



June 30, 2018 and 2017

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 and Loans Department
Finance and Accounting Vice Presidency
www.worldbank.org



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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, 2018 and 2017, and the related notes to the Statements.

We are independent of the Trust Fund and the Trustee in accordance with the ethical requirements that are relevant to our audit of the Statements in the United States of America together with the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* and we have fulfilled our other ethical responsibilities in accordance with these requirements, respectively.

Responsibilities of Management and Those Charged with Governance 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 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.

In preparing the Statements, management is responsible for evaluating whether there are conditions and events, considered in the aggregate, that raise substantial doubt about the Trust Fund's ability to continue as a going concern within one year after the date that the Statements are issued or available to be issued, and disclosing, as applicable, matters relating to this evaluation unless the liquidation basis of accounting is being used.

Those charged with governance are responsible for overseeing the Trust Fund's financial reporting process.

Auditors' Responsibility

Our responsibility is to express an opinion on the 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, whether due to fraud or error. Reasonable assurance is a high level of assurance but is not a guarantee that an audit will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the Statements.

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. We design audit procedures responsive to those risks and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error because fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.



In making those risk assessments, the auditor considers internal control relevant to the Trust Fund'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 Trust Fund'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, structure, and content of the Statements, including disclosures, and whether the Statements represent the underlying transactions and events in a manner that achieves fair presentation.

As part of an audit, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Conclude on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether substantial doubt exists related to the Trust Fund's ability to continue as a going concern. If we conclude that substantial doubt exists, we are required to draw attention in our auditor's report to the related disclosures in the Statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Trust Fund to cease to continue as a going concern.
- Obtain sufficient appropriate audit evidence regarding the financial information of the Trustee or business activities within the Trust Fund to express an opinion on the Statements. We are responsible for the direction, supervision, and performance of the audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies or material weaknesses in internal control that we identify during our audit. 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 and disbursements and fund balance of the Trust Fund for the years ended June 30, 2018 and 2017 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 accounting principles generally accepted in the United States of America or International Financial Reporting Standards, as issued by International Accounting Standards Board. Our opinion is not modified with respect to this matter.

KPMG LLP

Washington, District of Columbia
October 4, 2018

STATEMENTS OF RECEIPTS, DISBURSEMENTS AND FUND BALANCE

For the Fiscal Years Ended June 30, 2018 and 2017

Expressed in U.S. dollars unless otherwise noted



	<u>Notes</u>	<u>2018</u>	<u>2017</u>
Receipts			
Contributions received	6	\$ 742,303,413	\$ 693,164,582
Net investment income	7	58,378,832	41,912,730
Investment income earned on GEF funds	8	<u>3,928,086</u>	<u>3,503,511</u>
Total receipts		<u>804,610,331</u>	<u>738,580,823</u>
Disbursements to Agencies, net			
For projects and fees	9	750,558,503	578,511,686
For administrative budgets:	10		
Secretariat and Evaluation Office		27,261,837	18,954,000
IBRD as Trustee		3,294,019	2,897,930
UNEP/ (Scientific and Technical Advisory Panel)		<u>-</u>	<u>(88,317)</u>
Total disbursements		<u>781,114,359</u>	<u>600,275,299</u>
Excess of receipts over disbursements before foreign currency adjustment		23,495,972	138,305,524
Foreign currency adjustment		<u>(4,363)</u>	<u>(2,131)</u>
Excess of receipts over disbursements after foreign currency adjustment		23,491,609	138,303,393
Fund balance:			
Beginning of the year		<u>3,567,863,163</u>	<u>3,429,559,770</u>
End of the year		<u>\$ 3,591,354,772</u>	<u>\$ 3,567,863,163</u>
Fund balance consists of:			
Trust Fund's share of the cash and investment in the Pool	5	<u>\$ 3,591,354,772</u>	<u>\$ 3,567,863,163</u>
		3,591,354,772	3,567,863,163

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, 2018 and 2017

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 the following focal areas specified in the Instrument, as amended: biological diversity, climate change, international waters, land degradation (primarily desertification and deforestation), and chemicals and waste.

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, Executing Agencies and GEF Project Agencies (“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, 2018, 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, 2018 and 2017

Expressed in U.S. dollars unless otherwise noted

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 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 Agencies and Executing / 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 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 Executing/ GEF Project Agencies 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)
- West African Development Bank (BOAD)

NOTES TO THE STATEMENTS OF RECEIPTS, DISBURSEMENTS AND FUND BALANCE

June 30, 2018 and 2017

Expressed in U.S. dollars unless otherwise noted

- Development Bank of Latin America (CAF)
- Foreign Economic Cooperation Office, 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 and 7).

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 Statements are 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 Agencies, the Secretariat, STAP, and the Evaluation Office. 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 of the Agencies.

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 received in the Statements.

NOTES TO THE STATEMENTS OF RECEIPTS, DISBURSEMENTS AND FUND BALANCE

June 30, 2018 and 2017

Expressed in U.S. dollars unless otherwise noted

- (ii) Disbursement 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 hence does 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. Management makes estimates and assumptions in determining the amounts to be recorded in the fair value of modified cash basis trust funds' share of the pooled cash and investments (see notes 5 and 7).

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, 2018 and 2017

Expressed in U.S. dollars unless otherwise noted

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 \$3,591,354,772 and \$3,567,863,163 as of June 30, 2018 and 2017, respectively.

Note 6 - Contributions Received

The Trust Fund receives its funding primarily from contributions, provided by the participants contributing to the Trust Fund ("Contributing Participants"). Contributing Participants provide Instrument of Commitments (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 in order to extinguish the IoCs or promissory notes / similar obligations are recorded, when received.

NOTES TO THE STATEMENTS OF RECEIPTS, DISBURSEMENTS AND FUND BALANCE

June 30, 2018 and 2017

Expressed in U.S. dollars unless otherwise noted

Cash contributions received during the fiscal year ended June 30, 2018 and 2017, are presented below.

Contributing Participants	Amounts Received	
	2018	2017
Australia	\$ 15,259,146	\$ 14,982,619
Austria	19,799,577	12,155,847
Bangladesh	25,000	25,000
Belgium	21,875,460	20,446,980
Brazil	-	3,064,943
Canada	19,616,415	39,913,248
China	-	9,297,500
Cote d'Ivoire	-	511,896
Czech Republic	1,361,290	1,206,774
Denmark	15,886,128	14,451,911
Finland	24,098,944	8,479,684
France	70,260,000	70,260,000
Germany	83,931,580	75,546,103
India	3,000,000	3,000,000
Ireland	1,703,921	-
Italy	20,003,438	54,403,101
Japan	99,911,952	100,108,613
Korea, Republic of	-	1,881,640
Luxembourg	1,088,671	978,401
Netherlands	20,467,489	22,065,908
New Zealand	917,559	1,241,866
Norway	5,822,222	9,523,660
Pakistan	1,346,584	1,498,219
Slovenia	1,065,371	947,101
South Africa	1,170,005	1,137,559
Spain	6,724,300	16,377,118
Sweden	28,108,979	29,633,051
Switzerland	31,910,127	30,875,651
United Kingdom	57,347,010	52,614,434
United States	189,602,245	96,535,755
Total Contributions	\$ 742,303,413	\$ 693,164,582

NOTES TO THE STATEMENTS OF RECEIPTS, DISBURSEMENTS AND FUND BALANCE

June 30, 2018 and 2017

Expressed in U.S. dollars unless otherwise noted

Note 7 - 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 8 - Investment Income earned on GEF Funds

As part of normal operations, the Trust Fund transfers funds to the 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 Funds is recognized when received by the Trust Fund.

Note 9 - Disbursements to Agencies for Projects and Fees, net

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

For approved GEF projects, funds are payable to the Agencies who have entered into arrangements with the Trustee for their direct access to GEF resources. The Trust Fund disburses funds to the Agencies upon their request for these approved GEF projects. The Trust Fund pays fees to the Agencies, upon their request, to cover expenses associated with the project cycle management of GEF projects. These disbursements are reported net of refunds in the Statement, on account of reflows, if any, generated by projects and unused funds, which are returned by Agencies to the Trustee.

NOTES TO THE STATEMENTS OF RECEIPTS, DISBURSEMENTS AND FUND BALANCE

June 30, 2018 and 2017

Expressed in U.S. dollars unless otherwise noted

For the fiscal year ended June 30, 2018 and 2017, disbursements to Agencies for Projects and fees, net are as follows:

	Disbursements to Agencies	
	2018	2017
For projects		
ADB	\$ 4,500,776	\$ 8,025,000
AfDB	7,150,000	13,242,009
BOAD	2,899,230	79,388
CAF	1,540,000	-
CI	19,658,150	-
DBSA	5,647,855	485,115
EBRD	5,494,772	3,233,467
FAO	35,200,000	61,370,000
FECO	23,800	26,200
FUNBIO	1,500,000	-
IADB	61,399,355	31,256,435
IBRD/IA	136,933,716	-
IFAD	-	7,978,293
IUCN	2,000,000	4,500,000
UNDP	283,000,000	271,000,000
UNEP	80,000,000	80,000,000
UNIDO	28,569,970	5,301,648
World Wildlife Fund	4,966,763	2,186,052
Sub-total	\$ 680,484,387	\$ 488,683,607
For Fees		
ADB	\$ 454,750	\$ 584,242
BOAD	726,190	7,144
CAF	328,790	-
CI	1,323,415	2,340,173
DBSA	846,730	349,879
EBRD	249,208	1,323,500
FAO	2,952,899	9,249,305
FECO	-	4,500
FUNBIO	725,490	510,660
IADB	6,899,471	2,616,233
IBRD/IA	13,362,318	22,575,667
IFAD	-	3,214,264
IUCN	250,000	1,053,497
UNDP	33,028,836	31,246,146
UNEP	7,336,351	12,269,071
UNIDO	-	967,115
World Wildlife Fund	1,589,668	1,516,683
Sub-total	\$ 70,074,116	\$ 89,828,079
Total	\$ 750,558,503	\$ 578,511,686

NOTES TO THE STATEMENTS OF RECEIPTS, DISBURSEMENTS AND FUND BALANCE

June 30, 2018 and 2017

Expressed in U.S. dollars unless otherwise noted

Note 10 - Disbursements for Administrative Budgets, net

In accordance with the Instrument, the Council approves administrative budgets of the Agencies, 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. These are reported net of refunds to Trustee, in the statement.

Note 11 - Subsequent Events

Management has evaluated subsequent events through October 4 2018, 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.