis. Share in Pooled Investments represents the Trust Fund’s pro rata share of the Pool’s fair value at the end of the reporting period. The fair value is based on market quotations, where available. If quoted market prices are not available, fair values are based on quoted market prices of comparable instruments. The corresponding proportionate realized and unrealized gains/losses and interest income, accrue to the Trust Fund in the period in which they occur.

Prior year comparatives have been amended to reclassify cash and cash equivalents of \$868,960,313, and investments \$745,060,992 into Share in Pooled Investments, in order to conform with current year presentation.

Contributions and Discounts – The Trust Fund derives its funding primarily from contributions provided by the Contributing Participants. Contributions committed by Contributing Participants are recorded in full as Contributions Committed when the Trust Fund has received Instruments of Commitment (“IoCs”) and Qualified IoCs from the Contributing Participants. Amounts not yet paid are recorded as Contributions Receivable and are shown as a reduction of Contributions Committed on the statements of financial position. Such treatment does not increase the Trust Fund’s net trust resources. The Contributions Receivable are settled through payment of cash or deposit of non-negotiable, non-interest-bearing demand notes and are recorded and carried at their face amount.

GLOBAL ENVIRONMENT FACILITY TRUST FUND

Notes to Special Purpose Financial Statements
Years Ended June 30, 2005 and 2004

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Contributions Paid In are recorded net of discounts, which are negotiated with Contributing Participants who request such discounts for acceleration of the cash payments for their contributions. The related contributions are recorded at the full undiscounted amounts. The unamortized discounts are recorded as a reduction of Contributions Committed. Discounts are amortized over the agreed encashment period of respective installments, which represents the period over which the notes received are typically encashed by the Trustee.

Notes Receivable – Promissory notes received in settlement of contributions are encashed (drawn down) by the Trustee based upon encashment schedules as agreed with the Contributing Participants during replenishment negotiations. Unencashed balances are recorded as Note Receivables and are reported in the Statements of Financial Position.

Temporarily Restricted Contributions – Contributions may be restricted either because a Contributing Participant has deposited a Qualified IoC (i.e., an IoC deposited by a Contributing Participant whose legislative body has not yet authorized full payment of the contribution) or because a Contributing Participant restricts commitment of the payments made against a particular tranche (i.e., restrictions imposed on Contributions Paid In). In the case of a Qualified IoC, when the Contributing Participant's legislative body approves full payment, that Contributing Participant's contribution is re-classified as an unrestricted contribution committed. In the case of a restriction imposed on a payment against a particular tranche, when the restriction is lifted or the condition causing the restriction to be imposed is met, the payment is reclassified as an unrestricted contribution committed.

Grant and Fee Liabilities – The Trust Fund disburses grant funds to the three IAs and the executing agencies who have entered into arrangements with the Trustee and the Secretariat for their direct access to GEF resources (i.e. ADB, EBRD, IADB, UNIDO, FAO and IFAD) (together the "EAs"), and the Secretariat to fund GEF projects. Fees are paid to the IAs and the EAs to cover expenses associated with the project cycle management of GEF projects. Grant funds and fees become liabilities for the Trust Fund upon the following, as described below:

Grant Liability – Twice annually and by intervening mail intersessionals, the Secretariat prepares a work program in collaboration with the IAs and the EAs for approval by the Council. Following the approval by the Council or the Chief Executive Officer of the GEF (the "CEO") and endorsement by the CEO in the case of the Council approved grants, and subject to the availability of resources in the Trust Fund, the Trustee commits funds to the IAs and EAs based upon the information provided by the Secretariat. However, such commitments become liabilities for the Trust Fund only upon approval by the respective IAs and EAs of the GEF activities for which such resources have been provided. Grant funds authorized to be disbursed to the Secretariat become liabilities for the Trust Fund upon commitment by the Trustee.

Fee Liability – Fees become liabilities of the Trust Fund after they have been approved by the Council, requested by the respective IAs and EAs and committed by the Trustee.

GLOBAL ENVIRONMENT FACILITY TRUST FUND

Notes to Special Purpose Financial Statements Years Ended June 30, 2005 and 2004

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The potential exposure to the Trust Fund arising from the Trustee's commitments of grants and fees is disclosed in these notes to the special purpose financial statements (see Note 6).

Cumulative Grants and Fees – Grants and fees become liabilities for the Trust Fund in accordance with the accounting policies outlined above. Grants and fees that have been disbursed are recorded together with grants and fees that have been committed but not yet disbursed as of year-end by the Trustee as a reduction of the Trust Fund's net trust resources in the statements of financial position.

Administrative Budget – In accordance with the Instrument, the Trust Fund reimburses IBRD, UNDP and UNEP for reasonable administrative expenses incurred in the performance of their functions as IAs. In addition, the Trust Fund pays for the administrative expenses of the Secretariat and the Trustee. The Council approves the administrative budget in advance of the fiscal year. The IAs, Secretariat, and Trustee are required to report any unused funds remaining from prior year administrative budgets to the Trustee, at which time the current year administrative budget, less any unused funds is recorded as an expense in the current year.

Foreign Exchange Gains / Losses – These special purpose financial statements are expressed in U.S. dollars for the purpose of reporting the Trust Fund's assets, liabilities, net trust resources, and income and expenses. Unrealized foreign exchange gains and losses result from the revaluation of assets and liabilities held in currencies other than the U.S. dollar as at June 30, 2005 and 2004. Realized foreign exchange gains and losses result from the conversion of assets and liabilities held in currencies other than the U.S. dollar.

GLOBAL ENVIRONMENT FACILITY TRUST FUND

Notes to Special Purpose Financial Statements Years Ended June 30, 2005 and 2004

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NOTE 3: CONTRIBUTIONS

As of June 30, 2005 cumulative contributions by Contributing Participants are as follows:

Contributing Participants	As at June 30, 2005			As at June 30, 2004
	Contributions Receivable	Contributions Paid In	Total Contributions	Total Contributions
Argentina	\$ 2,500,000	\$ 2,500,000	\$ 5,000,000	5,000,000
Australia	13,113,984	108,329,251	121,443,235	115,592,996
Austria	7,380,131	94,921,357	102,301,488	101,828,456
Bangladesh	-	2,734,440	2,734,440	2,730,132
Belgium	25,415,742	95,436,477	120,852,219	120,222,518
Brazil	-	11,206,687	11,206,687	11,211,115
Canada	32,198,858	281,509,997	313,708,855	303,043,297
China	2,743,556	27,092,925	29,836,481	30,226,013
Cote d'Ivoire	-	20,039,416	20,039,416	20,100,624
Czech Republic	1,463,230	15,341,370	16,804,600	16,761,770
Denmark	12,115,229	122,417,051	134,532,280	133,765,315
Egypt	2,335,201	8,971,001	11,306,202	11,316,192
Finland	10,803,204	95,096,811	105,900,015	105,775,828
France	49,644,850	581,591,030	631,235,880	627,704,493
Germany	73,416,562	831,111,863	904,528,425	903,697,036
Greece	3,469,085	12,938,757	16,407,842	16,413,097
IBRD	-	28,602,686	28,602,686	28,602,687
India	2,449,053	28,636,778	31,085,831	30,908,914
Indonesia	-	5,689,700	5,689,700	5,689,700
Ireland	1,734,543	11,597,992	13,332,535	13,330,626
Italy	143,970,065	249,315,550	393,285,615	248,131,517
Japan	110,946,338	1,201,879,500	1,312,825,838	1,320,032,913
Korea	1,107,540	13,845,969	14,953,509	14,953,509
Luxembourg	1,734,543	16,423,608	18,158,151	18,106,558
Mexico	1,267,750	19,667,860	20,935,610	20,935,610
Netherlands	22,822,730	270,081,907	292,904,637	292,749,493
New Zealand	2,143,799	17,056,382	19,200,181	18,141,164
Nigeria	4,389,690	12,351,409	16,741,099	16,759,879
Norway	8,688,240	111,778,935	120,467,175	118,374,158
Pakistan	1,463,230	21,216,864	22,680,094	22,622,076
Portugal	1,734,761	22,166,965	23,901,726	23,837,281
Slovak Republic	-	5,657,783	5,657,783	5,657,783
Slovenia	365,808	2,446,819	2,812,627	2,800,597
Spain	8,746,374	64,251,597	72,997,971	72,486,789
Sweden	-	244,607,447	244,607,447	246,504,001
Switzerland	19,409,506	192,777,033	212,186,539	213,307,969
Turkey	1,463,230	21,208,370	22,671,600	22,667,106
United Kingdom	53,677,457	509,994,739	563,672,196	563,696,361
United States (Note 4)	249,027,364	1,040,972,636	1,290,000,000	1,360,000,000
Total	\$ 873,741,653	\$ 6,423,466,962	\$ 7,297,208,615	\$ 7,205,685,573
Less unamortized discounts		(6,974,167)		
Contributions paid in		\$ 6,416,492,795		

GLOBAL ENVIRONMENT FACILITY TRUST FUND

Notes to Special Purpose Financial Statements Years Ended June 30, 2005 and 2004

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At June 30, 2005 and 2004, the paid in amounts of \$6,416,492,795 and \$5,825,903,371 contain a note receivable balance of \$1,587,777,520 and \$1,732,250,663, respectively. Notes Receivable represent non-negotiable, non-interest-bearing demand notes, which have been deposited by Contributing Participants. Encashments of Notes Receivable represent the conversion of such notes into cash according to a pre-defined schedule, as agreed between the Contributing Participants and the Trustee.

The estimates of encashment of these non-negotiable, non-interest-bearing demand notes as at June 30, 2005 and 2004 are as follows. These amounts are not discounted.

NOTES RECEIVABLE ENCASHMENT SCHEDULE

June 30, 2005			June 30, 2004		
Amount	Encashment Date		Amount	Encashment Date	
\$ 397,655,938	June 2006		\$ 434,477,000	June 2005	
327,099,068	June 2007		342,049,000	June 2006	
289,967,898	June 2008		277,246,000	June 2007	
247,346,620	June 2009		241,370,000	June 2008	
193,745,127	June 2010		202,232,000	June 2009	
87,841,724	June 2011		156,568,000	June 2010	
43,921,144	June 2012		52,205,000	June 2011	
			26,103,663	June 2012	
<hr/>			<hr/>		
\$ 1,587,577,520			\$ 1,732,250,663		
<hr/>			<hr/>		

NOTE 4: CONTRIBUTIONS RECEIVABLE

Contributions committed by Contributing Participants are recorded in full as Contributions Committed when the Trust Fund has received IoCs and Qualified IoCs from the Contributing Participants. Amounts not yet paid are recorded as Contributions Receivable and are shown as a reduction of Contributions Committed on the statements of financial position.

For the Third Replenishment of the GEF (GEF-3), the United States deposited a Qualified Instrument of Commitment for an Additional contribution subject to the achievement of specific performance measures, as described in footnote f of Attachment 1 to the GEF-3 Resolution (Executive Directors' Resolution No 2002-0005 dated December 19, 2002).

"In addition to four annual installments of USD 107.5 million, the United States will provide USD 70 million in the final year of the replenishment upon achievement of performance measures outlined in Schedule 1 to this Table."

Included among the performance measures that conditioned the additional contribution was the establishment of a performance-based allocation system by Fall 2004. The GEF Council decided that this condition had not been met on time, as recorded in the Joint Summary of the Chairs of the GEF Council Meeting on November 17-19, 2004, under "Decision on Agenda Item 7 – Verification of Replenishment Targets". As a result, the United States is no longer committed to provide the Additional Contribution of USD 70 million. Consequently, the Trustee reduced the amount of Contributions Receivable from the United States by USD 70 million for the GEF-3 in FY05.

GLOBAL ENVIRONMENT FACILITY TRUST FUND

Notes to Special Purpose Financial Statements
Years Ended June 30, 2005 and 2004

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Outstanding contributions receivable are as follows:

		<u>June 30, 2005</u>	<u>June 30, 2004</u>
GEF 1 contributions due on:			
July 1, 2007 through	June 30, 2008	\$ 500,000	\$ 500,000
July 1, 2006 through	June 30, 2007	1,278,400	1,281,730
July 1, 2005 through	June 30, 2006	1,278,400	1,281,730
July 1, 2004 through	June 30, 2005	1,778,400	1,781,731
		<u>4,835,200</u>	<u>4,845,191</u>
GEF 2 contributions due on:			
July 1, 2004 through	June 30, 2005	140,667,365	157,214,709
		<u>140,667,365</u>	<u>157,214,709</u>
GEF 3 contributions due on:			
July 1, 2005 through	June 30, 2006	728,239,088	634,510,232
July 1, 2004 through	June 30, 2005	-	578,230,518
		<u>728,239,088</u>	<u>1,212,740,750</u>
Total		<u><u>\$ 873,741,653</u></u>	<u><u>\$ 1,374,800,650</u></u>

NOTE 5: TEMPORARILY RESTRICTED CONTRIBUTIONS

Temporarily Restricted Contributions (Restrictions on IoC) – As of June 30, 2005, the Contributions Committed and the Contributions Receivable are restricted due to the deposit of Qualified IoCs by Canada and Spain for its contributions to the GEF-3 and the U.S. for its contributions to the GEF-2 and the GEF-3.

Temporarily Restricted Contributions (Restrictions on IoC)

	<u>June 30, 2005</u>	<u>June 30, 2004</u>
GEF-2		
United States	\$ 140,667,364	\$ 140,667,364
GEF-3		
Canada	32,198,857	59,056,962
Spain	8,746,374	17,573,648
United States	<u>108,360,000</u>	<u>285,000,000</u>
	149,305,231	361,630,610
Total	<u><u>\$ 289,972,595</u></u>	<u><u>\$ 502,297,974</u></u>

In addition to restrictions imposed on IoCs, as described above, as of June 30, 2005 and 2004, the Trust Fund has \$182,903,383 and \$213,014,262, respectively, of contributions with restrictions imposed on Paid In Contributions as described below.

GLOBAL ENVIRONMENT FACILITY TRUST FUND

Notes to Special Purpose Financial Statements

Years Ended June 30, 2005 and 2004

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Temporarily Restricted Contributions Due to Exercise of the Pro-rata Right by the Contributing Participants (Restrictions on Paid In Contributions) – The U.S., a Contributing Participant whose contribution to the GEF-2 represents 20.84% of the total amount in resources to be contributed pursuant to Attachment 1 of Resolution No. 98-2, and which has deposited a Qualified IoC, had not unqualified 100% as of June 30, 2002. In accordance with the provisions of Section 8 (b) and (c) of Resolution No. 98-2, Contributing Participants to the GEF-2 have the right to instruct the Trustee to defer commitment of the fourth tranche of their Paid In Contributions to the GEF-2 until corresponding amounts of the U.S. contribution are unqualified (“Pro-rata Right”).

As of June 30, 2005, three Contributing Participants, Austria, France, and Japan, had exercised their Pro-rata Right to defer commitment of the fourth tranche of their contribution to the GEF-2, Austria in the amount of \$5,084,843; France in the amount of \$39,807,457; and Japan in the amount of \$110,946,450.

For the GEF-3, the U.S. which has deposited a Qualified IoC, had not unqualified 75% as of June 30, 2005. The arrear represents 0.20% of its GEF-3 contributions. As a result, three donors, Austria, France, and Germany, have exercised the Pro-rata Right in proportion to the U.S. shortfall in accordance with the provisions of Section 8 (b) and (c) of Resolution No. 2002-0005. The deferred commitment resulting from exercising the Pro-rata right amounted to \$990,361 as of June 30, 2005.

Accordingly, as of June 30, 2005, the total amount of Paid In Contributions with respect to which commitment is deferred as a result of the exercise of the Pro-rata Right is \$156,829,111 as summarized in the table below.

Temporarily Restricted Contributions Due to Advance Payments by the Contributing Participants (Restrictions on Paid In Contributions) – Certain Contributing Participants pay their contributions to the GEF-3 in advance of the due dates specified in Resolution No. 2002-0005. Commitment of such contributions is restricted unless the Contributing Participant agrees to an early release. As of June 30, 2005, a total of \$26,074,272 was restricted due to advance payments by the Contributing Participants.

The table below summarizes balances for temporarily restricted contributions due to the exercise of the Pro-Rata right by Contributing Participants, and due to advance payments by Contributing Participants as of June 30, 2005 and 2004.

GLOBAL ENVIRONMENT FACILITY TRUST FUND

Notes to Special Purpose Financial Statements
Years Ended June 30, 2005 and 2004

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Temporarily Restricted Contributions Due to Exercise of the Pro-rata Right by Contributing Participants

<u>Contributing Participant</u>	<u>June 30, 2005</u>	<u>June 30, 2004</u>
GEF-2		
Austria	\$ 5,084,843	\$ 5,108,360
France	39,807,457	39,991,561
Japan	110,946,450	112,758,039
Sub-total	<u>155,838,750</u>	<u>157,857,960</u>
GEF-3		
Austria	5,904	-
France	397,157	-
Germany	587,300	-
Sub-total	<u>990,361</u>	<u>-</u>
Total	<u>\$ 156,829,111</u>	<u>\$ 157,857,960</u>

Temporarily Restricted Contributions Due to Advance Payments by Contributing Participants

<u>Contributing Participant</u>	<u>June 30, 2005</u>	<u>June 30, 2004</u>
Cote-d'Ivoire	\$ 1,463,230	\$ 2,938,980
Korea	-	1,398,554
Sweden	24,611,042	50,818,768
Sub-total	<u>26,074,272</u>	<u>55,156,302</u>
Total	<u>\$ 182,903,383</u>	<u>\$ 213,014,262</u>

NOTE 6: GRANTS AND FEES COMMITTED BY TRUSTEE

The resources of the Trust Fund to be disbursed to the IAs, EAs, and the Secretariat are approved by the Council or the CEO, as appropriate, (and endorsed by the CEO in the case of Council approved grants) and, subject to the availability of resources in the Trust Fund, are committed by the Trustee. Grant commitments to the IAs and EAs become payable upon approval by the respective IAs and EAs of the GEF activities for which such resources have been provided. However, it is reasonably possible that amounts committed by the Trustee to the IAs and the EAs for GEF activities which have not yet been approved by the respective IAs and the EAs may become payable by the Trust Fund in the next

GLOBAL ENVIRONMENT FACILITY TRUST FUND

Notes to Special Purpose Financial Statements Years Ended June 30, 2005 and 2004

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fiscal year. The grant funds commitments to the Secretariat become payable upon commitment by the Trustee.

For the fiscal years ended June 30, 2005 and 2004, the cumulative grants and fees approved by the Council (and endorsed by the CEO if applicable), and/or by the CEO, committed by the Trustee and approved by the respective IAs and EAs (ADB, EBRD, IADB and UNIDO) are as follows:

	Cumulative Grants and Fees as at:	
	June 30, 2005	June 30, 2004
Council Allocations		
Grants and Fees		
IBRD/IA	\$ 3,205,376,159	\$ 3,039,441,922
UNDP	2,033,082,543	1,831,584,773
UNEP	508,473,271	446,584,602
Secretariat	3,348,600	2,745,600
EAs	86,542,737	36,553,467
Total Council Allocations	\$ 5,836,823,310	\$ 5,356,910,364

Of which Trustee Commitments are:

Trustee Commitments		
Grants and Fees		
IBRD/IA	\$ 2,660,788,598	\$ 2,444,060,652
UNDP	1,692,844,765	1,499,982,064
UNEP	455,983,715	392,784,570
Secretariat	3,348,600	2,745,600
EAs	84,339,627	36,865,467
Total Trustee Commitments	\$ 4,897,305,305	\$ 4,376,438,353

Of which grants and fees approved by IAs and EAs are:

IBRD/IA	\$ 2,302,387,835	\$ 2,001,229,875
UNDP	1,180,879,842	1,073,646,646
UNEP	375,223,395	299,119,078
Secretariat	3,348,600	2,745,600
EAs	77,490,737	24,746,467
Total IA and EA approvals	\$ 3,939,330,409	\$ 3,401,487,666

The differences between the total Council allocations and the total Trustee commitments in the amounts of \$939,518,005 at June 30, 2005 and \$980,472,011 at June 30, 2004 represent the amounts that have been approved by the Council or the CEO, as applicable, (and endorsed by the CEO if applicable) but have not been committed by the Trustee. The differences between the total Trustee commitments and the total IAs and EAs approvals in the amounts of \$957,974,896 and \$974,950,687, at June 30, 2005 and 2004, respectively,

GLOBAL ENVIRONMENT FACILITY TRUST FUND

Notes to Special Purpose Financial Statements Years Ended June 30, 2005 and 2004

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represent the amounts that have been committed by the Trustee but not yet approved by the IAs and EAs.

NOTE 7: GRANTS AND FEES

For the fiscal years ended June 30, 2005 and 2004, grants approved and fees requested by the IAs and EAs are as follows:

	During the Period	
	June 30, 2005	June 30, 2004
Grants		
IBRD/IA	\$ 290,627,110	\$ 301,308,955
UNDP	85,944,049	225,000
UNEP	72,714,744	90,507,419
UNIDO	4,689,380	828,000
IFAD	700,000	300,000
Secretariat	603,000	-
ADB	28,475,000	-
IDB	13,925,000	-
Sub-total	497,678,283	393,169,374
Fees		
IBRD/IA	10,530,850	47,646,250
UNDP	21,289,147	16,426,882
UNEP	3,389,573	8,692,710
UNIDO	54,000	108,000
ADB	3,520,840	-
IDB	1,380,050	-
Sub-total	40,164,460	72,873,842
Total	\$ 537,842,743	\$ 466,043,216

GLOBAL ENVIRONMENT FACILITY TRUST FUND

Notes to Special Purpose Financial Statements
Years Ended June 30, 2005 and 2004

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NOTE 8: INVESTMENT INCOME EARNED ON GEF GRANT FUNDS HELD BY IAs

Investment income earned by the IAs on GEF grant funds held by the IAs prior to disbursement is reported in the statement of income on a cash basis (i.e., when reported to the Trustee). For the fiscal years ended June 30, 2005 and 2004, the investment income amounts the IAs have reported to the Trustee are \$1,621,871 and zero, respectively.

NOTE 9: GRANT DISBURSEMENTS WITH REPAYMENT PROVISIONS

While GEF financing has been made predominantly in the form of grants, under the Instrument, GEF financing may also be made available in the form of loans and guarantees, on such terms as may be approved by the Council. Pursuant to such authority, the Council has authorized a program of GEF operations on terms other than grants, such terms to be approved on a project by project basis. IBRD as IA and the International Finance Corporation, acting as executing agency for IBRD as IA, have approved such GEF operations. The Trustee has committed funds for such operations. However, the repayment provisions under such operations are contingent on a number of factors. Accordingly, in recognition of the uncertain nature of the repayments, the Trustee has reported amounts committed to IBRD as IA for such GEF operations as grant liabilities and cumulative grants. At June 30, 2005 the Trust Fund had transferred grant funds to IBRD as IA totaling \$51,875,000 with repayment provisions.

During the year, an amount of \$3,392,007 comprising \$2,717,581 principal repayment plus interest of \$674,426 was repaid to the Trust Fund, and are reported as income in the statement of income.

GLOBAL ENVIRONMENT FACILITY TRUST FUND

Notes to Special Purpose Financial Statements Years Ended June 30, 2005 and 2004

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NOTE 10: ADMINISTRATIVE RELATIONSHIPS

The Trust Fund is administered by IBRD as Trustee. IBRD also acts as an IA for the GEF. In the normal course of operations, the Trust Fund transfers funds, based on decisions by the Council, to two separate accounts set up for (i) IBRD as Trustee, and (ii) IBRD as IA to carry out their respective responsibilities and roles for the GEF.

Amounts transferred from the Trust Fund to IBRD as Trustee, and IBRD as IA are as follows:

Transfers to:	For the year ended June 30, 2005				Liability at June 30, 2005	
	Grants	Fees	Administrative Budget	Total	Grants	Fees
IBRD as IA	228,350,000	35,157,000	2,939,274	266,446,274	820,708,500	4,621,100
IBRD as Trustee	-	-	1,450,000	1,450,000	-	-
	228,350,000	35,157,000	4,389,274	267,896,274	820,708,500	4,621,100

Transfers to:	For the year ended June 30, 2004				Liability at June 30, 2004	
	Grants	Fees	Administrative Budget	Total	Grants	Fees
IBRD as IA	114,877,347	18,399,000	2,768,702	136,045,049	758,431,389	29,247,250
IBRD as Trustee	-	-	874,000	874,000	-	-
	114,877,347	18,399,000	3,642,702	136,919,049	758,431,389	29,247,250

In accordance with the Instrument, and as approved annually by the Council, the Trust Fund provides grant and corporate budget funds to the GEF Secretariat in order to reimburse the GEF Secretariat for administrative expenses incurred in the performance of its corporate management activities.

	Transfers from the Trust Fund to GEF Secretariat				Liability at June 30	
	Grants	Fees	Administrative Budget	Total	Grants	Fees
For the year ended June 30, 2005	603,000	-	12,926,538	13,529,538	-	-
For the year ended June 30, 2004	-	-	12,584,305	12,584,305	-	-

GLOBAL ENVIRONMENT FACILITY TRUST FUND

Notes to Special Purpose Financial Statements
Years Ended June 30, 2005 and 2004

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NOTE 11: USE OF TRUST FUND RESOURCES

The IBRD performs various compliance reviews of trust fund activities as part of its regular control framework. These reviews include GEF-financed activities for which IBRD acts as the Implementing Agency. During fiscal year 2002, IBRD as Implementing Agency brought to the Trustee's and the CEO's attention that this work had identified certain matters which could result in ineligible expenditures in three recipient-executed GEF grants. The CEO then brought this matter to the attention of the GEF Council in a letter dated April 21, 2003.

With respect to the three recipient-executed grants identified above, in one case, the recipient reimbursed the Trust Fund \$161,965 in June 2003, representing the full amount considered ineligible by the Bank's review, thereby closing this case. No irregularities were identified in the case of the second grant. With respect to the third grant, IBRD management has reviewed the findings of this work and, as a result of this review, in May 2005, IBRD deemed it appropriate to reimburse \$2,420,000 to the Trust Fund. This amount was reported as income in the statement of income.

**INTERNATIONAL BANK FOR RECONSTRUCTION
AND DEVELOPMENT
AS AN IMPLEMENTING AGENCY OF THE
GLOBAL ENVIRONMENT FACILITY TRUST FUND**

**WORLD BANK REFERENCE
TF050551**

**FINANCIAL STATEMENT AND
INDEPENDENT AUDITORS' REPORT
June 30, 2005**

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INDEPENDENT AUDITORS' REPORT

To: The Council of The Global Environment Facility and International Bank for Reconstruction and Development as Implementing Agency of the Global Environment Facility

We have audited the accompanying statement of cash receipts, disbursements and fund balance of the Global Environment Facility Trust Fund, International Bank for Reconstruction and Development as an Implementing Agency of the Global Environment Facility Trust Fund as of June 30, 2005 and for the year then ended and for the period from March 14, 1991 (date of inception) to June 30, 2005. This financial statement is the responsibility of the Trust Fund administrator's management. Our responsibility is to express an opinion on this financial statement based on our audits. The financial statement of the International Bank for Reconstruction and Development as an Implementing Agency of the Global Environment Facility Trust Fund for the period from March 14, 1991 (date of inception) to June 30, 1997 was audited by other auditors whose report, dated October 2, 1997, expressed an unqualified opinion on that financial statement and included an explanatory paragraph that described the basis of accounting discussed in Note 2 to the financial statement. The financial statement for the period from March 14, 1991 (date of inception) to June 30, 1997 reflects total disbursements of US\$ 318.3 million of the related total for the period March 14, 1997 (date of inception) to June 30, 2004. The other auditor's report has been furnished to us, and our opinion, insofar as it relates to the amounts included for such prior period, is based solely on the report of such auditors.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and International Standards on Auditing. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement. The Trust Fund is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audit included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Trust Fund's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

As discussed in Note 2 to the financial statement, this financial statement is prepared on the cash receipts and disbursements basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America and International Financial Reporting Standards. This financial statement is not intended to be a presentation in conformity with accounting principles generally accepted in the United States of America or International Financial Reporting Standards

In our opinion, based on our audits and the report of the other auditors, the financial statement referred to above presents fairly, in all material respects, the fund balance of the International Bank for Reconstruction and Development as an Implementing Agency of the Global Environment Facility Trust Fund at June 30, 2005 and the cash receipts and disbursements for the year then ended and for the period from March 14, 1991 (date of inception) to June 30, 2005, on the basis of accounting described in Note 2 to the financial statement.

As discussed in Note 10 to the financial statement, as part of its regular control framework, the International Bank for Reconstruction and Development ("IBRD") performs various compliance reviews of the trust fund activities. These reviews include the Global Environment Facility Trust Fund ("GEF")-financed activities for which IBRD acts as an Implementing Agency. During fiscal year 2002, the Bank as Implementing Agency brought to the attention of the Trustee and the Chief Executive Officer of the GEF that this work had identified certain matters which could result in ineligible expenditures in three recipient-executed GEF grants. Of the three recipient-executed grants, in one case, the recipient reimbursed the GEF Trust Fund US\$161,965 in June 2003, representing the full amount considered ineligible by the Bank's review, thereby closing this case. No irregularities were identified in the case of the second grant. With respect to the third grant, in May 2005, IBRD reimbursed US\$2.42 million to the GEF Trust Fund.

Deloitte + Touche LLP

October 30, 2005

**INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT AS AN
IMPLEMENTING AGENCY OF THE GLOBAL ENVIRONMENT FACILITY TRUST FUND**

STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND FUND BALANCE

Expressed in U.S. dollars

	For the year ended June 30, 2005	March 14, 1991 (date of inception) to June 30, 2005
<i>Transfers in from Trustee for:</i>		
Projects	\$ 228,350,000	\$ 1,329,842,918
Project Implementation Fees (Note 3)	35,157,000	189,201,674
Corporate Budget (Note 4)	2,939,274	129,285,945
Project Grant to EBRD (Note 5)	-	9,907,650
Project Implementation Fee for EBRD (Note 5)	-	942,000
	<u>266,446,274</u>	<u>1,659,180,187</u>
Investment Income (Note 7)	1,361,092	12,028,538
Return of Funds from Special Deposit Account (Note 8)	493,190	720,566
Repayment of Disbursements with Repayment Provisions (Note 9)	3,392,007	3,392,007
Reimbursement of Ineligible Expenditures (Note 11)	2,420,000	2,420,000
Total Receipts	<u>274,112,563</u>	<u>1,677,741,298</u>
Project Disbursements (Notes 6, 9, 10 and 11)	170,530,924	1,269,672,785
Project Implementation Fees (Note 3)	29,203,896	150,647,386
Corporate Budget Disbursements (Note 4)	2,961,159	129,091,104
Repayment of Disbursements with Repayment Provisions (Note 9)	3,392,007	3,392,007
Reimbursement of Ineligible Expenditures (Note 11)	2,420,000	2,420,000
Project Grant Transfer to EBRD (Note 5)	-	9,907,650
Project Implementation Fee Transfer to EBRD (Note 5)	-	942,000
Total Disbursements	<u>208,507,986</u>	<u>1,566,072,932</u>
Excess of Receipts over Disbursements	65,604,577	111,668,366
Fund Balance, Beginning of Period	46,063,789	-
Fund Balance, End of Period	<u>\$ 111,668,366</u>	<u>\$ 111,668,366</u>
Fund balance consists of:		
Share in Pooled Cash and Investments		<u>\$ 111,668,366</u>

The accompanying notes are an integral
part of this financial statement.

**INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT AS AN
IMPLEMENTING AGENCY OF THE GLOBAL ENVIRONMENT FACILITY TRUST FUND**

**NOTES TO THE STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND FUND
BALANCE**

June 30, 2005

Note 1 – Organization and Operation of the GEF

The Global Environment Facility ("GEF") was formally established as a mechanism in 1994 by the Instrument for the Establishment of the Restructured Global Environment Facility ("the Instrument"). It provides grants and concessional financing to eligible countries for incremental costs of measures to achieve global environmental benefits in four focal areas specified in the Instrument: climate change, biological diversity, international waters, and ozone layer depletion. In October 2002, an amendment to the Instrument to designate persistent organic pollutants ("POPs") and land degradation (primarily desertification and deforestation) as additional focal areas was approved at the second Assembly of the GEF (the "Assembly").

In addition, in October 2002, an amendment to the Instrument was approved at the Assembly to make eligible the agreed incremental costs of activities to achieve global environmental benefits concerning chemicals management as they relate to the above focal areas. The incremental costs of such other activities under Agenda 21 (the action plan of the 1992 United Nations Conference on Environment and Development) as agreed by the Council of the GEF (the "Council") were also made eligible for funding insofar as they achieve global environmental benefits in the focal areas.

Under the Instrument, contributions to GEF and all other assets and receipts of GEF are held in the Global Environment Facility Trust Fund (the "Trust Fund") which, in accordance with the provisions of the Instrument, became effective on March 16, 1995. On that date, the Global Environment Trust Fund ("GET") (a funding mechanism for the GEF, established in 1991 as a pilot program) was terminated and all funds, receipts, assets and liabilities held in the GET were transferred to the Trust Fund at book value. The Trust Fund is administered by the International Bank for Reconstruction and Development ("IBRD") as Trustee. Separate financial statements report the financial position, operations and cash flows of the Trust Fund.

In addition to being Trustee of the Trust Fund, the International Bank for Reconstruction and Development ("IBRD") is also one of the three Implementing Agencies of the GEF. The other two Implementing Agencies are the United Nations Development Programme ("UNDP") and the United

**INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT AS AN
IMPLEMENTING AGENCY OF THE GLOBAL ENVIRONMENT FACILITY TRUST FUND**

**NOTES TO THE STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND FUND
BALANCE**

June 30, 2005

Nations Environment Programme ("UNEP"). Under the Instrument, the Implementing Agencies of the GEF shall be accountable to the Council for their GEF financed activities, including the preparation and cost effectiveness of GEF projects, and for the implementation of the operational policies, strategies and decisions of the Council within their respective areas of competence. The Instrument similarly assigns other responsibilities to the Secretariat of the GEF ("the Secretariat") and the Trustee of the Trust Fund.

IBRD is a member of the World Bank Group, which also includes the International Finance Corporation, the International Development Association, the Multilateral Investment Guarantee Agency, and the International Centre for Settlement of Investment Disputes. IBRD performs certain administrative, accounting, financial reporting and treasury services related to trust fund activities on behalf of the World Bank Group.

Note 2 – Basis of Accounting

The accompanying financial statement reports the cash receipts and disbursements of IBRD as an Implementing Agency ("IA") of the GEF Trust Fund and has been prepared on the cash receipts and disbursements basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America or International Financial Reporting Standards. Under the cash receipts and disbursements basis of accounting, receipts are recorded when collected rather than when pledged, and disbursements are recorded when paid rather than when incurred. This financial statement is not intended to be a presentation in conformity with accounting principles generally accepted in the United States of America or International Financial Reporting Standards.

Transactions recorded in periods subsequent to the financial statement date, including reimbursement of disbursements deemed by management not to be eligible in accordance with the relevant trust fund and/or grant agreements, whether these transactions relate to the reporting period or to prior periods, are reported in the Statement of Cash Receipts, Disbursements and Fund Balance in the period the cash transaction occurs.

**INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT AS AN
IMPLEMENTING AGENCY OF THE GLOBAL ENVIRONMENT FACILITY TRUST FUND**

**NOTES TO THE STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND FUND
BALANCE**

June 30, 2005

IBRD is an international organization which conducts its operations in the currencies of all of its members. Disbursements in currencies other than the reporting currency are translated at the rates of exchange on the transaction dates. Transaction gains or losses, if any, are borne by IBRD.

Note 3 – Project Implementation Fees

On an ongoing basis, the Trust Fund, based upon allocation, approved by the Council (or, as the case may be, by the Chief Executive Officer (“CEO”) of the GEF, as such authority delegated by the Council) provides IBRD with funds to reimburse certain project implementation expenses associated with the identification, preparation, appraisal, negotiation, supervision and evaluation of GEF projects.

Note 4 – Corporate Budget

In accordance with the Instrument, and as approved annually by the Council, the Trust Fund provides corporate budget funds to IBRD as IA in order to reimburse IBRD as IA for administrative expenses incurred in the performance of its corporate functions as IA. On an annual basis, the Council reviews and approves the corporate budget of the GEF, including the budget for IBRD as IA. Using these funds, IBRD as IA reimburses IBRD for certain administrative, accounting, financial reporting, and treasury services performed by IBRD on behalf of IBRD as IA.

Note 5 – Project Grants and Project Implementation Fees to EBRD

The Instrument calls upon the Implementing Agencies of the GEF to make arrangements for GEF project preparation and execution, by, inter alia, multi-lateral development banks. Effective May 1999, the GEF Council approved a proposal to allow for the participation of the European Bank for Reconstruction and Development (“EBRD”) in the preparation and execution of GEF projects, within the context of an expanded opportunities program. In order to access GEF resources, multi-lateral development banks were required to do so via the Implementing Agencies of the GEF, of which IBRD is one.

**INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT AS AN
IMPLEMENTING AGENCY OF THE GLOBAL ENVIRONMENT FACILITY TRUST FUND**

**NOTES TO THE STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND FUND
BALANCE**

June 30, 2005

Pursuant to an agreement between IBRD as IA and EBRD, a grant of \$9,907,650, to support the implementation of an EBRD/GEF Environmental Credit Facility in the Republic of Slovenia together with \$942,000 for certain costs of preparation, supervision, and report preparation of this GEF grant activity was made available to EBRD by IBRD as IA. During the years ended June 30, 2004 and 2003, IBRD as IA received funds of \$9,907,650, and \$942,000, respectively, from the GEF Trustee, for purposes of transferring such funds to EBRD. These funds were transferred to EBRD during the year ended June 30, 2004.

Note 6 – Administrative Arrangements

In addition to the Project Implementation Fees and Corporate Budget it receives (Notes 3 and 4 respectively), IBRD is periodically reimbursed for expenditures made from its own resources in executing activities for the trust fund. Disbursements include amounts for direct staff costs, related benefits and overheads reimbursed to IBRD and incurred for activities consistent with the purpose of the trust fund in accordance with the administration agreements.

Note 7 – Investment Income

Amounts received from the Trust Fund for Project Implementation Fees, but not yet disbursed, are managed by IBRD, which maintains an investment portfolio (the "Pool") for all of the trust funds administered by the World Bank Group. IBRD maintains all trust fund assets separate and apart from the funds of the World Bank Group. Under the Pool's investment strategy in effect during the current reporting period, a significant portion of the Pool is invested in liquid instruments such as money market deposits, U.S. Treasury securities and other high-grade bonds.

Investment income earned on funds advanced to IBRD as IA for Projects and Corporate Budget is credited to the GEF Trust Fund, and therefore is not reflected in the accompanying financial statement.

**INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT AS AN
IMPLEMENTING AGENCY OF THE GLOBAL ENVIRONMENT FACILITY TRUST FUND**

**NOTES TO THE STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND FUND
BALANCE**

June 30, 2005

Note 8 – Return of Funds from Special Deposit Account

In order to ensure an adequate flow of funds to finance eligible expenditures, IBRD as IA may disburse funds before expenditures are made by GEF grant recipients. In such cases, the grant recipient maintains such advance disbursements in a separate special deposit account ("SA"). The grant recipient must document amounts advanced to the SA or refund any undocumented balances to IBRD as IA. In cases where refunds (reflows) are received after the project has been closed, these amounts are recorded as income by IBRD. IBRD as IA has recorded \$493,190 and \$720,566 for the year ended June 30, 2005, and the period March 14, 1991 (date of inception) to June 30, 2005, respectively, as project reflows.

Note 9 – Repayment of Disbursements with Repayment Provisions

While GEF financing has been made predominantly in the form of grants, under the Instrument, GEF financing may also be made available in forms other than grants, including in the form of loans and guarantees, on such terms as may be approved by the Council. Pursuant to such authority, the Council has authorized a program of GEF operations on terms other than grants, such terms to be approved on a project by project basis by the Council. IBRD as IA, and IFC, acting as executing agency for IBRD as IA, have approved to implement and execute programs of such GEF operations other than grants, with repayment provisions. IBRD as IA has advanced funds to IFC for such operations. However, the repayment provisions under such operations are contingent on a number of factors. Accordingly, in recognition of the uncertain nature of the repayments, IBRD as IA has reported amounts advanced for such GEF operations as Project disbursements. With respect to active grants as at June 30, 2005, the Trust Fund had transferred grant funds to IBRD as IA for such operations totaling \$51,875,000 as grants with repayment provisions. With respect to active grants as at June 30, 2005, IFC, acting as executing agency for IBRD as IA, had disbursed grants with repayment provisions totalling \$21,464,683 to grant recipients, and are included in the line item "Project Disbursements" in the accompanying financial statement. In accordance with the cash receipts and disbursements basis of accounting, IBRD as IA has not established any receivables due from grant recipients, nor has it recorded any payable to the GEF Trust Fund.

**INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT AS AN
IMPLEMENTING AGENCY OF THE GLOBAL ENVIRONMENT FACILITY TRUST FUND**

**NOTES TO THE STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND FUND
BALANCE**

June 30, 2005

During the year ended June 30, 2005, an amount of \$3,392,007, comprising of \$2,717,581 principal repayment plus interest of \$674,426 was repaid to IBRD as IA. Subsequently, this amount was transferred to the GEF Trust Fund during the year ended June 30, 2005.

Note 10 – Commitments and Contingencies

As part of normal operations, the IBRD as Implementing Agency enters into contractual arrangements with external parties to undertake activities permitted under the trust fund. Some of these arrangements may contain predefined payment schedules for which funds are disbursed to external parties from the trust fund via reimbursements to IBRD. In accordance with the cash receipts and disbursements basis of accounting used, disbursements are not recorded in the financial statement until such payments are made.

Note 11 – Reimbursement of Ineligible Expenditures

IBRD performs various compliance reviews of trust fund activities as part of its regular control framework. These reviews include GEF-financed activities for which IBRD acts as the IA. During fiscal year 2002, IBRD as IA brought to the Trustee's and the CEO's attention that this work had identified certain matters which could result in ineligible expenditures in three recipient-executed GEF grants. The CEO then brought this matter to the attention of the Council in a letter dated April 21, 2003.

With respect to the three recipient-executed grants identified above, in one case, the recipient reimbursed the trust fund \$161,965 in June 2003, representing the full amount considered ineligible by the Bank's review, thereby closing this case. No irregularities were identified in the case of the second grant. With respect to the third grant, IBRD management has reviewed the findings of this work and, as a result of this review, in May 2005, IBRD deemed it appropriate to reimburse \$2,420,000 to IBRD as IA.

**TRUST FUND FOR
THE SECRETARIAT OF THE
GLOBAL ENVIRONMENT FACILITY**

**WORLD BANK REFERENCE
TF050495 & TF050496**

**FINANCIAL STATEMENT AND
INDEPENDENT AUDITORS' REPORT**
June 30, 2005

THE WORLD BANK GROUP
Trust Funds Division
1818 H Street N.W.
Washington, D.C. 20433, USA
Tel.: (202) 458-5800
Fax: (202) 477-7163

INDEPENDENT AUDITORS' REPORT

To: Global Environment Facility Council and International Bank
for Reconstruction and Development
as Trustee for the Global Environment Facility Trust Fund, The Secretariat

We have audited the accompanying statement of cash receipts, disbursements and fund balance of the Trust Fund for the Secretariat of the Global Environment Facility as of June 30, 2005 and for the year then ended and for the period from March 14, 1991 (date of inception) to June 30, 2005. This financial statement is the responsibility of the Trust Fund administrator's management. Our responsibility is to express an opinion on this financial statement based on our audits. The financial statement of the Trust Fund for the Secretariat of the Global Environment Facility for the period March 14, 1991 (date of inception) to June 30, 1997 was audited by other auditors whose report, dated October 2, 1997, expressed an unqualified opinion on that financial statement and included an explanatory paragraph that described the basis of accounting discussed in Note 2 to the financial statement. The financial statement for the period from March 14, 1991 (date of inception) to June 30, 1997 reflects total disbursements of US\$24.3 million of the related total for the period from March 14, 1991 (date of inception) to June 30, 2005. The other auditors' report has been furnished to us, and our opinion insofar as it relates to the amounts included for such prior period, is based solely on the report of such other auditors.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and International Standards on Auditing. Those standards require that we plan and perform our audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The Trust Fund is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audit included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Trust Funds internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits and the report from the other auditors provide a reasonable basis for our opinion.

As described in Note 2 to the financial statement, this financial statement was prepared on the cash receipts and disbursements basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America or International Financial Reporting Standards. This financial statement is not intended to be a presentation in conformity with accounting principles generally accepted in the United States of America or International Financial Reporting Standards.

In our opinion, based on our audits and the reports of the other auditors, the financial statement referred to above presents fairly, in all material respects, the fund balance of the Trust Fund for the Secretariat of the Global Environment Facility at June 30, 2005 and the cash receipts and disbursements for the year ended June 30, 2005, and for the period from March 14, 1991 (date of inception) to June 30, 2005, on the basis of accounting described in Note 2 to the financial statement.

November 30, 2005

**TRUST FUND FOR THE
SECRETARIAT OF THE GLOBAL ENVIRONMENT FACILITY**

STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND FUND BALANCE

Expressed in U.S. dollars

	For the year ended June 30, 2005	March 14, 1991 (date of inception) to June 30, 2005
<i>Transfers in from Trustee for:</i>		
Corporate Budget (Note 3)	\$ 10,359,383	\$ 103,621,424
Monitoring and Evaluation (Note 4)	2,567,155	4,658,755
Grant Commitments (Note 8)	603,000	3,348,600
	<u>13,529,538</u>	<u>111,628,779</u>
Donor Contributions - Monitoring and Evaluation (Note 6)	121,133	653,099
Donor Contributions - WSSD (Note 6)	-	150,000
Total Receipts	<u>13,650,671</u>	<u>112,431,878</u>
Corporate Budget Disbursements (Notes 3 and 9)	11,586,513	99,493,122
Monitoring and Evaluation Disbursements (Notes 4 and 9)	2,644,870	4,806,025
Grant Commitments (Notes 5 and 9)	71,706	2,032,443
Total Disbursements	<u>14,303,089</u>	<u>106,331,590</u>
Excess of (Disbursements) / Receipts over (Receipts) / Disbursements	(652,418)	6,100,288
Fund Balance, Beginning of Period	6,752,706	-
Fund Balance, End of Period	<u>\$ 6,100,288</u>	<u>\$ 6,100,288</u>
Fund balance consists of:		
Share in Pooled Cash and Investments		<u>\$ 6,100,288</u>

The accompanying notes are an integral
part of this financial statement.

**TRUST FUND FOR THE SECRETARIAT OF THE
GLOBAL ENVIRONMENT FACILITY**

**NOTES TO THE STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND FUND
BALANCE**

June 30, 2005

Note 1 – Organization and Operation of the GEF

The Global Environment Facility ("GEF") was formally established as a mechanism in 1994 by the Instrument for the Establishment of the Restructured Global Environment Facility ("the Instrument"). It provides grants and concessional financing to eligible countries for incremental costs of measures to achieve global environmental benefits in four focal areas specified in the Instrument: climate change, biological diversity, international waters, and ozone layer depletion. In October 2002, an amendment to the Instrument to designate persistent organic pollutants ("POPs") and land degradation (primarily desertification and deforestation) as additional focal areas was approved at the second Assembly of the GEF (the "Assembly").

In addition, in October 2002, an amendment to the Instrument was approved at the Assembly to make eligible the agreed incremental costs of activities to achieve global environmental benefits concerning chemicals management as they relate to the above focal areas. The incremental costs of such other activities under Agenda 21 (the action plan of the 1992 United Nations Conference on Environment and Development) as agreed by the Council of the GEF ("the Council") were also made eligible for funding insofar as they achieve global environmental benefits in the focal areas.

Under the Instrument, contributions to GEF and all other assets and receipts of GEF are held in the Global Environment Facility Trust Fund (the "Trust Fund"), which, in accordance with the provisions of the Instrument, became effective on March 16, 1995. On that date, the Global Environment Trust Fund ("GET") (a funding mechanism for the GEF, established in 1991 as a pilot program) was terminated and all funds, receipts, assets and liabilities held in the GET were transferred to the Trust Fund at book value. The Trust Fund is administered by the International Bank for Reconstruction and Development ("IBRD") as Trustee. Separate financial statements report the financial position, operations and cash flows of the Trust Fund.

The Secretariat of the GEF ("the Secretariat") coordinates the formulation of projects included in the annual work program, oversees its implementation, and makes certain that operational strategy and policies are followed. The Secretariat is supported administratively by IBRD and operates in a functionally independent manner to discharge the responsibilities assigned to it under the Instrument.

**TRUST FUND FOR THE SECRETARIAT OF THE
GLOBAL ENVIRONMENT FACILITY**

**NOTES TO THE STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND FUND
BALANCE**

June 30, 2005

IBRD performs certain administrative, accounting, financial reporting and treasury services related to trust fund activities on behalf of the Secretariat. The Instrument similarly assigns other responsibilities to the Trustee of the Trust Fund and the implementing agencies.

IBRD is a member of the World Bank Group, which also includes the International Finance Corporation, the International Development Association, the Multilateral Investment Guarantee Agency, and the International Centre for Settlement of Investment Disputes.

Note 2 – Basis of Accounting

The accompanying financial statement reports the cash receipts and disbursements of the Secretariat, and has been prepared on the cash receipts and disbursements basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America or International Financial Reporting Standards. Under the cash receipts and disbursements basis of accounting, receipts are recorded when collected rather than when pledged, and disbursements are recorded when paid rather than when incurred. This financial statement is not intended to be a presentation in conformity with accounting principles generally accepted in the United States of America or International Financial Reporting Standards.

Transactions recorded in periods subsequent to the financial statement date, including reimbursement of disbursements deemed by management not to be eligible in accordance with the relevant Trust Fund agreements, whether these transactions relate to the reporting period or to prior periods, are reported in the Statement of Cash Receipts, Disbursements and Fund Balance in the period the cash transaction occurs.

IBRD is an international organization which conducts its operations in the currencies of all of its members. Disbursements in currencies other than the reporting currency are translated at the rates of exchange on the transaction dates. Transaction gains or losses, if any, are borne by IBRD.

**TRUST FUND FOR THE SECRETARIAT OF THE
GLOBAL ENVIRONMENT FACILITY**

**NOTES TO THE STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND FUND
BALANCE**

June 30, 2005

Note 3 – Transfers in from Trustee for Corporate Budget

In accordance with the Instrument, and as approved annually by the Council, the Trust Fund provides corporate budget funds to the Secretariat in order to reimburse the Secretariat for administrative expenses incurred in the performance of its corporate management activities. On an annual basis, the Council reviews and approves the corporate budget of the GEF, including the budget for the Secretariat. Using these funds, the Secretariat subsequently reimburses IBRD for certain administrative, accounting, financial reporting, and treasury services performed by IBRD on behalf of the Secretariat.

Note 4 – Monitoring and Evaluation Unit

Administratively, the M&E Unit is located within the GEF Secretariat and reports directly to the GEF Council. The M&E Unit is responsible for all corporate M&E activities, including the development of M&E policies and guidelines, implementation of the annual project performance review, focal area and cross-cutting evaluations, country portfolio reviews and the evaluation of GEF's overall performance.

Effective July 1, 2003, the corporate budget of the M&E unit is reported separately from the corporate budget of the Secretariat. Funding for M&E activities prior to July 1, 2003 is included in the line item 'Transfers in from Trustee for Corporate Budget', as described in Note 3. Similarly, corporate budget disbursements associated with M&E activities prior to July 1, 2003 are included in the 'Corporate Budget Disbursements' line item. Transfers in of \$2,567,155 and corporate budget disbursements of \$2,644,870 for the year ended June 30, 2005 represent amounts relating to the fiscal year ended June 30, 2005, and do not include any amounts which may have been received or disbursed by the Secretariat for M&E activities prior to July 1, 2003, given that the M&E unit was made an independent unit effective July 1, 2003.

Using these funds, the M&E unit subsequently reimburses IBRD for certain administrative, accounting, financial reporting, and treasury services performed by IBRD in connection with M&E activities.

**TRUST FUND FOR THE SECRETARIAT OF THE
GLOBAL ENVIRONMENT FACILITY**

**NOTES TO THE STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND FUND
BALANCE**

June 30, 2005

Note 5 – Administrative Arrangements

In addition to the Corporate Budget and Monitoring and Evaluation funds it receives (Notes 3 and 4 respectively), IBRD is periodically reimbursed for expenditures made from its own resources in executing activities for the trust fund. Grant Commitment disbursements include amounts for direct staff costs, related benefits and overheads reimbursed to IBRD, and incurred for activities consistent with the purpose of the trust fund in accordance with the administration agreements.

Note 6 – Donor Contributions

Contributions received in various currencies are converted into U.S. dollars by IBRD. The M&E unit has received Donor contributions totaling \$121,133 and \$653,099 for the year ended June 30, 2005, and for the period March 14, 1991 (date of inception) to June 30, 2005, respectively, to support a study of the Nature of Local Benefits in GEF Program areas. Prior to the fiscal year ended June 30, 2005, the M&E unit previously received Donor contributions totaling \$150,000 to fund the development of lessons-learned case studies on environmental enterprises for presentation at the World Summit on Sustainable Development (“WSSD”).

Note 7 – Investment Income

Funds held by the Secretariat, but not yet disbursed, are managed by IBRD, which maintains an investment portfolio (the “Pool”) for all of the trust funds administered by the World Bank Group. IBRD maintains all trust fund assets separate and apart from the funds of the World Bank Group. Under the Pool’s investment strategy in effect during the current reporting period, a significant portion of the Pool is invested in liquid instruments such as money market deposits, U.S. Treasury securities and other high-grade bonds.

Investment income earned on funds held by the Secretariat is credited to the GEF Trust Fund, and therefore is not reflected in the accompanying financial statement.

**TRUST FUND FOR THE SECRETARIAT OF THE
GLOBAL ENVIRONMENT FACILITY**

**NOTES TO THE STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND FUND
BALANCE**

June 30, 2005

Note 8 – Approved Grant Commitments

Cumulative funds received for grant commitments totaling \$3,348,600 include \$748,600 as part of the GEF Country Dialogue Workshops, a joint project managed by United Nations Development Programme (“UNDP”), United Nations Environment Programme (“UNEP”) and IBRD in cooperation with the Secretariat.

In addition, the Secretariat was previously authorized by the contributing participants to commit \$2,600,000 with respect to the Programme for Measuring Incremental Costs for the Environment (“PRINCE”) project. As of June 30, 2005, the PRINCE project has been completed.

Note 9 – Commitments and Contingencies

As part of normal operations, the Secretariat may enter into contractual arrangements with external parties to undertake activities permitted under the trust fund. Some of these arrangements may contain predefined payment schedules for which funds are disbursed to external parties from the trust fund. In accordance with the cash receipts and disbursements basis of accounting used, disbursements are not recorded in the financial statement until such payments are made.

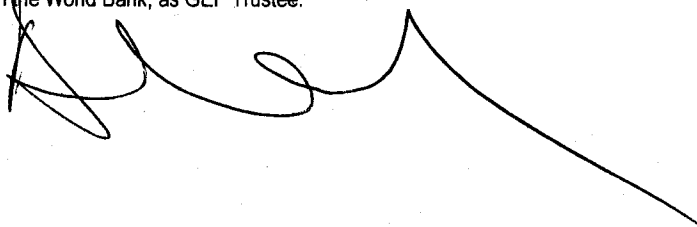
TRUST FUND FOR THE GLOBAL ENVIRONMENT FACILITY
STATEMENT OF INCOME & EXPENDITURE FOR THE 12 MONTHS ENDED 31 DECEMBER 2004
FOR GEF TRUSTEE
IN US THOUSANDS OF DOLLARS

		2004	2003
INCOME			
Voluntary contributions	note 1	105 404	215 689
Interest income		623	(96)
Other income		137	246
		<u>106 164</u>	<u>215 839</u>
EXPENDITURE			
Programme expenditure		144 065	129 466
Administrative costs		15 424	17 695
Other expenditure		9	18
		<u>159 498</u>	<u>147 179</u>
Excess (Shortfall) of income over expenditure		(53 334)	68 660
Savings on prior biennium's obligations		(224)	(230)
Refunds to donors and transfers to/from Other Funds		(17 897)	(17 415)
Reserves & fund balances , beg of period		91 730	40 715
Reserves & fund balances , end of period		<u>20,275</u>	<u>91,730</u>

APPROVED PROJECT COMMITMENTS FROM GEF FUNDS	
	Cumulative to 31 December 2004
	(US\$ Thousand)
Full-sized Technical assistance	1 039 994
Small Grants Programme	172 651
Medium-sized	70 240
Enabling Activity	93 894
PRIF and other	18 742
PDF-A	5 313
PDF-B	50 987
PDF-C	2 058
Total approved project commitments	<u>1 453 879</u>

I certify, in all material respects, that the information contained in this statement reflects the activities for the Global Environment Facility financed from contributions received from the World Bank, as GEF Trustee.

Darshak Shah
Director and Comptroller
Office of Finance, BOM
United Nations Development Programme



Notes to the Statement

1) Voluntary Contributions comprise:

	2004	2003
	(In US thousands dollars)	(In US thousands dollars)
GEF Trustee on behalf of the World Bank	105 404	215 469
UNEP	-	220
Total Voluntary contributions	105 404	215 689

2) This Statement of Income and Expenditure has been prepared on an accrual basis of accounting except for voluntary contributions which are on a cash basis in line with UNDP accounting policies. Therefore this statement includes the following unliquidated obligations:

	2004	2003
	(In US thousands dollars)	(In US thousands dollars)
Unliquidated obligations-Projects	10 133	9 343
Unliquidated obligations-Administrative	-	-
Total Unliquidated obligations	10 133	9 343

Prior biennium's Administrative obligations not used are recorded as savings in the subsequent period.

Outstanding advances receivable/(payable) made to executing agencies are(as at 31 December):

	2004	2003
	(In US thousands dollars)	(In US thousands dollars)
Government	13 390	11 970
Executing Agencies	(8 878)	(7 251)
Total outstanding advances receivable/(payable)	4 512	4 719

3) Unexpended Resources

The GEF Trust Fund has received letters of commitments from the World Bank as trustee to the Global Environment Facility for \$1,792,623,000 (2003 : \$1,469,098,000).

AUDIT OPINION

I have audited the accompanying Statement of Income and Expenditure and notes thereto of the United Nations Development Programme (UNDP) Trust Fund for the Global Environment Facility (GEF) for the twelve months ended 31 December 2004. The financial statements are the responsibility of UNDP management. My responsibility is to express an opinion on the financial statements based on my audit.

I conducted my audit in accordance with the common auditing standards of the Panel of external Auditors of the United Nations, the specialized agencies and the International Atomic Energy Agency and in conformity with the International Standards on Auditing. Those standards require that we plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free of material misstatement. An audit includes the examining, on a test basis, and where considered by the auditor to be necessary in the circumstances, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for the audit opinion.

In my opinion, the Statement of Income and Expenditure and notes thereto fairly presents, in all material respects, the operations of the Trust Fund for the Global Environment Facility for the twelve months ended 31 December 2004.

Furthermore, in my opinion, the transactions of the Trust Fund for the GEF that has come to my notice or which I have tested as part of my audit, have in all significant respects been in accordance with the Instrument for the establishment of the Global Environmental Facility and the decisions taken by the GEF Council.



Pramesh Bhana
Director, External Audit, South Africa
United Nations Board of Auditors

25 November 2005

United Nations Nations Unies

BOARD OF AUDITORS

NEW YORK

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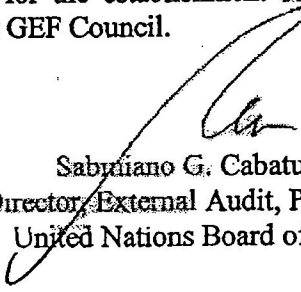
AUDIT OPINION

I have audited the Statement of Assets, Liabilities, Reserves and Fund Balance as at 31 December 2004, Statement of Income and Expenditures and Changes on Reserves and Fund Balance and Statement of Cash Flows of the United Nations Programme (UNEP) Trust Fund for the Global Environment Facility (GEF) for the financial period ended 31 December 2004. The financial statements are the responsibility of UNEP management. My responsibility is to express an opinion on the financial statements based on my audit.

I conducted my audit in accordance with the common auditing standards of the Panel of External Auditors of the United Nations, the specialized agencies and the International Atomic Energy Agency and in conformity with the International Standards on Auditing. Those standards require that we plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, and as considered by the auditor to be necessary in the circumstances, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for the audit opinion.

In my opinion, the financial statements present fairly, in all material respects, the financial position of the Trust Fund for the GEF as at 31 December 2004 and the results of operations and cash flows for the period then ended.

Furthermore, in my opinion, the transactions of the Trust Fund for the GEF that have come to my notice or which I have tested as part of my audit, have in all significant respects been in accordance with the Instrument for the establishment of the Global Environment Facility and the decisions taken by the GEF Council.


Sabundiano G. Cabatuan
Director, External Audit, Philippines
United Nations Board of Auditors

21 November 2005

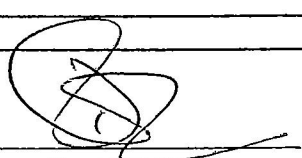
**TECHNICAL COOPERATION TRUST FUND FOR THE UNEP'S IMPLEMENTATION OF THE
ACTIVITIES FUNDED BY THE GLOBAL ENVIRONMENT FUND**

**STATEMENT OF INCOME AND EXPENDITURE AND CHANGES IN RESERVES AND FUND BALANCE
FOR THE FIRST YEAR OF THE BIENNIUM 2004-2005 ENDED 31 DECEMBER 2004**

	2004 \$ 000's	2003 \$ 000's
<u>Income</u>		
Voluntary contributions	24,621	52,075
Interest income	293	1,233
Miscellaneous income	49	17
Total income	24,963	53,325
<u>Expenditure</u>		
Staff and other personnel costs	14,029	11,757
Contractual services	27,091	20,059
Travel	3,244	2,274
Operating expenses	10,004	8,273
Acquisitions	2,684	2,269
Other expenditures	-	(9)
Total expenditure	57,052	44,623
Excess / (shortfall) of income over expenditure	(32,089)	8,702
Prior year adjustment	(1,278)	(7,205)
Net excess / (shortfall) of income over expenditure	(33,367)	1,497
Provisional savings on or cancellation of prior periods' obligations	5	(821)
Reserves and fund balances, beginning of period	76,613	75,937
Reserves and fund balances, end of period	43,251	76,613

STATEMENT OF ASSETS, LIABILITIES, RESERVES AND FUND BALANCE AS AT 31 DECEMBER 2004

<u>Assets</u>		
Cash and term deposits	17,158	71,925
Other accounts receivable	35,050	32,113
Deferred charges	279	73
Total assets	52,487	104,111
<u>Liabilities</u>		
Interfund payable	1,149	21,256
Other accounts payable	2,259	3,239
Reserve for obligations	5,828	3,003
Total liabilities	9,236	27,498
<u>Reserves and fund balances</u>		
Cumulative surplus	43,251	76,613
Total reserves and fund balances	43,251	76,613
Total liabilities, reserves and fund balances	52,487	104,111


David Hastie
Acting Chief

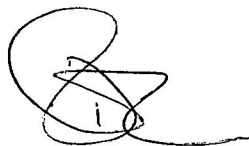
Budget and Financial Management Service, UNON

Date: 20 April 2005

**TECHNICAL COOPERATION TRUST FUND FOR THE UNEP'S IMPLEMENTATION OF THE
ACTIVITIES FUNDED BY THE GLOBAL ENVIRONMENT FUND**

**STATEMENT OF CASH FLOWS FOR THE FIRST YEAR OF THE BIENNIUM 2004-2005 ENDED
31 DECEMBER 2004**

	2004 \$ 000's	2003 \$ 000's
<u>Cash flows from operating activities</u>		
Net excess / (shortfall) of income over expenditure	(33,367)	1,497
<u>(Increase) / decrease in</u>		
Other accounts receivable	(2,937)	(6,931)
Deferred charges	(206)	(55)
<u>Increase / (decrease) in</u>		
Other accounts payable	(980)	(341)
Reserves for obligations	2,825	(1,527)
Less: interest income	(293)	(1,232)
Net cash from operating activities	(34,958)	(8,589)
<u>Cash flows from investing and financing activities</u>		
Increase / (decrease) in interfund payable	(20,107)	17,963
Plus: interest income	293	1,232
Net cash flow from investing and financing activities	(19,814)	19,195
<u>Cash flow from other sources</u>		
Provisional savings on or cancellation of prior periods' obligations	5	(821)
Net cash flow from other sources	5	(821)
<u>Net increase / (decrease) in cash and short term deposits</u>	(54,767)	9,785
Cash and short term deposits, beginning of period	71,925	62,140
Cash and short term deposits, end of period	17,158	71,925



David Hastie
Acting Chief
Budget and Financial Management Service, UNON



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