

# Global Environment Facility

GEF/C.12/13/Add.1  
September 18, 1998

---

GEF Council  
October 14 – 16, 1998  
Agenda Item 14

## DRAFT ANNUAL REPORT

### PART III

### FINANCIAL STATEMENTS

## PART III

### FINANCIAL STATEMENTS

Audited consolidated financial statements cannot be presented for GEF due to the varying audit cycles \* of the Implementing Agencies and the use of different external auditors by the agencies. Accordingly, the consolidated financial statements in this report are unaudited. However, the financial statements of each of the Implementing Agencies, the Trustee, and the Secretariat have been audited by their respective external auditors. This Part of the Annual Report includes the most recently received audited financial statements that have been distributed separately to Council members:

	<u>Financial Statement as of</u>
Trustee	June 30, 1998
World Bank as Implementing Agency	June 30, 1998
Secretariat	June 30, 1998
UNDP/GEF	December 31, 1997
UNEP/GEF	December 31, 1997

Please note that the auditors for both UNDP/GEF and UNEP/GEF have limited the scope of their opinion with respect to adjustments that may be necessary once outstanding audited expenditure statements are received. For UNDP/GEF, audited expenditure statements relating to \$14.8 million of nationally executed projects were outstanding as of December 31, 1997, leaving 23% of UNDP 1997 GEF disbursements not covered by the audit. For UNEP/GEF, statements for \$1.14 million were outstanding, as a result, 11% of UNEP 1997 GEF disbursements were not covered by the audit.

---

\* UNDP and UNEP operate on a calendar fiscal year. The World Bank and the GEF Secretariat (supported administratively by the World Bank) operate on a July/June fiscal year.

GLOBAL ENVIRONMENT FACILITY  
CONSOLIDATED FINANCIAL STATEMENT AS OF JUNE 30, 1998

UNAUDITED

**STATEMENT OF ACTIVITIES**

*Expressed in millions of U.S. dollars*

	Year ended June 30, 1998	March 14, 1991 (inception) to June 30, 1998
<b>Receipts</b>		
Contributions		
Cash	\$ 21.0	\$ 315.4
Notes encashed	228.6	1,009.7
Investment income	38.6	143.4
Total receipts	<u>288.2</u>	<u>1,468.5</u>
<b>Disbursements</b>		
Project disbursements		
World Bank managed activities	80.5	322.3
UNDP managed activities	53.4	269.1
UNEP managed activities	8.3	28.3
Secretariat managed activities	0.0	1.5
Administrative expenses		
World Bank managed activities	15.7	92.2
UNDP managed activities	6.0	36.0
UNEP managed activities	3.6	14.4
Secretariat managed activities	8.7	31.5
Administrative expenses of the Trustee	0.8	4.9
Total disbursements	<u>177.0</u>	<u>800.2</u>
Excess of receipts over disbursements	111.2	668.3
Net foreign exchange gains/(losses)	0.0	(11.4)
Excess of receipts over disbursements	111.2	656.9
Cash & investments at beginning of period	545.7	-
<b>Cash &amp; investments at end of period</b>	<u><b>\$ 656.9</b></u>	<u><b>\$ 656.9</b></u>
Comprising:		
Cash & investment		\$ 527.0
Cash & investment not available for disbursement		129.9
		<u><b>\$ 656.9</b></u>

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

**NOTES TO THE FINANCIAL STATEMENT**

**NOTE 1 - ORGANIZATION AND OPERATION OF THE GLOBAL ENVIRONMENT FACILITY**

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 loans to eligible countries for incremental costs of measures to achieve global environmental benefits in four focal areas specified in the Instrument: biological diversity, climate change, international waters, and ozone layer depletion. Incremental costs of activities concerning land degradation as they relate to the four focal areas are also eligible for funding. In addition, the incremental costs of such other activities under Agenda 21 (the action plan of the 1992 United Nations Conference on Environment and Development) as may be agreed by the GEF Council ("the Council") are eligible for funding insofar as they achieve global environmental benefits in the four 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 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 a Global Environment Facility, established in 1991 as a pilot program) was terminated and all funds, receipts, assets and liabilities held in GET were transferred to the Fund at book value.

The Fund is administered by International Bank for Reconstruction and Development (IBRD) as Trustee. Under the Instrument, the Trustee was authorized to accept contributions to the Fund from July 1, 1994 to June 30, 1997 ("GEF-1"). In March 1998, Contributing Participants (as defined in the Instrument) agreed upon the terms of a second replenishment for the period July 1, 1998 to June 30, 2002 ("GEF-2"). On July 14, 1998, by Resolution No. 98-2, IBRD's Executive Directors authorized IBRD to act as Trustee in respect of the resources made available for GEF-2. Resolution No. 98-2 also provides that any GEF-1 funds not committed by the Council at the end of GEF-1 period shall be administered as part of GEF-2.

In addition to being Trustee of the Fund, IBRD is also one of the three Implementing Agencies of GEF. The other two Implementing Agencies are the United Nations Development Programme ("UNDP") and the United Nations Environment Programme ("UNEP"). Under the Instrument, specific responsibilities are assigned to each of the Implementing Agencies, the GEF Secretariat ("the Secretariat") and the Trustee.

## **NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING AND RELATED POLICIES AND PROCEDURES**

### **Basis of Accounting**

The accompanying financial statement has been prepared by IBRD from the June 30, 1998 audited financial statements of the Trustee, IBRD as an Implementing Agency, and the Secretariat; as well as the unaudited June 30, 1998 reports of GEF operations of UNDP and UNEP. The accompanying financial statement reports the consolidated financial activities of the Trustee, the Implementing Agencies and the Secretariat, as they relate to the sources and uses of contributions and investment income of the Fund.

### **Foreign Exchange**

The financial statement is expressed in terms of United States Dollars (USD) solely for the purpose of summarizing GEF financial position and the results of its operations. Administrative expenses are incurred in USD. Cash contributions and notes encashed in currencies other than USD are converted into USD upon receipt and are recorded at the exchange rate in effect at the date of conversion. Investment income earned in currencies other than USD is periodically converted into USD and recorded at the exchange rate in effect on the date of conversion. Investment income held in currencies other than USD at the end of the accounting period is translated into USD at the exchange rate in effect on the date the income was earned.

Pledges outstanding and notes not encashed in currencies other than USD, as disclosed in the Notes to the Financial Statement, are translated at the exchange rate in effect at the end of the accounting period.

### **Investments and Investment Income**

Cash receipts pending disbursement are invested. Investment income, including the income earned on undisbursed advances to UNDP and UNEP, accrues to GEF.

### **Approved Commitments**

The Implementing Agencies are authorized by the Council to make commitments by extending grants to eligible recipient countries.

### **Administrative Expenses**

The Council is responsible for approving the administrative budget of GEF. IBRD (in its capacity as Implementing Agency and Trustee, and in respect of costs it incurred in providing administrative support to the Secretariat), UNDP and UNEP are reimbursed by the Fund for administrative costs incurred on behalf of GEF.

### **Project Disbursements**

Each Implementing Agency observes the same procedures and requires substantially the same documentation in connection with GEF disbursements as it does for its own affairs.

**NOTE 3 - SCHEDULE OF SOURCES & USES OF FUNDS***Expressed in millions of U.S. dollars*

	<u>June 30, 1998</u>	<u>June 30, 1997</u>
<b>Cumulative Sources</b>		
Contributions		
Notes	\$ 2,136.5	\$ 1,997.1
Cash	315.4	294.4
Less contributions not yet available for commitment	(63.5)	(199.0)
	<u>2,388.4</u>	<u>2,092.5</u>
Investment income	<u>143.4</u>	<u>104.8</u>
Total sources	<u>2,531.8</u>	<u>2,197.3</u>
<b>Cumulative Uses</b>		
Approved commitments		
Investment projects	933.7	749.7
Technical assistance	356.1	315.7
Pre-investment Facility (PRIF)	56.7	21.1
Project Preparation Advance (PPA)	25.8	13.0
Project Preparation and Development (PDF)	28.8	16.8
Other	55.4	52.5
Administrative expenses	<u>183.1</u>	<u>144.2</u>
Total uses	<u>1,639.6</u>	<u>1,313.0</u>
Net sources of funds before net foreign exchange gains and losses	892.2	884.3
Net foreign exchange losses	<u>(11.4)</u>	<u>(11.4)</u>
<b>Net sources of funds</b>	<u><b>\$ 880.8</b></u>	<u><b>\$ 872.9</b></u>
Comprising:		
Notes not encashed	\$ 1,126.8	\$ 1,216.0
Less contributions not yet available for commitment	(63.5)	(199.0)
	<u>1,063.3</u>	<u>1,017.0</u>
Cash & investments	<u>656.9</u>	<u>545.7</u>
	<u>1,720.2</u>	<u>1,562.7</u>
Approved commitments not disbursed:		
World Bank managed activities	(639.0)	(530.5)
UNDP managed activities	(169.5)	(135.1)
UNEP managed activities	(29.8)	(22.4)
Secretariat managed activities	<u>(1.1)</u>	<u>(1.8)</u>
	<u><b>\$ 880.8</b></u>	<u><b>\$ 872.9</b></u>

The United States, a Participant whose contribution represents 20.86% of the total amount in resources to be contributed pursuant to Annex C to the Instrument, and which has deposited a Qualified Instrument of Commitment, had not unqualified 100% of its contribution by November 30, 1997. In accordance with the provisions of Sections 8(b) and (c) of Annex C, two Contributing Participants have instructed the Trustee to defer commitment with respect to USD equivalent 63.5 million until corresponding amounts of the U.S. contribution are unqualified. Accordingly, this amount has been excluded from the sources of funds.

**NOTE 4 - SCHEDULE OF CUMULATIVE PLEDGES***Expressed in millions of U.S. dollars*

	<u>June 30, 1998</u>	<u>June 30, 1997</u>
<b>Pledges</b>		
Pledges outstanding	\$ 263.3	\$ 535.4
Contributions		
Cash	315.4	294.4
Discounts in respect of contributions paid in advance	19.9	19.1
Notes encashed	1,009.7	781.1
Notes not encashed	<u>1,126.8</u>	<u>1,216.0</u>
<b>Total cumulative pledges</b>	<b><u>\$ 2,735.1</u></b>	<b><u>\$ 2,846.0</u></b>

Pledges are denominated in SDRs (Special Drawing Rights) or a currency that is freely convertible. Contributions in the form of notes are non-negotiable and non-interest bearing. Notes contributed in respect of GET are encashed in equal annual installments and have a term of five to eight years; notes contributed in respect of the Fund are encashed quarterly as needed for disbursements, transfers and operational and administrative requirements. Contributing Participants may pay their pledges in cash in advance. Discounts given for such payments in advance are disclosed above.

Pledges outstanding of \$263.3 million at June 30, 1998 comprises the following contributions due on:

July 1, 1997 through June 30, 1998	131.3
July 1, 1996 through June 30, 1997	109.0
July 1, 1995 through June 30, 1996	23.0

**INTERNATIONAL BANK FOR RECONSTRUCTION  
AND DEVELOPMENT**

**GLOBAL ENVIRONMENT FACILITY TRUST FUND -  
OPERATIONS OF THE TRUSTEE  
WORLD BANK REFERENCE  
TF029006**

**REPORT AND FINANCIAL STATEMENT  
June 30, 1998**

**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

Global Environment Facility Council  
and International Bank for Reconstruction  
and Development as Trustee for the  
Global Environment Facility Trust Fund

We have audited the accompanying condensed statement of receipts, disbursements and changes in fund balance of the Global Environment Facility Trust Fund – Operations of the International Bank for Reconstruction and Development (the Bank) as Trustee (the Trustee) as of and for the year ended June 30, 1998 and for the period from March 14, 1991 (date of inception) to June 30, 1998. This financial statement of the Trustee is the responsibility of the management of the Bank. Our responsibility is to express an opinion on the financial statement based on our audit. The condensed statement of receipts, disbursements and changes in fund balance of the Trustee 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 statement and included an explanatory paragraph that described the basis of accounting discussed in Note 2. The financial statement for the period March 14, 1991 (date of inception) through June 30, 1997 reflects total receipts and disbursements of US\$ 1,169.7 million and US\$ 630.8 million, respectively. 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 audit in accordance with generally accepted auditing standards in the United States of America and with the 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. 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 audit and the report of other auditors provide a reasonable basis for our opinion.

As described in Note 2, this financial statement was prepared on the basis of cash receipts and disbursements, modified to reflect accruals with respect to administrative expenses incurred but not paid. This financial statement is not intended to be a presentation in conformity with generally accepted accounting principles.

In our opinion, based on our audit and the report of other auditors, this financial statement presents fairly, in all material respects, the fund balance of the Global Environment Facility Trust Fund – Operations of the International Bank for Reconstruction and Development as Trustee at June 30, 1998 and the receipts and disbursements for the year ended June 30, 1998 and for the period from March 14, 1991 (date of inception) to June 30, 1998, on the basis of accounting described in Note 2.

*Deloitte Touche Tohmatsu (International Firm)*

September 10, 1998

GLOBAL ENVIRONMENT FACILITY TRUST FUND  
OPERATIONS OF INTERNATIONAL BANK FOR RECONSTRUCTION  
AND DEVELOPMENT AS TRUSTEE

**CONDENSED STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES  
IN FUND BALANCE**

*Expressed in millions of U.S. dollars*

	Year ended <u>June 30, 1998</u>	March 14, 1991 (inception) to <u>June 30, 1998</u>
<b>Receipts</b>		
Contributions		
Cash payments received	\$ 21.0	\$ 315.4
Notes encashed	228.6	1,009.7
Investment income	<u>34.5</u>	<u>128.7</u>
Total receipts	<u>284.1</u>	<u>1,453.8</u>
<b>Disbursements</b>		
Disbursements on behalf of and transfers and reimburse- ments to Implementing Agencies and the Secretariat		
Disbursements on behalf of and expense		
reimbursements to IBRD	96.2	414.5
Transfers to UNDP	50.0	291.6
Transfers to UNEP	21.7	64.2
Disbursements on behalf of and expense		
reimbursements to the Secretariat	8.7	33.0
Administrative expenses of the Trustee	<u>0.8</u>	<u>4.9</u>
Total disbursements	<u>177.4</u>	<u>808.2</u>
Excess of receipts over disbursements	106.7	645.6
Net foreign exchange losses	<u>0.0</u>	<u>(11.4)</u>
Change in fund balance	106.7	634.2
Fund balance at beginning of period	<u>527.5</u>	<u>-</u>
<b>Fund balance at end of period</b>	<b><u>\$ 634.2</u></b>	<b><u>\$ 634.2</u></b>
Comprising:		
Cash and investment		\$ 504.3
Cash and investments not available for disbursement		<u>129.9</u>
		<b><u>\$ 634.2</u></b>

The accompanying notes are an integral  
part of this financial statement

# GLOBAL ENVIRONMENT FACILITY TRUST FUND OPERATIONS OF INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT AS TRUSTEE

## NOTES TO THE FINANCIAL STATEMENT

### **NOTE 1 - ORGANIZATION AND OPERATION OF THE GEF TRUST FUND**

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 loans 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. Incremental costs of activities concerning land degradation as they relate to the four focal areas are also eligible for funding. In addition, the incremental costs of such other activities under Agenda 21 (the action plan of the 1992 United Nations Conference on Environment and Development) as may be agreed by the GEF Council ("the Council") are eligible for funding insofar as they achieve global environmental benefits in the four 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 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 a Global Environment Facility, established in 1991 as a pilot program) was terminated and all funds, receipts, assets and liabilities held in GET were transferred to the Fund at book value.

The Fund is administered by International Bank for Reconstruction and Development ("IBRD") as Trustee. Under the Instrument, the Trustee was authorized to accept contributions to the Fund from July 1, 1994 to June 30, 1997 ("GEF-1"). In March 1998, Contributing Participants (as defined in the Instrument) agreed upon the terms of a second replenishment for the period July 1, 1998 to June 30, 2002 ("GEF-2"). On July 14, 1998, by Resolution No. 98-2, IBRD's Executive Directors authorized IBRD to act as Trustee in respect of the resources made available for GEF-2. Resolution No. 98-2 also provides that any GEF-1 funds not committed by the Council at the end of GEF-1 period shall be administered as part of GEF-2.

In addition to being Trustee of the Fund, IBRD is also one of the three Implementing Agencies of GEF. The other two Implementing Agencies are the United Nations Development Programme (UNDP) and the United Nations Environment Programme (UNEP). Under the Instrument, specific responsibilities are assigned to each of the Implementing Agencies, the GEF Secretariat ("the Secretariat") and the Trustee.

The resources of the Fund, held in trust by the Trustee, are kept separate and apart from the resources of IBRD.

### **NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING AND RELATED POLICIES AND PROCEDURES**

#### **Basis of Accounting**

The accompanying financial statement reports the operations and financial position of the Trustee, not the

consolidated operations and financial position of GEF. Separate financial statements report the operations of UNDP and UNEP; the operations of IBRD as Implementing Agency and the Secretariat are reported in separate schedule of disbursements. Cumulative figures in the accompanying financial statement report the operations of the Trustee from March 14, 1991 (date of inception) to June 30, 1998.

The financial statement has been prepared on the cash basis of accounting modified to include accruals in respect of administrative expenses incurred but not paid at June 30, 1998. A condensed statement of receipts, disbursements and changes in fund balance has been presented which does not intend to present any details regarding the composition of project disbursements.

### **Foreign Exchange**

The financial statement is expressed in terms of United States Dollars (USD) solely for the purpose of summarizing the Fund's financial position and the results of its operations. Administrative expenses are incurred in USD. Cash contributions and notes encashed in currencies other than USD are converted into USD upon receipt and are recorded at the exchange rate in effect at the date of conversion. Investment income earned in currencies other than USD is periodically converted into USD and recorded at the exchange rate in effect on the date of conversion. Investment income held in currencies other than USD at the end of the accounting period is translated into USD at the exchange rate in effect on the date the income was earned.

Pledges outstanding and notes not encashed in currencies other than USD, as disclosed in the Notes to the Financial Statement, are translated at the exchange rate in effect at the end of the accounting period.

### **Investments and Investment Income**

Cash receipts pending disbursement are invested. Investment income accrues to the Fund.

### **Disbursements, Reimbursements and Transfers**

Upon request from IBRD as an Implementing Agency and from the Secretariat, the Trustee makes project disbursements on their behalf. The Trustee reimburses IBRD for administrative expenses incurred in its role as an Implementing Agency and for administrative expenses paid on behalf of the Secretariat. The Trustee makes transfers to UNDP and UNEP from time to time upon request. Disbursements, reimbursements and transfers are made on the basis of the budget and work program approved by the Council and project commitments by the Implementing Agencies.

### **Administrative Expenses**

The Fund reimburses IBRD for reasonable actual administrative costs it incurs in its capacity as Trustee. The Council reviews and approves the administrative budget of GEF.

### **Cash Not Available for Disbursement**

Some Contributing Participants pay their contributions in cash instead of notes. In these cases, the cash is treated as "not immediately available for disbursement" until the date when demand notes from other Contributing Participants are drawn down. The same is true for note encashments made by Contributing Participants ahead of schedule. This is to ensure that over a reasonable period of time, the resources provided by all Contributing Participants are used on an approximately pro rata basis. It also accords with understandings reached between the Trustee and certain of those Contributing Participants who have paid their contributions in cash.

**NOTE 3 - SCHEDULE OF COMMITMENT AUTHORITY***Expressed in millions of U.S. dollars*

	<u>June 30, 1998</u>	<u>June 30, 1997</u>
<b>Cumulative Sources</b>		
Contributions		
Notes	\$ 2,136.5	\$ 1,997.1
Cash	315.4	294.4
Less contributions not yet available for commitment	<u>(63.5)</u>	<u>(199.0)</u>
	2,388.4	2,092.5
Investment income	<u>128.7</u>	<u>94.2</u>
Total sources	<u>2,517.1</u>	<u>2,186.7</u>
<b>Cumulative Uses</b>		
Trustee commitments to Implementing Agencies and the Secretariat		
IBRD	1,053.5	848.8
UNDP	474.6	466.5
UNEP	72.5	42.5
Secretariat	34.1	26.1
Administrative expenses of the Trustee	<u>4.9</u>	<u>4.1</u>
	<u>1,639.6</u>	<u>1,388.0</u>
Commitment Authority before net foreign exchange gains and losses	877.5	798.7
Net foreign exchange losses	<u>(11.4)</u>	<u>(11.4)</u>
<b>Commitment Authority</b>	<u><b>\$ 866.1</b></u>	<u><b>\$ 787.3</b></u>
Comprising:		
Notes not encashed	\$ 1,126.8	\$ 1,216.0
less contributions not yet available for commitment	<u>(63.5)</u>	<u>(199.0)</u>
	1,063.3	1,017.0
Fund balance	<u>634.2</u>	<u>527.5</u>
	1,697.5	1,544.5
Less Trustee commitments awaiting disbursement to Implementing Agencies and the Secretariat:		
IBRD	(639.0)	(530.5)
UNDP	(183.0)	(224.9)
UNEP	(8.3)	-
Secretariat	<u>(1.1)</u>	<u>(1.8)</u>
	<u><b>\$ 866.1</b></u>	<u><b>\$ 787.3</b></u>

Commitment Authority represents the financial resources of the Fund held by the Trustee which are available for commitment by the Trustee for disbursement or transfer as needed pursuant to the work program and administrative budget of the GEF approved by the Council under the Instrument. Of the \$866.1 million in Commitment Authority, the Council has approved \$579.5 million for the work program of the Implementing Agencies. The balance of \$286.6 million remains available for commitment by the Trustee subject to the approval of the Council.

The United States, a Participant whose contribution represents 20.86% of the total amount in resources to be contributed pursuant to Annex C to the Instrument, and which has deposited a Qualified Instrument of Commitment, had not unqualified 100% of its contribution by November 30, 1997. In accordance with the provisions of Sections 8(b) and (c) of Annex C, two Contributing Participants have instructed the Trustee to defer commitment with respect to USD equivalent 63.5 million until corresponding amounts of the U.S. contribution are unqualified. Accordingly, this amount has been excluded from the sources of funds.

#### **NOTE 4 - SCHEDULE OF CUMULATIVE PLEDGES**

*Expressed in millions of US dollars*

	<u>June 30, 1998</u>	<u>June 30, 1997</u>
<b>Pledges</b>		
Pledges outstanding	\$ 263.3	\$ 535.4
Contributions		
Cash	315.4	294.4
Discounts in respect of contributions paid in advance	19.9	19.1
Notes encashed	1,009.7	781.1
Notes not yet encashed	1,126.8	1,216.0
<b>Total Cumulative Pledges</b>	<b><u>\$ 2,735.1</u></b>	<b><u>\$ 2,846.0</u></b>

Pledges to the Fund are denominated in SDRs (Special Drawing Rights) or a currency that is freely convertible. Contributions in the form of notes are non-negotiable and non-interest bearing. Notes contributed in respect of the GET are encashed in equal annual installments and have a term of five to eight years; notes contributed in respect of the Fund are encashed quarterly as needed for disbursements, transfers, and operational and administrative requirements. Contributing Participants may pay their pledges in cash in advance. Discounts given for such payments in advance are disclosed above.

Pledges outstanding of \$263 million at June 30, 1998 comprises the following contributions due on:

July 1, 1997 through June 30, 1998	131.3
July 1, 1996 through June 30, 1997	109.0
July 1, 1995 through June 30, 1996	23.0

**OPERATIONS OF THE**  
**INTERNATIONAL BANK FOR RECONSTRUCTION**  
**AND DEVELOPMENT AS AN**  
**IMPLEMENTING AGENCY FOR THE**  
**GLOBAL ENVIRONMENT FACILITY TRUST FUND**  
**WORLD BANK REFERENCE**  
**TF029006**

**REPORT AND FINANCIAL STATEMENT**  
**June 30, 1998**

**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

Global Environment Facility Council and International  
Bank for Reconstruction and Development as Implementing  
Agency for the Global Environment Facility Trust Fund

We have audited the accompanying schedule of disbursements (as defined in the Instrument for the Establishment of the Restructured Global Environment Facility dated March 1994) of the Global Environment Facility Trust Fund – Operations of International Bank for Reconstruction and Development (the Bank) as Implementing Agency (the Implementing Agency) for the year ended June 30, 1998 and for the period from March 14, 1991 (date of inception) to June 30, 1998. This schedule is the responsibility of the Bank's management. Our responsibility is to express an opinion on this schedule based on our audit. The schedule of disbursements of the Implementing Agency 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 schedule and included an explanatory statement that described the basis of accounting discussed in Note 2. The schedule for the period March 14, 1991 (date of inception) to June 30, 1997 reflects total disbursements of US\$ 318.3 million. 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 audit in accordance with generally accepted auditing standards in the United States of America and with the International Standards on Auditing. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the schedule of disbursements is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the schedule of disbursements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall schedule presentation. We believe that our audit and the report of other auditors provide a reasonable basis for our opinion.

As described in Note 2, this schedule was prepared on the basis of cash disbursements, modified to reflect accruals with respect to administrative expenses incurred but not paid. This schedule is not intended to be a presentation in conformity with generally accepted accounting principles.

In our opinion, based on our audit and the report of other auditors, such schedule of disbursements presents fairly, in all material respects, the disbursements of the Global Environment Facility Trust Fund – Operations of International Bank for Reconstruction and Development as Implementing Agency for the year ended June 30, 1998 and for the period from March 14, 1991 (date of inception) to June 30, 1998, on 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 the management and Board of Governors of the International Bank for Reconstruction and Development and should not be used for any other purpose.

*Deloitte Touche Tohmatsu (International Firm)*  
September 10, 1998

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

**SCHEDULE OF DISBURSEMENTS**

*Expressed in millions of U.S. dollars*

	Year ended <u>June 30, 1998</u>	March 14, 1991 (Inception) to <u>June 30, 1998</u>
<b>Disbursements</b>		
Project disbursements	\$ 80.5	\$ 322.3
Administrative expenses	<u>15.7</u>	<u>92.2</u>
	<u><b>\$ 96.2</b></u>	<u><b>\$ 414.5</b></u>
<b>Of which:</b>		
Disbursed by the Trustee on behalf of the Implementing Agency	\$ 80.5	\$ 322.3
Reimbursed by the Trustee	<u>15.7</u>	<u>92.2</u>
	<u><b>\$ 96.2</b></u>	<u><b>\$ 414.5</b></u>

The accompanying notes are an integral  
 part of this schedule

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

## NOTES TO THE SCHEDULE OF DISBURSEMENTS

### **NOTE 1 - ORGANIZATION AND OPERATION OF THE GEF TRUST FUND**

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 loans 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. Incremental costs of activities concerning land degradation as they relate to the four focal areas are also eligible for funding. In addition, the incremental costs of such other activities under Agenda 21 (the action plan of the 1992 United Nations Conference on Environment and Development) as may be agreed by the GEF Council ("the Council") are eligible for funding insofar as they achieve global environmental benefits in the four 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 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 a Global Environment Facility, established in 1991 as a pilot program) was terminated and all funds, receipts, assets and liabilities held in GET were transferred to the Fund at book value.

The Fund is administered by International Bank for Reconstruction and Development ("IBRD") as Trustee. Under the Instrument, the Trustee was authorized to accept contributions to the Fund from July 1, 1994 to June 30, 1997 ("GEF-1"). In March 1998, Contributing Participants (as defined in the Instrument) agreed upon the terms of a second replenishment for the period July 1, 1998 to June 30, 2002 ("GEF-2"). On July 14, 1998, by Resolution No. 98-2, IBRD's Executive Directors authorized IBRD to act as Trustee in respect of the resources made available for GEF-2. Resolution No. 98-2 also provides that any GEF-1 funds not committed by the Council at the end of GEF-1 period shall be administered as part of GEF-2.

In addition to being Trustee of the Fund, IBRD is also one of the three Implementing Agencies of GEF. The other two Implementing Agencies are the United Nations Development Programme (UNDP) and the United Nations Environment Programme (UNEP). Under the Instrument, specific responsibilities are assigned to each of the Implementing Agencies, the GEF Secretariat ("the Secretariat") and the Trustee.

### **NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING AND RELATED POLICIES AND PROCEDURES**

#### **Basis of Accounting**

The accompanying schedule reports the operations of IBRD as an Implementing Agency of the Fund, not the consolidated operations and financial position of the Fund. Separate financial statements report the operations and financial positions of the Trustee and each of the other Implementing Agencies; and the operations of the Secretariat are reported in a separate schedule of disbursements. Cumulative figures in

the accompanying schedule report the operations of IBRD as an Implementing Agency from March 14, 1991 (date of inception) to June 30, 1998.

The schedule has been prepared on the cash basis of accounting modified to include accruals in respect of administrative expenses incurred but not paid at June 30, 1998.

### **Project Disbursements**

Upon request from IBRD as an Implementing Agency, the Trustee makes project disbursements on IBRD's behalf. Project disbursements at June 30, 1998 include both disbursements for project expenditures and outstanding advances to grant recipients for future expenditures.

### **Administrative Expenses**

The Trustee reimburses IBRD for reasonable actual administrative costs it incurs in its role as an Implementing Agency. The Council reviews and approves the administrative budget of GEF.

### **Approved Commitments**

IBRD as an Implementing Agency makes project commitments by extending grants to eligible recipient countries in accordance with the work program approved by the Council.

## **NOTE 3 - SCHEDULE OF APPROVED COMMITMENTS**

*Expressed in millions of U.S. dollars*

	<u>June 30, 1998</u>	<u>June 30, 1997</u>
<b>Approved Commitments</b>		
Investment Projects	\$ 933.7	\$ 749.7
Project Preparation Advances (PPA)	12.6	13.0
Project Preparation and Development (PDF)	13.1	8.8
Enabling Activities	<u>1.9</u>	<u>0.8</u>
<b>Total project commitments</b>	961.3	772.3
Cumulative disbursements	<u>322.3</u>	<u>241.8</u>
<b>Commitments awaiting disbursement</b>	<u><u>\$ 639.0</u></u>	<u><u>\$ 530.5</u></u>

**INTERNATIONAL BANK FOR RECONSTRUCTION  
AND DEVELOPMENT**

**GLOBAL ENVIRONMENT FACILITY TRUST FUND -  
OPERATIONS OF THE SECRETARIAT  
WORLD BANK REFERENCE  
TF029006**

**REPORT AND FINANCIAL STATEMENT  
June 30, 1998**

**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

Global Environment Facility Council  
and International Bank for Reconstruction and Development  
and to the Secretariat for the Global Environment Facility Trust Fund

We have audited the accompanying schedule of disbursements (as defined in the Instrument for the Establishment of the Restructured Global Environment Facility dated March 1994) of the Global Environment Facility Trust Fund – Operations of the Secretariat (the Secretariat) as supported administratively by the International Bank for Reconstruction and Development (the Bank) for the year ended June 30, 1998 and for the period from March 14, 1991 (date of inception) to June 30, 1998. This schedule is the responsibility of the Bank's management. Our responsibility is to express an opinion on this schedule based on our audit. The schedule of disbursements of the Secretariat 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 schedule and included an explanatory statement that described the basis of accounting discussed in Note 2. The schedule for the period March 14, 1991 (date of inception) to June 30, 1997 reflects total disbursements of US\$ 24.3 million. 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 audit in accordance with generally accepted auditing standards in the United States of America and with the International Standards on Auditing. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the schedule of disbursements is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the schedule of disbursements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall schedule presentation. We believe that our audit and the report of other auditors provide a reasonable basis for our opinion.

As described in Note 2, this schedule was prepared on the basis of cash disbursements, modified to reflect accruals with respect to administrative expenses incurred but not paid. This schedule is not intended to be a presentation in conformity with generally accepted accounting principles.

In our opinion, based on our audit and the report of other auditors, such schedule of disbursements presents fairly, in all material respects, the disbursements of the Global Environment Facility Trust Fund – Operations of the Secretariat as supported administratively by the International Bank for Reconstruction and Development for the year ended June 30, 1998 and for the period from March 14, 1991 (date of inception) to June 30, 1998, on the basis of accounting described in Note 2.

This report is intended solely for the information and use of the Global Environment Facility Council, the Secretariat, and management and the Board of Governors of the International Bank for Reconstruction and Development and should not be used for any other purpose.

*Deloitte Touche Tohmatsu (International Firm)*

September 10, 1998

GLOBAL ENVIRONMENT FACILITY TRUST FUND  
OPERATIONS OF THE SECRETARIAT

**SCHEDULE OF DISBURSEMENTS**

*Expressed in millions of U.S. dollars*

	Year ended June 30, 1998	March 14, 1991 (inception) to June 30, 1998
<b>Disbursements</b>		
Project disbursements	\$ 0.0	\$ 1.5
Administrative expenses	8.7	31.5
	<u>\$ 8.7</u>	<u>\$ 33.0</u>
<b>Of which:</b>		
Disbursed by the Trustee on behalf of the Secretariat	\$ 0.0	\$ 1.5
Reimbursed by the Trustee	7.8	30.6
Reimbursable by the Trustee	0.9	0.9
	<u>\$ 8.7</u>	<u>\$ 33.0</u>

The accompanying notes are an integral  
part of this schedule

# GLOBAL ENVIRONMENT FACILITY TRUST FUND OPERATIONS OF THE SECRETARIAT

## NOTES TO THE SCHEDULE OF DISBURSEMENTS

### **NOTE 1 - ORGANIZATION AND OPERATION OF THE GEF TRUST FUND**

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 loans 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. Incremental costs of activities concerning land degradation as they relate to the four focal areas are also eligible for funding. In addition, the incremental costs of such other activities under Agenda 21 (the action plan of the 1992 United Nations Conference on Environment and Development) as may be agreed by the GEF Council ("the Council") are eligible for funding insofar as they achieve global environmental benefits in the four 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 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 a Global Environment Facility, established in 1991 as a pilot program) was terminated and all funds, receipts, assets and liabilities held in GET were transferred to the Fund at book value.

The Fund is administered by International Bank for Reconstruction and Development ("IBRD") as Trustee. Under the Instrument, the Trustee was authorized to accept contributions to the Fund from July 1, 1994 to June 30, 1997 ("GEF-1"). In March 1998, Contributing Participants (as defined in the Instrument) agreed upon the terms of a second replenishment for the period July 1, 1998 to June 30, 2002 ("GEF-2"). On July 14, 1998, by Resolution No. 98-2, IBRD's Executive Directors authorized IBRD to act as Trustee in respect of the resources made available for GEF-2. Resolution No. 98-2 also provides that any GEF-1 funds not committed by the Council at the end of GEF-1 period shall be administered as part of GEF-2.

The GEF Secretariat ("the Secretariat") is supported administratively by IBRD and operates in a functionally independent manner to discharge the responsibilities allotted to it under the Instrument. The Instrument similarly allots other responsibilities to the Trustee and the Implementing Agencies.

### **NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING AND RELATED POLICIES AND PROCEDURES**

#### **Basis of Accounting**

The accompanying schedule reports the operations of the Secretariat, not the consolidated operations and financial position of the Fund. Separate financial statements report the operations and financial positions of the Trustee, UNDP and UNEP; the operations of IBRD as Implementing Agency are reported in a separate schedule of disbursements. Cumulative figures in the accompanying schedule report the operations of the Secretariat from March 14, 1991 (date of inception) to June 30, 1998.

The schedule has been prepared on the cash basis of accounting modified to include accruals in respect of administrative expenses incurred but not paid at June 30, 1998.

### **Project Disbursements**

Upon request from the Secretariat, IBRD as Trustee makes project disbursements on its behalf.

### **Administrative Expenses**

IBRD is reimbursed by the Trustee for reasonable actual administrative costs it incurs in providing administrative support for the Secretariat. The Council reviews and approves the administrative budget of GEF.

### **Approved Commitments**

The GEF Administrator's Office, to which the Secretariat is the successor, was authorized by the GET participants (twenty-nine members of IBRD and Switzerland (now a member of IBRD)) to commit USD 2.6 million in respect of the Program for Measuring Incremental Costs for the Environment (PRINCE) project.

### **NOTE 3 - SCHEDULE OF APPROVED COMMITMENTS**

*Expressed in millions of U.S. dollars*

	<u>June 30, 1998</u>	<u>June 30, 1997</u>
<b>Approved Commitments</b>		
Project commitments	<u>\$ 2.6</u>	<u>\$ 3.3</u>
<b>Total project commitments</b>	2.6	3.3
Cumulative disbursements	<u>1.5</u>	<u>1.5</u>
<b>Commitments awaiting disbursement</b>	<u><u>\$ 1.1</u></u>	<u><u>\$ 1.8</u></u>

**UNITED NATIONS BOARD OF AUDITORS**

**UNITED NATIONS DEVELOPMENT PROGRAMME  
GLOBAL ENVIRONMENT FACILITY (GEF) TRUST FUND**

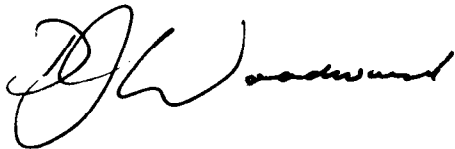
**AUDIT OPINION**

I have audited the following appended financial statement of the United Nations Development Programme (UNDP) Trust Fund for the Global Environment Facility for the financial period ended 31 December 1997. The statement is the responsibility of UNDP Management. My responsibility is to express an opinion on the financial statement 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, specialized agencies and the International Atomic Energy Agency. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statement is 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 statement. 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.

Except for any adjustments that may be found to be necessary upon receipt of outstanding audited expenditure statements relating to \$14,800,000 of nationally executed project expenditure, in my opinion, the financial statement presents fairly, in all material respects, the financial position of the Trust Fund for the Global Environment Facility as at 31 December 1997 and its income and expenditure for the financial period then ended.

Further, in my opinion, the transactions of the Trust Fund, 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 Council.



DJ Woodward  
Director of External Audit, United Kingdom  
On behalf of the United Nations Board of Auditors

4 September 1998

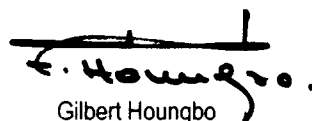
TRUST FUND FOR THE GLOBAL ENVIRONMENT FACILITY - GEF  
STATEMENT OF INCOME AND EXPENDITURE FOR GEF TRUSTEE FOR THE 12 MONTHS ENDED 31 DECEMBER

(IN US THOUSANDS DOLLARS)

	1997	1996
<b>INCOME</b>		
Transfers from Trustee	50 000	60 000
Investment income	3 308	2 904
Other income/(expenditure)	( 160)	3
Net income	53 148	62 907
<b>EXPENDITURE</b>		
Project disbursements	57 231	51 231
Administrative expenses	6 684	5 488
Savings on prior biennium's obligations	0	( 71)
Net expenditure	63 915	56 648
<b>Excess (shortfall) of income over expenditure</b>	<b>( 10 767)</b>	<b>6 259</b>
Fund balances, 1 January	40 260	34 001
<b>FUND BALANCES, 31 DECEMBER</b>	<b>29 493</b>	<b>40 260</b>

APPROVED PROJECT COMMITMENTS	
	Cumulative to 31 December 1997
	(In US thousands dollars)
Technical assistance	319 500
Pre-investment facility	18 200
Project preparation & development	11 100
Small Grants Programme & other	42 800
Total approved project commitments	391 600

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.



Gilbert Houngbo

Chief

Comptroller's Division

United Nations Development Programme

Notes to the Statement

This Statement of Income and Expenditure has been prepared on an accrual basis of accounting. Therefore it includes the following unliquidated obligations:

	<b>1997</b>	<b>1996</b>
	<i>(in US thousands dollars)</i>	
Unliquidated obligations-Projects	8 397	12 046
Unliquidated obligations-Administrative	206	157
Total Unliquidated obligations	8 603	12 203

On the other hand, outstanding advances receivable/(payable) made to executing agencies are (as at 31 December)

	<b>1997</b>	<b>1996</b>
	<i>(in US thousands dollars)</i>	
Government	8 824	6 718
Executing Agencies	( 11 274)	( 10 626)
Total O/S advances payable	( 2 450)	( 3 908)

The net outstanding advances payable to executing agencies include \$32,999 disbursed by GEF on their behalf.

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

**THE UNITED NATIONS BOARD OF AUDITORS**

**UNITED NATIONS ENVIRONMENT PROGRAMME**  
**GLOBAL ENVIRONMENT FACILITY (GEF) TRUST FUND**

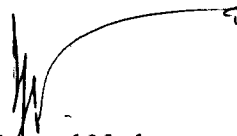
**Audit Opinion**

We have audited the accompanying Statement of Commitments as at 31 December 1997 and the Statement of Changes in Cash and Investments for the year then ended of the Global Environment Facility (GEF) Trust Fund of the United Nations Environment Programme (UNEP). These statements are the responsibility of the UNEP management. Our responsibility is to express an opinion on these statements based on our audit.

We conducted our audit in accordance with 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 from material misstatement. 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 audit provides a reasonable basis for our opinion.

Except that the statements were drawn up on an accrual basis rather than a cash basis as stated, and except for any adjustments that may be found to be necessary upon receipt of outstanding audited expenditure statements relating to \$1,144,386 spent by the executing agencies, in our opinion, the annexed statements present fairly, in all material respects, the commitments made by and the financial position of the Global Environment Facility Trust fund as at 31 December 1997 and the changes in cash and investments for the year then ended. Further, in our opinion, the resources of the Trust Fund have been used in accordance with the Instrument for the establishment of the Global Environment Facility and the decisions taken by the Council.

Our long form report on the audit of the Global Environmental Facility Trust Fund of UNEP is attached.



Kahwal Nath

Director of External Audit, India

On behalf of the United Nations Board of Auditors

Date: 31 August 1998  
New York NY 10017

## **A. Introduction**

1. The Board of Auditors has audited the annexed statements of the Global Environmental Facility (GEF) Trust Fund of the United Nations Environment Programme (UNEP) for the year 1997. UNEP provided the Board with two statements of GEF accounts. At Annex A is a statement of changes in cash and investments in respect of GEF accounts for 1997 and at Annex B is a statement of commitments for 1997. The audit was carried out at the GEF coordination unit at UNEP, Nairobi.

### **1. Main recommendations**

2. Receipt of audited statements of expenditure for projects costing more than \$50,000 each should be monitored closely.
3. Management should ensure that projects are not commenced before they are accepted and approved. Management should also continue to pursue the regular receipt of progress reports to enable it to monitor effectively the implementation of the projects and control time and cost overruns.

## **B. Financial issues**

### **United Nations Accounting Standards**

4. UNEP follows the Financial Regulations and Rules of the United Nations in respect of transactions relating to GEF as in the case of its other Trust Funds. UNEP has also adopted the United Nations Accounting Standards established by the General Assembly in preparing the financial statements for the year 31 December 1997.

### **GEF accounts**

5. The Statement in Annex A has been prepared by Management on an accrual basis in accordance with the United Nations Accounting Standards; accordingly, the increase in cash and investments as stated therein represents excess of income over expenditure and the cash and investments at the beginning and at the end of the period represent Reserve and Fund balances at the respective dates.

### **Non-receipt of audit certificates**

6. The projects of UNEP, including those financed from the GEF Trust Fund, are executed either internally or externally. UNEP does not receive original vouchers from its external executing agencies. Instead, a statement of expenditure is received which is used as the basis for incorporating the transactions into the accounts. The project documents signed with the executing agencies specify that for projects costing more than \$50,000 each, the executing agency should furnish an audit certificate to UNEP, along with the statements of expenditure. For the other projects, utilization of the cash advances will be watched through the quarterly financial statements to be received.

7. Of a total amount of \$6,685,204 advanced by UNEP to 34 executing agencies during 1997, twenty seven audit certificates involving an amount of \$1,144,386 were awaited by UNEP as at

31 December 1997 in respect of GEF projects costing more than \$50,000 each. For the GEF projects costing less than \$50,000 each, quarterly financial statements were awaited as at 31 December 1997 in 8 cases involving \$56,700.

8. Management stated that every effort was made to follow up on the receipt of audit certificates and that for 1996 15 audit certificates out of 19 and 10 financial statements out of 14 had been received as at 31 December 1997. Also, since most executing agencies complete their financial reports around April, audit certificates for 1997 would not be available in the first quarter of 1998.

9. **The Board recommends that receipt of audited statements of expenditure for projects costing more than \$50,000 each should be monitored closely.**

### **C. Management issues**

#### **Implementation of GEF projects**

10. From the computerized database relating to GEF projects, the Board noted that of the 34 ongoing projects, of which 24 commenced in 1996-1997, 25 projects were started before they were accepted or approved.

11. The Board's review of three closed sub-projects, five ongoing projects and 16 sub-projects indicated that :

- (a) there were time overruns in the execution of projects and the duration of three projects and 15 sub-projects was extended by periods ranging from 5 months to 2 years;
- (b) in the case of an umbrella project with 10 sub-projects, the estimated cost was revised from \$194,500 to \$454,000;
- (c) in two projects the required progress reports were either not received regularly or not received at all;
- (d) terminal reports in respect of two completed projects were received late and in the case of one project and one sub-project they were not received;
- (e) self-evaluation fact sheets were not received in respect of three projects.

12. Management informed us that institutional projects and umbrella projects are expected to be extended as and when additional funding becomes available and that delays in approving or revising a project are often due to slowness in response on the part of the executing agencies or communication problems with the countries involved; to amend the project to accommodate late signature would lead to further delays in project implementation. Management also stated that every attempt was made to receive the periodical prescribed reports.

13. The Board also reviewed a project on "Country case studies on climate change impacts and adaptations assessment". The project, started in January 1996 at a cost of \$2,000,000 was scheduled to be completed in May 1997. The project was revised four times and its duration was extended to June 1998 to allow time for the completion of the four sub-projects.

14. The Board noted that although the project document contained a detailed work plan and timetable, there was time overrun. Management attributed this to a delayed start, delay in preparation of the sub-project document with a donor, time taken in signing sub-project agreements with the national implementing agencies, delay in establishing of a country study team and problems

with local banks in handling fund transfers. In addition, delays were caused by problems in availability of personnel in the national study teams or of experts, and delays in the scheduling of workshops.

15. The Board noted that a revised work plan was prepared in May 1997. The final country reports that were to be submitted in May 1997 were received in March 1998, and the 18 month project took 30 months.

**16. The Board recommends that Management should ensure that projects are not commenced before they are accepted and approved. The Board also recommends that Management should continue to pursue the regular receipt of progress reports to enable it to monitor effectively the implementation of the projects and control time and cost overruns.**

Doc:WQ1.GEFTF  
21.5.98

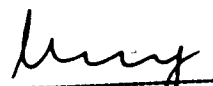
ANNEX A

Global Environmental Facility Trust Fund  
Financial Statement for UNEP

Statement of Changes in Cash and Investments  
Expressed in millions of US dollars

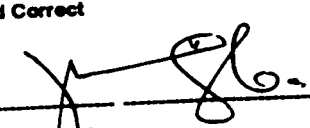
	1996	1997	1996-97
<b>Receipts</b>			
Disbursements received from Trustees	6.386	16.174	22.560
Investment Income	0.667	0.489	1.176
<b>Total Receipts</b>	<u>7.073</u>	<u>16.663</u>	<u>23.736</u>
<b>Outgoings</b>			
Disbursements	5.662	7.333	12.995
Administrative Expenses	2.702	2.801	5.503
<b>Total Outgoings</b>	<u>8.364</u>	<u>10.134</u>	<u>18.498</u>
Increase (Decrease) in cash and investments	(1.291)	6.529	5.238
Prior year adjustment	0	(0.001)	(0.001)
Cash and Investments (Reserve and Fund Balance) at beginning of period	5.845	4.554	5.845
Cash and Investments (Reserve and Fund Balance) at end of period	4.554	11.082	11.082

Certified Correct

  
\_\_\_\_\_  
R. Rikhy, Chief  
Financial Resources Management  
Services, UNON

Date: \_\_\_\_\_

Certified Correct

  
\_\_\_\_\_  
M. Alibade, Chief  
Project Accounts Unit, UNON

Date: 21-5-98

# ANNEX B

## Global Environmental Facility Trust Fund Financial Statement for UNEP

### Statement of Commitments Expressed in millions of US dollars

	1996	1997	Total 1996-97
Investment projects	0.000	0.000	0.000
Technical Assistance	8.958	13.036	21.994
Pre-Investment Facility (PRIF)	0.000	0.000	0.000
Project Preparation Advance (PPA/PDF)	0.411	2.555	2.966
Other (Administrative project)	2.052	2.376	4.428
STAP	1.079	1.170	2.249
<b>Total Approved Commitment</b>	<b>12.500*</b>	<b>19.137</b>	<b>31.637</b>
=====			

\* Excludes 1997 revisions to reflect 1996 expenditure