



June 30, 2016 and 2015

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, Accounting and Business Services Department
Finance and Accounting Vice Presidency

www.worldbank.org

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

June 30, 2016 and 2015

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KPMG LLP
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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 fiscal years ended June 30, 2016 and 2015, and the related notes to the Statements.

Management's Responsibility for the Financial 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 financial 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 Statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these 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 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 Trustee'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 Trustee'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 fiscal years ended June 30, 2016 and 2015, in accordance with the modified cash basis of accounting described in Note 4.



Basis of Accounting

We draw attention to Note 4 to 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 or International Financial Reporting Standards. Our opinion is not modified with respect to this matter.

KPMG LLP

Washington, District of Columbia
October 14, 2016

STATEMENTS OF RECEIPTS, DISBURSEMENTS AND FUND BALANCE

For The Fiscal Years Ended June 30, 2016 and 2015

Expressed in U.S. dollars unless otherwise noted

	Notes	2016	2015
Receipts			
Contributions received	7	\$ 751,092,358	\$ 788,569,178
Net investment income	6	45,796,743	30,384,964
Investment income earned on GEF grant funds	8	1,307,116	2,233,210
Total receipts		798,196,217	821,187,352
Disbursements			
Disbursements for grants and fees	9	711,609,208	980,828,682
Disbursements for administrative budgets:	10		
UNEP (STAP)		2,540,000	2,540,000
Secretariat and Evaluation Office		29,974,355	21,050,779
IBRD/Trustee		2,903,250	3,140,250
Total disbursements		747,026,813	1,007,559,711
Excess of receipts over disbursements/(disbursements over receipts) before foreign currency adjustment		51,169,404	(186,372,359)
Foreign currency adjustment		(371)	(93,928)
Excess of receipts over disbursements/(disbursements over receipts) after foreign currency adjustment		51,169,033	(186,466,287)
Fund balance:			
Beginning of the year		3,378,390,737	3,564,857,024
End of the year		\$3,429,559,770	\$3,378,390,737
Fund balance consists of:			
Trust Fund's share of the cash and investment in the Pool	5	\$ 3,429,559,770	\$ 3,378,390,737

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

NOTES TO THE STATEMENTS OF RECEIPTS, DISBURSEMENTS AND FUND BALANCE

June 30, 2016 and 2015

Expressed in U.S. dollars unless otherwise noted

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, 2016, there have been six 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

GEF-6: July 1, 2014 – June 30, 2018: \$4.43 billion

NOTES TO THE STATEMENTS OF RECEIPTS, DISBURSEMENTS AND FUND BALANCE

June 30, 2016 and 2015

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On July 30, 2014, the World Bank Executive Directors adopted IBRD Resolution No. 2014-0002 entitled "Global Environment Facility Trust Fund Sixth Replenishment of Resources (the "GEF-6 Resolution") thereby authorizing the IBRD, as Trustee of the Trust Fund, to manage the resources made available under the sixth replenishment of resources to the Trust Fund (the "GEF-6").

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)
- Fundo Brasileiro para a Biodiversidade (FUNBIO)
- Inter-American Development Bank (IADB)
- International Fund for Agriculture and Development (IFAD)
- International Union for Conservation of Nature and Natural Resources (IUCN)
- The Development Bank of Southern Africa (DBSA)
- United Nations Industrial Development Organization (UNIDO)
- World Wildlife Fund (WWF-US)
- Banque Ouest Africaine De Developpement (BOAD)

NOTES TO THE STATEMENTS OF RECEIPTS, DISBURSEMENTS AND FUND BALANCE

June 30, 2016 and 2015

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- Corporacion Andina De Fomento (CAF)
- Foreign Economic Cooperation Office of the Ministry of Environmental Protection of China (FECO)

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 of 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 gains/losses (see Note 5, 6 and 8).

The modified cash basis of accounting is a comprehensive basis of accounting other than U.S. generally accepted accounting principles (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 one period and reported in a different period: (1) contributions not credited to the Trust Fund at the period end date due to timing or other reasons (2) distributions, including approved grant payments, not debited to the Trust Fund at period end due to timing or other reasons; and (3) 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 in the Statements.

NOTES TO THE STATEMENTS OF RECEIPTS, DISBURSEMENTS AND FUND BALANCE

June 30, 2016 and 2015

Expressed in U.S. dollars unless otherwise noted

- (ii) Disbursements to Agencies in currencies other than U.S. dollars, if any, are reported at the rates of exchange prevailing on the date of transaction and therefore do not result in any exchange gain/loss to the Trust Fund.
- (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 in the statements.

Use of estimates

The preparation of the Statements requires management to make estimates and assumptions based upon information available as of the date of the 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 modified cash basis trust funds' share of the pooled cash and investments (see notes 5,6 and 8).

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 the 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 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 equity securities, 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, receivables from resale agreements and derivatives for which it has accepted collateral.

NOTES TO THE STATEMENTS OF RECEIPTS, DISBURSEMENTS AND FUND BALANCE

June 30, 2016 and 2015

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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.

The Trust Fund's share of the cash and investments in the Pool has a fair value of \$3,429,559,770 and \$3,378,390,737 as of June 30, 2016 and 2015, 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 Instruments 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 / similar obligations are not recorded in the Statements, but rather, cash contributions received in order to extinguish the IoCs or promissory notes / similar obligations are recorded.

NOTES TO THE STATEMENTS OF RECEIPTS, DISBURSEMENTS AND FUND BALANCE

June 30, 2016 and 2015

Expressed in U.S. dollars unless otherwise noted

Cash contributions received during the fiscal year ended June 30, 2016 and 2015, are presented below.

Contributing Participants	Amounts Received	
	2016	2015
Australia	\$ 15,746,387	\$ 16,148,896
Austria	10,573,660	9,839,097
Bangladesh	50,000	-
Belgium	21,096,120	22,805,460
Brazil	-	1,084,715
Canada	43,604,651	67,070,557
China	4,682,500	4,682,500
Czech Republic	1,196,985	1,342,924
Denmark	-	36,398,153
Finland	15,580,586	27,428,968
France	70,260,000	70,260,000
Germany	83,339,995	96,342,997
India	3,000,000	3,000,000
Ireland	3,192,444	1,825,489
Italy	42,030,976	24,639,120
Japan	97,317,524	85,067,266
Korea, Republic of	1,712,997	1,750,966
Luxembourg	1,122,504	1,078,689
Mexico	-	15,552,747
Netherlands	22,610,975	25,506,257
New Zealand	1,608,064	1,465,603
Norway	10,301,155	7,787,078
Pakistan	1,553,857	1,614,948
Portugal	154,990	332,603
Slovenia	1,168,058	675,168
South Africa	1,118,920	1,383,485
Spain	6,463,200	19,169,904
Sweden	20,165,555	17,010,089
Switzerland	35,539,439	27,923,791
Turkey	141,315	172,453
United Kingdom	67,496,501	62,646,255
United States	168,263,000	136,563,000
Total Contributions	\$ 751,092,358	\$ 788,569,178

NOTES TO THE STATEMENTS OF RECEIPTS, DISBURSEMENTS AND FUND BALANCE

June 30, 2016 and 2015

Expressed in U.S. dollars unless otherwise noted

Note 8 - Investment Income Earned on GEF Grant Funds

As part of normal operations, the Trust Fund transfers funds 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 the funds are 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 such GEF Grant Funds is recognized when received by the Trust Fund.

Note 9 - Disbursements for Grants and Fees

The Council has delegated to the GEF CEO its authority to approve projects whose funding size is \$2 million or less and enabling activities that 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. The Trust Fund then 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 such approved GEF projects.

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

The Trust Fund pays fees 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, 2016 and 2015

Expressed in U.S. dollars unless otherwise noted

For the fiscal year ended June 30, 2016 and 2015, disbursements for grants and fees are as follows:

	Disbursements	
	2016	2015
Grants		
ADB	\$ 11,273,734	\$ 15,698,780
AfDB	850,000	5,206,484
CI	7,108,022	583,135
DBSA	102,500	-
EBRD	22,000,000	2,300,000
FAO	31,700,000	-
FUNBIO	300,000	-
GEF Secretariat	-	23,552,000
IADB	-	13,000,000
IBRD/IA	152,000,000	507,000,000
IFAD	20,826,468	14,712,820
IUCN	2,250,000	-
UNDP	261,000,000	252,000,000
UNEP	80,000,000	60,000,000
UNIDO	60,271,939	15,000,000
World Wildlife Fund	1,235,133	-
Sub-total	\$ 650,917,796	\$ 909,053,219
Fees		
ADB	\$ 341,546	\$ 1,128,009
CI	144,399	481,281
DBSA	775,321	-
EBRD	1,925,000	218,500
FAO	7,725,575	7,023,462
IADB	1,916,666	6,248,862
IBRD/IA	5,621,003	16,833,139
IFAD	101,051	1,093,697
IUCN	206,350	-
UNDP	28,973,187	30,560,116
UNEP	12,893,697	7,798,762
World Wildlife Fund	67,617	389,635
Sub-total	\$ 60,691,412	\$ 71,775,463
Total	\$ 711,609,208	\$ 980,828,682

NOTES TO THE STATEMENTS OF RECEIPTS, DISBURSEMENTS AND FUND BALANCE

June 30, 2016 and 2015

Expressed in U.S. dollars unless otherwise noted

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 disbursements are paid to the entities upon their request.

Note 11 - Subsequent Events

Management has evaluated subsequent events through October 14, 2016, 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.