



June 30, 2014 and 2013

# **Global Environment Facility Trust Fund (GEF)**

Administered by the International Bank for Reconstruction and Development as Trustee

**World Bank Reference: TF029840**

**Independent Auditors' Report and Statements of Receipts,  
Disbursements and Fund Balance**

**The World Bank Group**

Trust Funds Division, Client Services Department

Controller's Vice Presidency

[www.worldbank.org](http://www.worldbank.org)

**Trust Fund for the Global Environment Facility**  
**Statements of Receipts, Disbursements and Fund Balance**

**June 30, 2014 and 2013**

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**KPMG LLP**  
Suite 12000  
1801 K Street, NW  
Washington, DC 20006

## **Independent Auditors' Report**

Global Environment Facility (GEF) Council; and  
International Bank for Reconstruction and Development  
as Trustee of the Global Environment Facility Trust Fund – TF029840

We have audited the accompanying statements of receipts, disbursements and fund balance (the Statements) of the Global Environment Facility Trust Fund – TF029840 (the Trust Fund) under administration by the International Bank for Reconstruction and Development (the Trustee) for the years ended June 30, 2014 and 2013, and the related notes to the Statements.

### ***Management's Responsibility for the Statements***

Management is responsible for the preparation and fair presentation of the Statements in accordance with the modified cash basis of accounting described in Note 4; this includes determining that the modified cash basis of accounting is an acceptable basis for the preparation of the Statements in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the Statements that are free from material misstatement, whether due to fraud or error.

### ***Auditors' Responsibility***

Our responsibility is to express an opinion on the Statements based on our audit. 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 audits to obtain reasonable assurance about whether the Statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the Statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the Statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the Statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the Statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.



***Opinion***

In our opinion, the Statements referred to above present fairly, in all material respects, the receipts, disbursements and fund balance of the Trust Fund for the years ended June 30, 2014 and 2013, in accordance with the modified cash basis of accounting described in Note 4.

***Basis of Accounting***

We draw attention to Note 4 of the Statements, which describes the basis of accounting. The Statements are prepared on the modified cash basis of accounting, which is a basis of accounting other than U.S. generally accepted accounting principles (U.S. GAAP) or International Financial Reporting Standards (IFRS). Our opinion is not modified with respect to this matter.

**KPMG LLP**

October 24, 2014

# STATEMENTS OF RECEIPTS, DISBURSEMENTS AND FUND BALANCE

For The Fiscal Years Ended June 30, 2014 and 2013

Expressed in U.S. dollars unless otherwise noted

	Notes	2014	2013
<b>Receipts</b>			
Contributions received	7	\$ 723,962,380	\$ 784,515,626
Net investment income	6	44,830,528	12,982,460
Investment income earned on GEF grant funds	8	2,140,352	2,877,286
<b>Total receipts</b>		<b>770,933,260</b>	<b>800,375,372</b>
<b>Disbursements</b>			
Disbursements for grants and fees	9	823,391,532	799,260,257
Disbursements for administrative budgets:	10		
UNEP (STAP)		2,203,129	2,219,745
Secretariat and Evaluation Office		24,307,896	21,734,649
IBRD/Trustee		3,499,900	4,236,500
<b>Total disbursements</b>		<b>853,402,457</b>	<b>827,451,151</b>
Excess of disbursements over receipts before foreign currency adjustment		(82,469,197)	(27,075,779)
Foreign currency adjustment		75,643	-
Excess of disbursements over receipts after foreign currency adjustment		(82,393,554)	(27,075,779)
<b>Fund balance:</b>			
Beginning of the year		3,647,250,578	3,674,326,357
<b>End of the year</b>		<b>\$ 3,564,857,024</b>	<b>\$ 3,647,250,578</b>
Fund balance consists of:			
Trust Fund's share of the cash and investment in the Pool	5	\$ 3,564,857,024	\$ 3,647,250,578

The accompanying notes are an integral part of the Statements of Receipts, Disbursements and Fund Balance.

# NOTES TO THE STATEMENTS OF RECEIPTS, DISBURSEMENTS AND FUND BALANCE

June 30, 2014 and 2013

*Expressed in U.S. dollars unless otherwise noted*

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## Note 1: Organization and Operations

On July 1, 1994 (date of inception, hereinafter referred to as “Inception”), the Global Environment Facility (“GEF”), was formally established as a financial mechanism by the Instrument for the Establishment of the Restructured Global Environment Facility (the “Instrument”). Further, the GEF Trust Fund (the “Trust Fund”) was established pursuant to the terms of the Instrument. Since inception, the Instrument has been amended periodically upon approval by the Assembly of the GEF (governing body of the GEF in which member countries participate) and adoption by the Implementing Agencies (see Note 3) and the Trustee of the Trust Fund (the “Trustee” as defined below).

The GEF provides funding to eligible countries for incremental costs of measures to achieve global environmental benefits in six focal areas specified in the Instrument, as amended: biological diversity, climate change, international waters, land degradation (primarily desertification and deforestation), ozone layer depletion, and persistent organic pollutants. 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 if they achieve global environmental benefits in the focal areas.

The Trust Fund is administered by the International Bank for Reconstruction and Development (“IBRD”) as Trustee. The resources of the Trust Fund, held in trust by the Trustee, are kept separate and apart from the resources of IBRD.

The responsibilities of the Trustee include the mobilization of resources for the Trust Fund, financial management of the Trust Fund, investment of funds as well as disbursement of funds to the Implementing Agencies (“IAs”), Executing Agencies (“EAs”) and GEF Project Agencies (see Note 3), in accordance with the provisions of the Instrument and decisions made by the Council.

## Note 2: Summary of Replenishments

As of June 30, 2014, there have been five replenishment cycles under which the Trustee was authorized to accept contributions to the Trust Fund, as follows:

GEF-1: July 1, 1994 – June 30, 1998: \$2.01 billion

GEF-2: July 1, 1998 – June 30, 2002: \$2.67 billion

GEF-3: July 1, 2002 – June 30, 2006: \$2.93 billion

GEF-4: July 1, 2006 – June 30, 2010: \$3.34 billion

GEF-5: July 1, 2010 – June 30, 2014: \$4.34 billion

# NOTES TO THE STATEMENTS OF RECEIPTS, DISBURSEMENTS AND FUND BALANCE

June 30, 2014 and 2013

*Expressed in U.S. dollars unless otherwise noted*

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On July 19, 2010, the World Bank Executive Directors adopted IBRD Resolution No. 2010-0004 entitled "Global Environment Facility Trust Fund Fifth Replenishment of Resources (the "GEF-5 Resolution") thereby authorizing the IBRD, as Trustee of the Trust Fund, to manage the resources made available under the fifth replenishment of resources to the Trust Fund (the "GEF-5").

In April 2014, negotiations for GEF-6 replenishment covering the period July 1, 2014 to June 30, 2018 were concluded and an amount of \$4.43 billion (unaudited) was pledged to the Trust Fund. As of June 30, 2014, no country has issued an Instrument of Commitment against these pledges.

### **Note 3: Implementing and Executing Agencies and GEF Project Agencies**

Under the Instrument, there are three Implementing Agencies: IBRD, the United Nations Development Programme (UNDP) and the United Nations Environment Programme (UNEP) (jointly, the "IAs", each individually, an "IA"). Specific responsibilities are assigned to each of the IAs, the GEF Secretariat (the "Secretariat"), the Trustee and the Scientific and Technical Advisory Panel (STAP). GEF resources are allocated to each of those parties pursuant to the terms of the Instrument. In addition, the GEF Council decided in 2003 that the GEF Monitoring and Evaluation Unit shall operate functionally independent and report directly to the GEF Council.

The Secretariat coordinates the formulation of projects included in the annual work program, oversees its implementation, and ensures that operational strategy and policies are followed. The Secretariat is supported administratively by IBRD but operates in an independent manner to discharge the responsibilities assigned to it under the Instrument.

The GEF Chief Executive Officer ("CEO") is appointed by the Council on the joint recommendation of the IAs and heads the Secretariat. In addition to the three Implementing Agencies above, the following organizations receive funding from the GEF:

- Asian Development Bank (ADB)
- African Development Bank/African Development Fund (collectively AfDB)
- Conservation International (CI)
- European Bank for Reconstruction and Development (EBRD)
- Food and Agriculture Organization of the United Nations (FAO)
- Inter-American Development Bank (IADB)
- International Fund for Agriculture and Development (IFAD)
- United Nations Industrial Development Organization (UNIDO)
- World Wildlife Fund (WWF-US)

# NOTES TO THE STATEMENTS OF RECEIPTS, DISBURSEMENTS AND FUND BALANCE

June 30, 2014 and 2013

*Expressed in U.S. dollars unless otherwise noted*

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## Note 4 - Significant Accounting Policies

### *Basis of preparation*

The Statements of Receipts, Disbursements and Fund Balance (the Statements) have been prepared on the cash receipts and disbursements basis of accounting, modified to record the Trust Fund's share in the pooled cash and investments at fair value (modified cash basis of accounting). Accordingly, net investment income includes the Trust Fund's share of realized and unrealized investment income/loss (see Note 5).

The modified cash basis of accounting is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America (U.S. GAAP) or International Financial Reporting Standards (IFRS); therefore, the Statement is not intended to be a presentation in conformity with U.S. GAAP or IFRS. Receipts, with the exception of net investment income, as described above and in Note 6, are reported when collected (i.e., when credited to the Trust Fund) rather than when pledged/earned, and disbursements are reported when paid (i.e., when debited to the Trust Fund) rather than when incurred. For example, the following transactions may be incurred in a different period than reported: (1) contributions not credited to the Trust Fund at the period end date due to timing or other reasons and (2) any refunds of previous disbursements deemed by the Trustee, to be ineligible in accordance with the Trust Fund agreement.

The Statements do not include receipts, disbursements and fund balance of the IAs, the Secretariat, STAP, the Evaluation Office, the EA or GEF Project Agencies. Furthermore, for purposes of these Statements, amounts relating to UNEP include STAP, and similarly, amounts relating to the Secretariat include the Evaluation Office which is responsible for undertaking evaluations that involve a set of projects from more than one IA, EA or GEF Project Agency.

### *Treatment of foreign currency transactions*

The Statements are presented in U.S. dollars, which is the Trust Fund's functional and presentation currency. Transactions in currencies other than U.S. dollars are reported as follows:

- (i) Contributions received by the Trust Fund in various currencies are converted into U.S. dollars by IBRD, as Trustee, upon receipt of funds and receipt of countersigned administration agreements. Foreign currency transaction gains or losses, if any, on conversion of the contributions are borne by the Trust Fund and are reported in contributions.
- (ii) Disbursement to Agencies in currencies other than the U.S. dollars, if any, are reported at the rates of exchange prevailing on the date of transaction and hence does not result in any exchange gain/loss to the Trust Fund.



# NOTES TO THE STATEMENTS OF RECEIPTS, DISBURSEMENTS AND FUND BALANCE

June 30, 2014 and 2013

*Expressed in U.S. dollars unless otherwise noted*

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- (iii) At the end of each reporting period, fund balances that are not denominated in U.S. dollars, are revalued at the market rates of exchange prevailing at the end of the respective reporting period. Any adjustment resulting from currency exchange rate changes is recognized as foreign currency adjustment.

*Use of Estimates* - The preparation of the Statements in conformity with the modified cash basis of accounting requires management to make estimates and assumptions based upon information available as of the date of these Statements. Actual results could differ from these estimates. Areas in which management makes estimates and assumptions in determining the amounts to be recorded include the fair value of Trust Fund's share of the pooled cash and investments.

## **Note 5 - Trust Fund's Share of the Cash and Investments in the Pool**

Amounts paid into the Trust Fund but not yet disbursed, are managed by IBRD, which maintains an investment portfolio (the Pool) for all of the trust funds administered by IBRD, the International Development Association, the International Finance Corporation, the Multilateral Investment Guarantee Agency, and the International Centre for Settlement of Investment Disputes (collectively, the World Bank Group). IBRD, on behalf of the World Bank Group, maintains all trust fund assets separate and apart from the funds of the World Bank Group.

The Pool is a trading portfolio and is reported at fair value, with realized and unrealized gains/losses included in net investment income. The share in pooled cash and investments represents the Trust Fund's share of the Pool's fair value at the end of each reporting period. The Trust Fund's share in the Pool is not traded in any market; however, the underlying assets within the Pool are traded, and reported at fair value. All investment decisions are made and performance is monitored at the Pool level.

Generally, the Pool includes cash and liquid financial instruments such as government and agency obligations, time deposits, money market securities, and asset-backed securities. Additionally, the Pool includes derivative contracts such as currency forward contracts, currency swaps, interest rate swaps, and contracts to purchase or sell mortgage-backed securities to-be-announced (TBAs). Payables and receivables associated with the investment activities are also included in the Pool. The Pool may also include securities pledged as collateral under repurchase agreements as well as derivatives with other counterparties. The Pool may also include securities receivable from resale agreements as well as derivatives for which it has accepted collateral.

The Pool is divided into sub-portfolios to which allocations are made based on fund-specific investment horizons, risk tolerances and/or other eligibility requirements for trust funds with common characteristics as determined by IBRD, on behalf of the World Bank Group. An individual sub-portfolio may hold all or a portion of the types of financial instruments held by the Pool.

# NOTES TO THE STATEMENTS OF RECEIPTS, DISBURSEMENTS AND FUND BALANCE

June 30, 2014 and 2013

*Expressed in U.S. dollars unless otherwise noted*

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The Trust Fund's share of the cash and investments in the Pool has a fair value of \$3,564,857,024 and \$3,647,250,578 as of June 30, 2014 and 2013, respectively.

## **Note 6 - Net Investment Income**

Net investment income consists of the Trust Fund's allocated share of the following: interest income earned by the Pool, realized gains/losses from sales of securities, and unrealized gains/losses resulting from recording the assets held by the Pool at fair value.

## **Note 7: Contributions Received**

The Trust Fund receives its funding primarily from contributions, arising in the course of ordinary activities, provided by the participants contributing to the Trust Fund ("Contributing Participants"). Contributing Participants provide Instrument of Commitment (IoCs) as a means of indicating their commitment to contribute to the Trust Fund. The IoCs can be qualified or unqualified. Contributing Participants satisfy their obligations under the IoCs through the payment of cash or by depositing non-negotiable, non-interest-bearing demand promissory notes, or similar obligations with the Trustee in accordance with the payment schedules set forth in the respective replenishment resolutions. In accordance with the modified cash basis of accounting, IoCs and promissory notes are not recorded in the Statements, but rather, cash contributions received in order to extinguish the IoCs or promissory notes are recorded.

# NOTES TO THE STATEMENTS OF RECEIPTS, DISBURSEMENTS AND FUND BALANCE

June 30, 2014 and 2013

Expressed in U.S. dollars unless otherwise noted

Cash contributions received during the fiscal year ended June 30, 2014 and 2013, are presented below.

Contributing Participants	Amounts Received	
	2014	2013
Australia	\$ 17,780,476	\$ 20,883,774
Austria	10,181,850	12,722,151
Belgium	22,584,500	22,832,700
Brazil	8,110,264	-
Canada	25,137,262	52,898,551
China	3,445,000	3,445,000
Denmark	18,106,757	17,437,400
Finland	18,634,980	17,597,580
France	46,861,916	44,228,079
Germany	107,608,606	95,406,002
India	2,250,000	2,250,000
Ireland	1,928,013	1,829,244
Italy	32,798,038	26,929,126
Japan	93,556,403	114,077,424
Korea, Republic of	1,703,335	1,856,665
Luxembourg	1,332,715	1,433,797
Mexico	2,169,065	2,222,910
Netherlands	25,787,559	50,918,370
New Zealand	1,681,396	1,754,916
Norway	14,110,554	12,714,564
Pakistan	236,393	322,485
Portugal	409,770	739,172
Russian Federation	2,500,000	2,500,000
Slovenia	945,151	898,502
South Africa	1,292,749	1,452,967
Sweden	22,039,756	23,812,987
Switzerland	31,709,205	30,151,501
Turkey	431,911	543,552
United Kingdom	64,878,756	65,816,100
United States	143,750,000	154,840,107
<b>Total Contributions</b>	<b>\$ 723,962,380</b>	<b>\$ 784,515,626</b>

# NOTES TO THE STATEMENTS OF RECEIPTS, DISBURSEMENTS AND FUND BALANCE

June 30, 2014 and 2013

*Expressed in U.S. dollars unless otherwise noted*

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## **Note 8: Investment Income Earned on GEF Grant Funds**

As part of normal operations, the Trust Fund transfers large amounts to the IAs, EAs and GEF Project agencies (“agencies”) in order for them to execute GEF projects. These agencies will not immediately disburse these funds, due to the nature of the projects. Furthermore, the agencies earn interest income on these funds while being held, pending their disbursement. The agencies are required, by virtue of financial procedure agreements (“FPA”s) between the agencies and the Trustee, to report and remit this income to the Trust Fund upon request by the Trustee. In accordance with the modified cash basis of accounting, investment income on GEF Grant Funds is recognized when received by the Trust Fund.

## **Note 9: Disbursements for Grants and Fees**

The Trust Fund disburses grant funds to the IAs, EAs as well as GEF Project Agencies, who have entered into arrangements with the Trustee for their direct access to GEF resources to fund GEF projects. The Council has delegated to the GEF CEO its authority to approve projects whose funding size is \$2 million or less and enabling activities which are subject to expedited processes. Grants are payable to the IAs, the EAs and GEF Project Agencies upon their request, and after they have also approved the projects.

Grants exceeding \$2 million, or grants for enabling activities which are not subject to expedited processes, must be approved by the Council and further endorsed by the GEF CEO.

Fees are paid to the IAs and the EAs to cover expenses associated with the project cycle management of GEF projects. Fees are paid to the IAs, the EAs and GEF Project Agencies upon their request.

# NOTES TO THE STATEMENTS OF RECEIPTS, DISBURSEMENTS AND FUND BALANCE

June 30, 2014 and 2013

Expressed in U.S. dollars unless otherwise noted

For the fiscal year ended June 30, 2014 and 2013, disbursements for grants and fees are as follows:

	Disbursements	
	2014	2013
<b>Grants</b>		
ADB	\$ 16,898,000	\$ 28,542,000
AfDB	4,600,000	765,200
EBRD	9,290,909	210,460
FAO	52,000,000	24,000,000
GEF Secretariat	670,000	2,818,117
IADB	14,000,000	16,500,000
IBRD/IA	288,000,000	227,988,628
IFAD	(34,847)	8,834,856
UNDP	233,000,000	352,000,000
UNEP	60,000,000	60,000,000
UNIDO	41,971,256	30,514,279
World Wide Fund	659,673	-
<b>Sub-total</b>	<b>\$ 721,054,991</b>	<b>\$ 752,173,540</b>
<b>Fees</b>		
ADB	\$ 1,124,454	\$ 2,570,442
AfDB	-	(360,000)
EBRD	928,091	498,941
FAO	7,171,861	-
IADB	3,162,003	1,268,628
IBRD/IA	28,084,558	13,263,871
IFAD	-	755,318
UNDP	43,470,276	16,366,454
UNEP	8,747,861	7,737,318
UNIDO	9,141,467	4,985,745
World Wide Fund	505,970	-
<b>Sub-total</b>	<b>\$ 102,336,541</b>	<b>\$ 47,086,717</b>
<b>Total</b>	<b>\$ 823,391,532</b>	<b>\$ 799,260,257</b>

# NOTES TO THE STATEMENTS OF RECEIPTS, DISBURSEMENTS AND FUND BALANCE

June 30, 2014 and 2013

*Expressed in U.S. dollars unless otherwise noted*

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## **Note 10: Disbursements for Administrative Budgets**

In accordance with the Instrument, the Council approves administrative budgets of the IAs, EAs, STAP, the Secretariat and Evaluation Office for administrative expenses incurred in the performance of their respective functions. In addition, the Trustee is reimbursed annually from the resources of the Trust Fund for expenses it incurs in the administration of the Trust Fund and for expenses incurred in administratively supporting the Secretariat. Administrative budget is paid to the entities upon their request.

## **Note 11: Subsequent Events**

Management has evaluated subsequent events through October 24, 2014, the date these Statements were available to be issued and there are no subsequent events that would require adjustment to or disclosure in the Statements.