

**GLOBAL ENVIRONMENT FACILITY TRUST FUND**

**ADMINISTERED BY THE**  
**INTERNATIONAL BANK FOR RECONSTRUCTION**  
**AND DEVELOPMENT**  
**AS TRUSTEE**

**WORLD BANK REFERENCE**  
**TF029840**

**SPECIAL PURPOSE FINANCIAL STATEMENTS**  
**AND INDEPENDENT AUDITORS' REPORT**  
**June 30, 2006 and 2005**

**THE WORLD BANK GROUP**

**Trust Funds Division**  
**1818 H Street N.W.**  
**Washington, D.C. 20433, USA**  
**Tel.: (202) 473-1000**  
**Fax: (202) 477-7163**



Deloitte & Touche LLP  
Suite 500  
555 12th Street N.W.  
Washington, DC 20004-1207  
USA

Tel: +1 202 879 5600  
Fax: +1 202 879 5309  
www.deloitte.com

## **INDEPENDENT AUDITORS' REPORT**

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

We have audited the accompanying special purpose statements of financial position of the Global Environment Facility Trust Fund (GEF) as of June 30, 2006 and 2005, and the related special purpose statements of income, special purpose statements of changes in net trust resources and special purpose statements of cash flows for the years then ended. These financial statements are the responsibility of the Trust Fund Trustee's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

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

In our opinion, such special purpose financial statements present fairly, in all material respects, the financial position of the Global Environment Facility Trust Fund as of June 30, 2006 and 2005, and the results of its operations and its cash flows for the years then ended in conformity with the basis of accounting described in Note 2.

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

As discussed in Note 12 to the financial statements, in 2006 the Trust Fund changed its accounting policy for changes in the Trust Funds's share in the pooled cash and investments from investing activities to operating activities in the statement of cash flows, and retroactively restated the 2005 financial statements for these changes.

Deloitte + Touche LLP

October 30, 2006

**GLOBAL ENVIRONMENT FACILITY TRUST FUND**

**Special Purpose Statements of Financial Position**

**Page 1**

*Expressed in U.S. dollars*

	<u>June 30, 2006</u>	<u>June 30, 2005</u>
<b>ASSETS</b>		
Share in Pooled Cash and Investments - Note 2	\$ 2,117,612,489	\$ 1,877,442,694
Notes Receivable - Note 3	1,541,066,457	1,587,777,520
<b>Total Assets</b>	<b>\$ 3,658,678,946</b>	<b>\$ 3,465,220,214</b>
<b>LIABILITIES</b>		
Grant Liability:		
IBRD/IA - Note 10	\$ 709,653,919	\$ 820,708,500
UNDP	124,875,527	74,435,428
UNEP	76,483,488	71,022,423
EAs	43,920,540	37,334,380
Fee Liability:		
IBRD/IA - Note 10	9,992,986	4,621,100
UNDP	12,008,901	3,280,005
UNEP	4,232,871	1,138,701
EAs	1,404,768	1,945,840
<b>Total Liabilities</b>	<b>982,573,000</b>	<b>1,014,486,377</b>
<b>NET TRUST RESOURCES</b>		
Contributions Committed - Note 3	7,293,720,919	7,297,208,615
Contributions Receivable - Notes 3 and 4	(193,740,698)	(873,741,653)
Unamortized Discounts	(9,156,806)	(6,974,167)
Contributions Paid In - Note 3	7,090,823,415	6,416,492,795
Cumulative Grants and Fees - Notes 6, 7 and 9	(4,397,479,340)	(3,939,330,409)
Deficit	(17,238,129)	(26,428,549)
<b>Total Net Trust Resources</b>	<b>2,676,105,946</b>	<b>2,450,733,837</b>
<b>Total Liabilities and Net Trust Resources</b>	<b>\$ 3,658,678,946</b>	<b>\$ 3,465,220,214</b>

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

GLOBAL ENVIRONMENT FACILITY TRUST FUND

Special Purpose Statements of Income

Page 2

Expressed in U.S. dollars

For the Years Ended

	<u>June 30, 2006</u>	<u>June 30, 2005</u>
<b>INCOME</b>		
Net Investment Income - Note 2	\$ 35,914,864	\$ 44,213,773
Income Earned on GEF Grant Funds - Note 8	-	1,621,871
Reimbursement of Ineligible Expenditures - Note 11	-	2,420,000
Grant Repayment - Note 9	-	2,717,581
<b>Total Income</b>	<u><b>35,914,864</b></u>	<u><b>50,973,225</b></u>
<b>EXPENSES</b>		
Administrative Budget:		
IBRD/IA - Note 10	3,055,159	2,939,274
UNDP	2,932,000	5,613,000
UNEP	4,789,359	4,620,879
Secretariat - Note 10	15,420,795	12,926,538
IBRD/Trustee - Note 10	1,495,000	1,450,000
Discount Amortization	1,148,721	902,171
<b>Total Expenses</b>	<u><b>28,841,034</b></u>	<u><b>28,451,862</b></u>
Foreign Exchange Gains	<u>2,116,590</u>	<u>2,338,654</u>
<b>Net Income</b>	<u><u><b>\$ 9,190,420</b></u></u>	<u><u><b>\$ 24,860,017</b></u></u>

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

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

Expressed in U.S. dollars

	For the Years Ended			
	June 30, 2006		June 30, 2005	
	Balance, Beginning of Fiscal Year	Changes During Fiscal Year	Balance, Beginning of Fiscal Year	Changes During Fiscal Year
<b>Contributions - Note 3:</b>				
Unrestricted	\$ 6,824,332,637	\$ 85,796,272	\$ 6,910,128,909	\$ 6,490,373,337
Temporarily restricted: Restrictions on IOC - Note 5	289,972,595	(120,145,231)	169,827,364	502,297,974
Temporarily restricted: Pro Rata Right & Advance Payment - Note 5	182,903,383	30,861,263	213,764,646	213,014,262
<b>Total Contributions Committed</b>	<b>7,297,208,615</b>	<b>(3,487,696)</b>	<b>7,293,720,919</b>	<b>7,205,685,573</b>
Contributions receivable	(873,741,653)	680,000,955	(193,740,698)	(1,374,800,650)
Unamortized discounts	(6,974,167)	(2,182,639)	(9,156,806)	(4,981,552)
<b>Contributions paid in - Notes 5 and 9</b>	<b>6,416,492,795</b>	<b>674,330,620</b>	<b>7,090,823,415</b>	<b>5,825,903,371</b>
<b>Grants and fees - Note 6 and 7:</b>				
IBRD/IA	(2,302,387,835)	(56,009,512)	(2,358,397,347)	(2,001,229,875)
UNDP	(1,180,879,842)	(323,284,273)	(1,504,164,115)	(1,073,646,646)
UNEP	(375,223,395)	(56,597,334)	(431,820,729)	(299,119,078)
EAS	(77,490,737)	(22,257,812)	(99,748,549)	(24,746,467)
Secretarial	(3,348,600)	-	(3,348,600)	(2,745,600)
<b>Total Grants and Fees</b>	<b>(3,939,330,409)</b>	<b>(458,148,931)</b>	<b>(4,397,479,340)</b>	<b>(3,401,487,666)</b>
<b>Deficit</b>	<b>(26,428,549)</b>	<b>9,190,420</b>	<b>(17,238,129)</b>	<b>(51,288,566)</b>
<b>TOTAL NET TRUST RESOURCES</b>	<b>\$ 2,450,733,837</b>	<b>\$ 225,372,109</b>	<b>\$ 2,676,105,946</b>	<b>\$ 2,373,127,139</b>
				<b>\$ 77,606,698</b>
				<b>\$ 2,450,733,837</b>

# GLOBAL ENVIRONMENT FACILITY TRUST FUND

## Special Purpose Statements of Cash Flows

Page 4

Expressed in U.S. dollars

For the Years Ended

(restated)

	<u>June 30, 2006</u>	<u>June 30, 2005</u>
<b>Cash Flows from Operating Activities:</b>		
Net Income	\$ 9,190,420	\$ 24,860,017
Adjustments to reconcile net income to net cash provided by operating activities:		
Increase in Share in Pooled Cash and Investments	(240,169,795)	(263,421,389)
Decrease in Investment Income Receivable	-	1,707,435
Amortization of Discount on Contributions	1,148,721	902,171
<b>Net Cash Flows Used in Operating Activities</b>	<u><b>(229,830,654)</b></u>	<u><b>(235,951,766)</b></u>
<b>Cash Flows from Financing Activities:</b>		
Cash Contributions Received	719,892,962	735,062,567
Cash used for Grants and Fees	(490,062,308)	(499,110,801)
<b>Net Cash Flows Provided by Financing Activities</b>	<u><b>229,830,654</b></u>	<u><b>235,951,766</b></u>
<b>Net Increase in Cash</b>	-	-
Cash and Cash Equivalents, Beginning of Year	-	-
<b>Cash and Cash Equivalents, End of Year</b>	<u><b>\$ -</b></u>	<u><b>\$ -</b></u>

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

# GLOBAL ENVIRONMENT FACILITY TRUST FUND

Notes to Special Purpose Financial Statements  
Years Ended June 30, 2006 and 2005

Page 5

---

## NOTE 1: ORGANIZATION AND OPERATIONS

The Global Environment Facility (the "GEF") was formally established as a mechanism in 1994 by the Instrument for the Establishment of the Restructured Global Environment Facility (the "Instrument"). It provides funding to eligible countries for incremental costs of measures to achieve global environmental benefits in four focal areas specified in the Instrument: climate change, biological diversity, international waters and ozone layer depletion. In October 2002, an amendment to the Instrument to designate persistent organic pollutants ("POPs") and land degradation (primarily desertification and deforestation) as additional focal areas was approved at the second Assembly of the GEF (the "Assembly"), and became effective of June 19, 2003. Incremental costs of such other activities under Agenda 21 (the action plan of the 1992 United Nations Conference on Environment and Development) as agreed by the GEF Council (the "Council") are eligible for funding insofar as they achieve global environmental benefits in the focal areas.

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

The Trust Fund is administered by the International Bank for Reconstruction and Development ("IBRD") as Trustee (the "Trustee"). The resources of the Trust Fund, held in trust by the Trustee, are kept separate and apart from the resources of IBRD. Under the Instrument, the Trustee was authorized to accept contributions to the Trust Fund for the period from July 1, 1994 to June 30, 1997 ("GEF-1"). As of June 30, 2006, two additional replenishments to the original GEF have been agreed by the participants ("GEF-2" and "GEF-3"). In March 1998, the participants contributing to the Trust Fund (the "Contributing Participants") agreed upon the terms of the GEF-2 for the period July 1, 1998 to June 30, 2002, and in August 2002 on the terms of the GEF-3 for the period July 1, 2002 to June 30, 2006. Negotiations on a fourth replenishment ("GEF-4") were initiated in June 2005, and in August 2006, the Contributing Participants agreed upon the terms of the GEF-4 for the period July 1, 2006 to June 30, 2010 with a financing framework of SDR 2.14 billion (US \$3.13 billion). As of June 30, 2006, the Trust Fund continued to operate under the GEF-3. On October 19, 2006, the World Bank Executive Directors adopted IBRD Resolution No. 2006-0008 entitled "Global Environment Facility Trust Fund Fourth Replenishment of Resources", thereby authorizing the World Bank, as Trustee of the Trust Fund, to manage the resources made available under the GEF-4. The GEF-4 shall become effective on the date when Contributing Participants whose contributions aggregate not less than SDR 929 million shall have deposited with the Trustee Instruments of Commitment or Qualified Instruments of Commitment.

The Executive Directors of IBRD authorized IBRD to act as Trustee in respect of the resources made available for GEF-2 under Resolution No. 98-2 and GEF-3 under Resolution 2002-0005. For the time between the expiration of GEF-2 and the GEF-3



# GLOBAL ENVIRONMENT FACILITY TRUST FUND

## Notes to Special Purpose Financial Statements

Years Ended June 30, 2006 and 2005

Page 6

---

Resolution 2002-0005 becoming effective (March 24, 2003), the Trustee was authorized to accept contributions to the GEF Trust Fund under the GEF-2 Resolution No. 98-2 (amendment to Resolution No. 98-2). In continuation of the procedure for the transition from GEF-1 to GEF-2, and from the GEF-2 to the GEF-3, upon effectiveness of the GEF-4, all funds receipts, assets and liabilities held by the Trustee under the GEF-3 will be administered as part of the GEF-4.

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") and the Trustee.

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

### NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING AND RELATED POLICIES

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

*Basis of Presentation* – The Trust Fund's special purpose financial statements are prepared on the modified accrual basis of accounting. Specifically, the effects of transactions and other events are recognized when they occur (and not when cash or its equivalent is

# GLOBAL ENVIRONMENT FACILITY TRUST FUND

Notes to Special Purpose Financial Statements  
Years Ended June 30, 2006 and 2005

Page 7

---

received or paid) and they are recorded in the accounting records and reported in the special purpose financial statements in the periods to which they relate. This basis is consistently applied to all financial statement line items and note disclosures except for the investment income earned on the grant funds held by UNDP, UNEP and EAs and administrative budget expense amounts, which are reported on a cash basis of accounting.

*Use of Estimates* – These special purpose financial statements include estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of income and expenses during the reporting period. In measuring Cumulative Grants and Fees, Grant Liability, and Income earned on GEF Grant and Administrative Budget Funds, the Trustee relies on the information provided by the IAs and EAs. The Trustee records liabilities upon receipt of notification of project approval by the respective IAs and EAs. Significant reliance is placed upon the IAs and EAs to report such approvals and/or amendments to the Trustee on a timely basis. The Trustee records investment income earned on grant funds and administrative budget funds held by the IAs and EAs as described in the preceding paragraph. Any adjustment from the information previously provided to the Trustee by the IA and EAs is recorded in the fiscal year in which such adjustment is reported to the Trustee.

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

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

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

*Contributions and Discounts* – The Trust Fund derives its funding primarily from contributions provided by the Contributing Participants. Contributions committed by Contributing Participants are recorded in full as Contributions Committed when the Trust Fund has received Instruments of Commitment (“IoCs”) and Qualified IoCs from the Contributing Participants. Amounts not yet paid are recorded as Contributions Receivable

# GLOBAL ENVIRONMENT FACILITY TRUST FUND

Notes to Special Purpose Financial Statements  
Years Ended June 30, 2006 and 2005

Page 8

---

and are shown as a reduction of Contributions Committed on the statements of financial position. Such treatment does not increase the Trust Fund's net trust resources. The Contributions Receivable are settled through payment of cash or deposit of non-negotiable, non-interest-bearing demand notes and are recorded and carried at their face amount.

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

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

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

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

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

# GLOBAL ENVIRONMENT FACILITY TRUST FUND

Notes to Special Purpose Financial Statements  
Years Ended June 30, 2006 and 2005

Page 9

---

to be disbursed to the Secretariat become liabilities for the Trust Fund upon commitment by the Trustee.

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

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

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

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

*Foreign Exchange Gains / Losses* – These special purpose financial statements are expressed in U.S. dollars for the purpose of reporting the Trust Fund's assets, liabilities, net trust resources, and income and expenses. Unrealized foreign exchange gains and losses result from the revaluation of assets and liabilities held in currencies other than U.S. dollars as at June 30, 2006 and 2005. Realized foreign exchange gains and losses result from the conversion of assets and liabilities held in currencies other than U.S. dollars.

# GLOBAL ENVIRONMENT FACILITY TRUST FUND

## Notes to Special Purpose Financial Statements

Years Ended June 30, 2006 and 2005

Page 10

### NOTE 3: CONTRIBUTIONS

As of June 30, 2006 cumulative contributions by Contributing Participants are as follows:

Contributing Participants	As at June 30, 2006			As at June 30, 2005
	Contributions Receivable	Contributions Paid In	Total Contributions	Total Contributions
Argentina	\$ 2,500,000	2,500,000	\$ 5,000,000	5,000,000
Australia		118,932,502	118,932,502	121,443,235
Austria		102,747,713	102,747,713	102,301,488
Bangladesh		2,733,323	2,733,323	2,734,440
Belgium	13,187,497	108,110,759	121,298,256	120,852,219
Brazil		11,197,553	11,197,553	11,206,687
Canada		320,671,225	320,671,225	313,708,855
China		29,470,425	29,470,425	29,836,481
Cote d'Ivoire		20,105,317	20,105,317	20,039,416
Czech Republic		16,766,060	16,766,060	16,804,600
Denmark		134,498,100	134,498,100	134,532,280
Egypt	2,345,957	8,971,001	11,316,958	11,306,202
Finland		105,717,957	105,717,957	105,900,015
France		633,211,258	633,211,258	631,235,880
Germany		907,619,944	907,619,944	904,528,425
Greece		16,519,076	16,519,076	16,407,842
IBRD		28,602,686	28,602,686	28,602,686
India		30,959,670	30,959,670	31,085,831
Indonesia		5,689,700	5,689,700	5,689,700
Ireland		13,359,322	13,359,322	13,332,535
Italy		398,709,299	398,709,299	393,285,615
Japan		1,288,221,765	1,288,221,765	1,312,825,838
Korea		14,953,509	14,953,509	14,953,509
Luxembourg		18,372,893	18,372,893	18,158,151
Mexico		20,935,610	20,935,610	20,935,610
Netherlands		292,891,136	292,891,136	292,904,637
New Zealand		18,014,254	18,014,254	19,200,181
Nigeria	4,409,910	12,351,409	16,761,319	16,741,099
Norway		121,917,756	121,917,756	120,467,175
Pakistan	1,469,970	21,224,469	22,694,439	22,680,094
Portugal		24,122,289	24,122,289	23,901,726
Slovak Republic		5,657,783	5,657,783	5,657,783
Slovenia		2,808,781	2,808,781	2,812,627
Spain		73,089,557	73,089,557	72,997,971
Sweden		249,088,447	249,088,447	244,607,447
Switzerland		213,796,119	213,796,119	212,186,539
Turkey		22,675,160	22,675,160	22,671,600
United Kingdom		562,593,758	562,593,758	563,672,196
United States (Note 4)	169,827,364	1,120,172,636	1,290,000,000	1,290,000,000
<b>Total</b>	<b>\$ 193,740,698</b>	<b>\$ 7,099,980,221</b>	<b>\$ 7,293,720,919</b>	<b>\$ 7,297,208,615</b>
Less unamortized discounts		<b>(9,156,806)</b>		
Contributions paid in		<b>\$ 7,090,823,415</b>		

# GLOBAL ENVIRONMENT FACILITY TRUST FUND

Notes to Special Purpose Financial Statements  
Years Ended June 30, 2006 and 2005

Page 11

At June 30, 2006 and 2005, the paid in amounts of \$7,090,823,415 and \$6,416,492,795 contain a note receivable balance of \$1,541,066,457 and \$1,587,777,520, respectively. Notes Receivable represent non-negotiable, non-interest-bearing demand notes, which have been deposited by Contributing Participants. Encashments of Notes Receivable represent the conversion of such notes into cash according to a pre-defined schedule, as agreed between the Contributing Participants and the Trustee.

The estimates of encashment of these non-negotiable, non-interest-bearing demand notes as at June 30, 2006 and 2005 are as follows. These amounts are not discounted.

## NOTES RECEIVABLE ENCASHMENT SCHEDULE

<u>June 30, 2006</u>		<u>June 30, 2005</u>	
<u>Amount</u>	<u>Encashment Date</u>	<u>Amount</u>	<u>Encashment Date</u>
\$ 404,815,686	June 2007	\$ 397,655,938	June 2006
361,435,617	June 2008	327,099,068	June 2007
313,906,850	June 2009	289,967,898	June 2008
248,693,542	June 2010	247,346,620	June 2009
141,476,320	June 2011	193,745,127	June 2010
70,738,442	June 2012	87,841,724	June 2011
		44,121,145	June 2012
<u>\$ 1,541,066,457</u>		<u>\$ 1,587,777,520</u>	

**NOTE 4: CONTRIBUTIONS RECEIVABLE**

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

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

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

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

# GLOBAL ENVIRONMENT FACILITY TRUST FUND

Notes to Special Purpose Financial Statements  
Years Ended June 30, 2006 and 2005

Page 13

Outstanding contributions receivable are as follows:

		<u>June 30, 2006</u>	<u>June 30, 2005</u>
<b>GEF 1 contributions due on:</b>			
July 1, 2007 through	June 30, 2008	\$ 1,281,986	\$ 500,000
July 1, 2006 through	June 30, 2007	1,281,986	1,278,400
July 1, 2005 through	June 30, 2006	2,281,985	1,278,400
July 1, 2004 through	June 30, 2005	-	1,778,400
		<u>4,845,957</u>	<u>4,835,200</u>
<b>GEF 2 contributions due on:</b>			
July 1, 2005 through	June 30, 2006	140,667,364	-
July 1, 2004 through	June 30, 2005	-	140,667,364
		<u>140,667,364</u>	<u>140,667,364</u>
<b>GEF 3 contributions due on:</b>			
July 1, 2005 through	June 30, 2006	48,227,377	728,239,089
		<u>48,227,377</u>	<u>728,239,089</u>
<b>Total</b>		<u>\$ 193,740,698</u>	<u>\$ 873,741,653</u>

## NOTE 5: TEMPORARILY RESTRICTED CONTRIBUTIONS

*Temporarily Restricted Contributions (Restrictions on IoC)* – As of June 30, 2006, and 2005, the Contributions Committed and the Contributions Receivable are restricted due to the deposit of Qualified IoCs by the U.S. for its contributions to the GEF-2 and the GEF-3. As of June 30, 2006, Canada and Spain have unqualified the full amount of their respective contributions to the GEF-3.

### Temporarily Restricted Contributions (Restrictions on IoC)

	<u>June 30, 2006</u>	<u>June 30, 2005</u>
<b>GEF-2</b>		
United States	\$ 140,667,364	\$ 140,667,364
<b>GEF-3</b>		
Canada	-	32,198,857
Spain	-	8,746,374
United States	29,160,000	108,360,000
	<u>29,160,000</u>	<u>149,305,231</u>
<b>Total</b>	<u>\$ 169,827,364</u>	<u>\$ 289,972,595</u>



# GLOBAL ENVIRONMENT FACILITY TRUST FUND

## Notes to Special Purpose Financial Statements Years Ended June 30, 2006 and 2005

Page 14

In addition to restrictions imposed on IoCs, as described above, as of June 30, 2006 and 2005, the Trust Fund has \$213,764,646 and \$182,903,383, respectively, of contributions with restrictions imposed on Paid In Contributions as described below.

*Temporarily Restricted Contributions Due to Exercise of the Pro-rata Right by the Contributing Participants (Restrictions on Paid In Contributions)* – The U.S., a Contributing Participant whose contribution to the GEF-2 represents more than 20% of the total amount of resources to be contributed pursuant to Attachment 1 of Resolution No. 98-2, and which has deposited a Qualified IoC, had not unqualified 100% as of June 30, 2006. In accordance with the provisions of Section 8 (b) and (c) of Resolution No. 98-2, Contributing Participants to the GEF-2 have the right to instruct the Trustee to defer commitment of their Paid In Contributions to the GEF-2 up to the percentage amount of the U.S. contribution that remains qualified. This condition will remain in effect until corresponding amounts of the U.S. contribution are unqualified (“Pro-rata Right”).

As of June 30, 2006, 32.7% of the U.S. contribution to the GEF-2 remains qualified. As a result, three Contributing Participants, Austria, France, and Japan, have continued to exercise their Pro-rata Right to defer commitment of part of their Paid In Contributions to the GEF-2: Austria 25%; France 25%; and Japan 25%. The deferred commitment resulting from exercising the Pro-rata right for the GEF-2 amounted to \$151,434,644 as of June 30, 2006.

For the GEF-3, the U.S., a Contributing Participant whose contribution to the GEF-3 represents more than 20% of the total amount of resources to be contributed pursuant to Attachment 1 of Resolution No. 2002-0005, and which has deposited a Qualified IoC, had not unqualified 100% of its contribution as of June 30, 2006. In accordance with the provisions of Section 8 (b) and (c) of Resolution No. 2002-0005, Contributing Participants to the GEF-3 have the right to instruct the Trustee to defer commitment of their Paid In Contributions to the GEF-3 up to the percentage amount of the U.S. contribution that remains qualified. This condition will remain in effect until corresponding amounts of the U.S. contribution are unqualified (“Pro-rata Right”).

As of June 30, 2006, 6.78% of the U.S. contribution to the GEF-3 remains qualified. As a result, three donors, France, Germany, and Japan have exercised the Pro-rata Right to defer commitment of their contributions to the GEF-3 corresponding to the qualified portion of the U.S. contribution: France 6.78%; Germany 6.78%; and Japan 6.78%. The deferred commitment resulting from exercising the Pro-rata right for the GEF-3 amounted to \$62,330,002 as of June 30, 2006.

Accordingly, as of June 30, 2006, the total amount of Paid In Contributions with respect to which commitment is deferred as a result of the exercise of the Pro-rata Right is \$213,764,646 as summarized in the table below.

*Temporarily Restricted Contributions Due to Advance Payments by the Contributing Participants (Restrictions on Paid In Contributions)* – Certain Contributing Participants pay their contributions to the GEF-3 in advance of the due dates specified in Resolution No. 2002-0005. Commitment of such contributions is restricted unless the Contributing

# GLOBAL ENVIRONMENT FACILITY TRUST FUND

Notes to Special Purpose Financial Statements  
Years Ended June 30, 2006 and 2005

Page 15

Participant agrees to an early release. As of June 30, 2006, no contributions were restricted due to advance payments by the Contributing Participants.

The table below summarizes balances for temporarily restricted contributions due to the exercise of the Pro-Rata right by Contributing Participants, and due to advance payments by Contributing Participants as of June 30, 2006 and 2005.

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

<u>Contributing Participant</u>	<u>June 30, 2006</u>	<u>June 30, 2005</u>
<b>GEF-2</b>		
Austria	\$ 5,276,756	\$ 5,084,843
France	41,309,873	39,807,457
Japan	104,848,015	110,946,450
Sub-total	<u>151,434,644</u>	<u>155,838,750</u>
<b>GEF-3</b>		
Austria	-	5,904
France	13,974,700	397,157
Germany	19,914,669	587,300
Japan	28,440,633	-
Sub-total	<u>62,330,002</u>	<u>990,361</u>
Total	<u>\$ 213,764,646</u>	<u>\$ 156,829,111</u>

## Temporarily Restricted Contributions Due to Advance Payments by Contributing Participants

<u>Contributing Participant</u>	<u>June 30, 2006</u>	<u>June 30, 2005</u>
Cote-d'Ivoire	\$ -	\$ 1,463,230
Sweden	-	24,611,042
Sub-total	<u>-</u>	<u>26,074,272</u>
Total	<u>\$ 213,764,646</u>	<u>\$ 182,903,383</u>

# GLOBAL ENVIRONMENT FACILITY TRUST FUND

Notes to Special Purpose Financial Statements  
Years Ended June 30, 2006 and 2005

Page 16

---

## NOTE 6: GRANTS AND FEES COMMITTED BY TRUSTEE

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

For the fiscal years ended June 30, 2006 and 2005, the cumulative grants and fees approved by the Council (and endorsed by the CEO if applicable), or by the CEO, committed by the Trustee and approved by the respective IAs and EAs (ADB, EBRD, IADB and UNIDO) are as follows:

# GLOBAL ENVIRONMENT FACILITY TRUST FUND

Notes to Special Purpose Financial Statements  
Years Ended June 30, 2006 and 2005

Page 17

	<b>Cumulative Grants and Fees as at:</b>	
	<u>June 30, 2006</u>	<u>June 30, 2005</u>
<b>Council Allocations</b>		
<b>Grants and Fees</b>		
IBRD/IA	\$ 3,512,561,967	\$ 3,205,376,159
UNDP	2,311,919,622	2,033,082,543
UNEP	593,006,541	508,473,271
Secretariat	7,426,100	3,348,600
EAs	<u>114,741,938</u>	<u>86,542,737</u>
<b>Total Council Allocations</b>	<b><u>\$ 6,539,656,168</u></b>	<b><u>\$ 5,836,823,310</u></b>

Of which Trustee Commitments are:

<b>Trustee Commitments</b>		
<b>Grants and Fees</b>		
IBRD/IA	\$ 2,942,489,159	\$ 2,660,788,598
UNDP	1,966,668,550	1,692,844,765
UNEP	563,130,755	455,983,715
Secretariat	4,837,600	3,348,600
EAs	<u>109,521,931</u>	<u>84,339,627</u>
<b>Total Trustee Commitments</b>	<b><u>\$ 5,586,647,995</u></b>	<b><u>\$ 4,897,305,305</u></b>

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

IBRD/IA	\$ 2,358,397,347	\$ 2,302,387,835
UNDP	1,504,164,115	1,180,879,842
UNEP	431,820,729	375,223,395
Secretariat	3,348,600	3,348,600
EAs	<u>99,748,549</u>	<u>77,490,737</u>
<b>Total IA and EA approvals</b>	<b><u>\$ 4,397,479,340</u></b>	<b><u>\$ 3,939,330,409</u></b>

The differences between the total Council allocations and the total Trustee commitments in the amounts of \$953,008,173 at June 30, 2006 and \$939,518,005 at June 30, 2005 represent the amounts that have been approved by the Council or the CEO, as applicable, (and endorsed by the CEO if applicable) but have not been committed by the Trustee. The differences between the total Trustee commitments and the total IAs and EAs approvals in the amounts of \$1,189,168,655 and \$957,974,896, at June 30, 2006 and 2005, respectively, represent the amounts that have been committed by the Trustee but not yet approved by the IAs and EAs.

## NOTE 7: GRANTS AND FEES

For the fiscal years ended June 30, 2006 and 2005, grants approved and fees requested by the IAs and EAs are as follows:

# GLOBAL ENVIRONMENT FACILITY TRUST FUND

Notes to Special Purpose Financial Statements  
Years Ended June 30, 2006 and 2005

Page 18

	During the Period	
	June 30, 2006	June 30, 2005
<b>Grants</b>		
IBRD/IA	\$ 27,725,426	\$ 290,627,110
UNDP	291,001,726	85,944,049
UNEP	45,960,485	72,714,744
UNIDO	1,394,600	4,689,380
IFAD	14,320,200	700,000
Secretariat	-	603,000
ADB	1,050,000	28,475,000
IDB	325,000	13,925,000
FAO	3,256,000	-
<b>Sub-total</b>	<b>385,033,437</b>	<b>497,678,283</b>
<b>Fees</b>		
IBRD/IA	28,284,086	10,530,850
UNDP	32,282,547	21,289,147
UNEP	10,636,849	3,389,573
UNIDO	417,514	54,000
IFAD	747,448	-
ADB	-	3,520,840
IDB	418,050	1,380,050
FAO	329,000	-
<b>Sub-total</b>	<b>73,115,494</b>	<b>40,164,460</b>
<b>Total</b>	<b>\$ 458,148,931</b>	<b>\$ 537,842,743</b>

# GLOBAL ENVIRONMENT FACILITY TRUST FUND

Notes to Special Purpose Financial Statements  
Years Ended June 30, 2006 and 2005

Page 19

---

## NOTE 8: INVESTMENT INCOME EARNED ON GEF GRANT FUNDS

Investment income earned by the IAs on GEF grant funds held by UNDP, UNEP and EAs prior to disbursement is reported in the statement of income on a cash basis (i.e., when reported to the Trustee). For the fiscal years ended June 30, 2006 and 2005, the investment income amounts the IAs have reported to the Trustee are zero and \$1,621,871, respectively.

## NOTE 9: GRANT DISBURSEMENTS WITH REPAYMENT PROVISIONS

While GEF financing has been made predominantly in the form of grants, under the Instrument, GEF financing may also be made available in forms other than grants, such as loans and guarantees, on such terms as may be approved by the Council. Pursuant to such authority, the Council has authorized a program of GEF operations on terms other than grants, such terms to be approved on a project by project basis. IBRD as IA and the International Finance Corporation, acting as executing agency for IBRD as IA, have approved such GEF operations. The Trustee has committed funds for such operations. However, the repayment provisions under such operations are contingent on a number of factors. Accordingly, in recognition of the uncertain nature of the repayments, the Trustee has reported amounts committed to IBRD as IA for such GEF operations as grant liabilities and cumulative grants. At June 30, 2006 the Trust Fund had transferred grant funds to IBRD as IA totaling \$65,875,000 with repayment provisions.

No repayment amounts have been received for the year ended June 30, 2006. During the year ended June 30, 2005, an amount of \$3,392,007 comprising \$2,717,581 principal repayment plus interest of \$674,426 was repaid to the Trust Fund, and are reported as income in the statement of income.

# GLOBAL ENVIRONMENT FACILITY TRUST FUND

Notes to Special Purpose Financial Statements  
Years Ended June 30, 2006 and 2005

Page 20

## NOTE 10: ADMINISTRATIVE RELATIONSHIPS

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

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

Transfers to:	For the year ended June 30, 2006				Liability at June 30, 2006	
	Grants	Fees	Administrative Budget	Total	Grants	Fees
IBRD as IA	138,780,000	34,291,079	3,055,159	176,126,238	709,653,919	9,992,986
IBRD as Trustee	-	-	1,495,000	1,495,000	-	-
	<u>138,780,000</u>	<u>34,291,079</u>	<u>4,550,159</u>	<u>177,621,238</u>	<u>709,653,919</u>	<u>9,992,986</u>

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

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

	Transfers from the Trust Fund to GEF Secretariat				Liability at June 30	
	Grants	Fees	Administrative Budget	Total	Grants	Fees
For the year ended June 30, 2006	-	-	15,420,795	15,420,795	-	-
For the year ended June 30, 2005	603,000	-	12,926,538	13,529,538	-	-

# GLOBAL ENVIRONMENT FACILITY TRUST FUND

Notes to Special Purpose Financial Statements  
Years Ended June 30, 2006 and 2005

Page 21

---

## NOTE 11: USE OF TRUST FUND RESOURCES

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

With respect to the three recipient-executed grants identified above, in one case, the recipient reimbursed the Trust Fund \$161,965 in June 2003, representing the full amount considered ineligible by the Bank's review, thereby closing this case. No irregularities were identified in the case of the second grant. With respect to the third grant, IBRD management has reviewed the findings of this work and, as a result of this review, in May 2005, IBRD deemed it appropriate to reimburse \$2,420,000 to the Trust Fund. This amount was reported as income in the statement of income during FY05.

## NOTE 12: CHANGE IN ACCOUNTING POLICY WITH RETROSPECTIVE APPLICATION

During the fiscal year ended June 30, 2006, the Trust Fund's management changed the Trust Fund's accounting policy for the presentation of net change in Share in pooled cash and investments in the Statements of cash flows. In previous periods, the Trust Fund reported such net change under Cash flows from investing activities. The Trust Fund's management has now decided to report this under Cash flows from operating activities. The Trust Fund's management has determined that this policy better reflects the Pool's investment strategy of actively trading financial instruments. This change in accounting policy has been accounted for retrospectively and as a result of the change, in the accompanying cash flow statement for the fiscal year ended June 30, 2005, the Net decrease in Share in pooled cash and investments of \$263,421,389 for has been reclassified to Cash flows from operating activities.