



Fertile Ground

Seeding National Actions
for the Global Environment

GEF Annual Report 2005



GEF Annual Report 2005

| | |
|--|----|
| The Global Environment Facility (GEF) | 3 |
| Message from Monique Barbut, Chief Executive Officer and Chairperson | 4 |
| Countries Making a Difference | 7 |
| The GEF Story during the Third Replenishment | 11 |
| Message from Len Good, former Chief Executive Officer and Chairperson | 11 |
| From the Ground Up | 15 |
| A Catalyst for Collaboration | 17 |
| GEF Focal Area Portfolio Results | |
| Allocations and Cofinancing, 1991–2005 | 18 |
| Portfolio Project Types | 19 |
| Investments in Biodiversity | 20 |
| Investments in International Waters | 20 |
| Investments in Climate Change | 21 |
| Focal Areas and Regions | 22 |
| GEF Fiscal Year 2005 Financial Statements | 24 |
| The GEF Family | 64 |
| Council Members and Alternates | 65 |
| NGO Regional Contacts | 68 |
| Scientific and Technical Advisory Panel Members | 69 |
| GEF Publications | 70 |





The Global Environment Facility (GEF)

The Global Environment Facility (GEF) is the catalyst driving local, national, and global actions to improve the environment. Uniting 176 member governments—in partnership with international institutions, nongovernmental organizations (NGOs), and the private sector—the GEF addresses global environmental issues and supports national sustainable development initiatives.

In 15 years, the GEF has evolved into an effective, transparent entity. It has allocated \$6.2 billion, supplemented by more than \$20 billion in cofinancing, for more than 1,800 projects in 140 developing countries and countries with economies in transition. All GEF projects reflect the national priorities of the countries involved.¹

The GEF is the financial mechanism for implementing the international

conventions on biodiversity, climate change, and persistent organic pollutants. The GEF is also a financial mechanism for the Convention to Combat Desertification and collaborates closely with other treaties and agreements.

At the heart of the GEF's work are its three Implementing Agencies—the U.N. Development Programme (UNDP), the U.N. Environment Programme (UNEP), and the World Bank—which share credit for the GEF's measurable on-the-ground achievements. In the last few years, the GEF's partnership has expanded with the inclusion of seven Executing Agencies, which manage GEF projects and have direct access to GEF funds: the African Development Bank (AfDB), the Asian Development Bank (ADB), the European Bank for Reconstruction and

Development (EBRD), the Inter-American Development Bank (IDB), the International Fund for Agricultural Development (IFAD), the Food and Agriculture Organization (FAO), and the U.N. Industrial Development Organization (UNIDO).

The GEF: Facts and Figures

- INDEPENDENT FINANCIAL ENTITY
- 176 MEMBER COUNTRIES
- THE LARGEST SINGLE SOURCE OF FUNDING FOR THE GLOBAL ENVIRONMENT (\$6.2 BILLION IN DIRECT GRANTS, \$20 BILLION IN COFINANCING FROM PARTNERS)
- EVERY \$1 INVESTED BY THE GEF LEVERAGES NEARLY \$4 IN COFINANCING
- MORE THAN 1,800 PROJECTS IN 140 DEVELOPING COUNTRIES AND COUNTRIES WITH ECONOMIES IN TRANSITION
- 6,000 SMALL GRANTS DIRECTLY TO COMMUNITY GROUPS AND NGOS
- THOUSANDS OF ORGANIZATIONS AND ENTITIES HELP DESIGN, EXECUTE, AND MONITOR PROJECTS ON THE GROUND, INCLUDING GOVERNMENTS, NATIONAL INSTITUTIONS, INTERNATIONAL ORGANIZATIONS, NGOS, COMMUNITIES, RESEARCH INSTITUTIONS, AND THE PRIVATE SECTOR

¹ All dollar amounts are U.S. dollars unless otherwise indicated.

Message from Monique Barbut, Chief Executive Officer and Chairperson



MONIQUE BARBUT

It is a privilege to be appointed Chief Executive Officer and Chairperson of the Global Environment Facility (GEF), and I greatly look forward to steering the GEF into its next stage of evolution.

Since its founding in 1991, the GEF has made significant contributions to protecting our global environment. Today's challenge is to build on those achievements and core strengths and to position the GEF as a more effective, delivery-oriented, and indispensable institution for implementing the global environmental conventions.

The time to launch a major push to protect the environment is now. The world's environment is facing severe threats, negatively impacting the lives and livelihoods of millions of poor people. On many environmental fronts—for example, species loss, climate change, loss of soil fertility, deforestation, and the potential for conflict over shared water resources—we are fast reaching a tipping point. The 2005 Millennium Ecosystem Assessment has already warned us in stark terms that human activities are “putting such strain

on the natural functions of Earth that the ability of the planet's ecosystems to sustain future generations can no longer be taken for granted.”

This annual report, “Fertile Ground: Seeding National Actions for the Global Environment,” describes the GEF's supportive and partnership-based approach of empowering countries to be the drivers of change in environmental protection. All GEF projects follow a country-driven approach in their design, implementation, and replication. The work of countries, in partnership with the GEF and its many collaborators, is making a difference in people's lives.

Since our start, we have allocated \$6.2 billion, supplemented by \$20 billion in cofinancing, for more than 1,800 projects. We are the largest funder of projects to improve the global environment and serve as a financial mechanism for four international environmental conventions. The GEF's track record illustrates the effectiveness of our country-driven approaches and the invaluable support of our partners:

- **Climate change.** Mexico is implementing a long-term strategy to address and reduce barriers to facilitate the development and commercialization of grid-connected renewable energy technologies and markets. GEF's global efforts are working to reduce more than 2 billion tons in carbon dioxide (CO₂) equivalent.
- **Biodiversity conservation.** Efforts to conserve and sustainably use the Earth's biological diversity make up nearly half of all GEF projects. The GEF has financed more than 750 projects in 155 countries. A project to conserve biodiversity in the Andean neotropical alpine ecosystem (Páramo) illustrates the multifaceted approach GEF projects pursue.
- **International waters.** Since 1991, the GEF has provided funding to 135 developing and transitional countries for 110 transboundary water resources projects. One GEF project is reducing pollution in the large marine ecosystems of East Asia.
- **Persistent organic pollutants.** With GEF support, more than 130 countries are developing National Plans

for the Implementation of the Stockholm Convention. These plans outline capacity development and investment needs to address national issues related to persistent organic pollutants. Activities to implement the Stockholm Convention are also underway. For example, Eritrea, Ethiopia, Madagascar, Namibia, and South Africa are demonstrating cost-effective, environmentally sound, and locally appropriate alternatives to DDT (dichlorodiphenyl-trichloroethane) for malaria vector control.

- **Land degradation.** The GEF Assembly expanded GEF's mandate in 2002 to add land degradation to the GEF portfolio. With GEF support, Burundi, Brazil, and a number of developing countries and small island developing states are removing barriers to sustainable land management.
- **Ozone depletion.** The phaseout of methyl bromide, one of the most dangerous chemicals depleting the ozone layer, is nearly complete in Central and Eastern Europe. Ukraine, the largest consumer in the region, is eliminating the chemical's

use in protecting stored grain, working with the private sector to implement pest management approaches and introduce substitute technology.

These results and many others speak to the leveraging power of GEF investments. For every \$1 that we invest, \$4 in cofinancing (on average) is received from public sources, international financial institutions, the private sector, and civil society. For renewable energy initiatives, that leveraging ratio exceeds one to six. In GEF operations, efficiency, effectiveness, and transparency will be our watchwords.

I would like to pay tribute to my predecessor, Leonard Good, for his able stewardship of the GEF these past three years.

I liken the GEF to a hybrid organization, much like the new generation of hybrid cars. They are hugely popular because they combine environmental concerns with sound economic sense. Looking ahead, I am confident that we can combine these principles. By working closely with all GEF stakeholders, we can ensure

that the GEF remains relevant and equally popular with governments, with nongovernmental organizations, and increasingly with the private sector.



Monique Barbut
CEO and Chairperson
Global Environment Facility



Countries Making a Difference

Climate change

Projects being implemented by countries are targeting the combined reduction of more than 2 billion tons of CO₂ equivalent. These mitigation projects help countries remove barriers to energy efficiency, promote renewable energy, and encourage the development and early adoption of advanced clean energy technologies. Adaptation projects help countries vulnerable to the adverse effects of climate change implement activities that will increase their resiliency in the face of anticipated impacts.

Mexico is laying the foundation for the transfer of wind energy technology and the expanded use of other renewable energy sources. Botswana is testing a large, solar photovoltaic-based strategy to provide more than 5,000 households with access to clean lighting. Developing countries are working to remove barriers to the large application, implementation, and dissemination of cost-effective, energy-efficient technologies and practices. Five million energy-efficient lights have been installed through GEF projects in Poland, Mexico, the Slovak Republic, and elsewhere. Kiribati, which consists of low-lying

atoll islands spread over a vast area in the central and western Pacific, is assessing climate-related threats and designing cost-effective adaptation measures.

Biodiversity conservation

Countries are encouraging the conservation and sustainable use of biodiversity. The GEF has financed more than 750 projects in 155 countries with investments totaling more than \$2.1 billion and cofinancing of \$5.1 billion. Protected area systems cover more than 300 million hectares.

Projects in the Brazilian Amazon, the Guyana Shield, and the Indo-Malaysian region collectively work to conserve large tracts of tropical rainforests, where more than half of the world's estimated 10 million species of plants, animals, and insects live. These projects also provide employment and other benefits for indigenous people. With GEF support, Namibia works to sustainably manage natural resources to protect biodiversity and contribute to economic and social development.

In Jordan, a women's cooperative conserves heirloom olive trees

facing extinction from neglect and destruction as farmers plant new varieties that are less resilient to insects and diseases than the indigenous ones the cooperative is working to propagate. In Vietnam, another women's cooperative replenishes heirloom varieties of rice, boosting harvests and enhancing rural livelihoods.

International waters

More than 135 countries are working on projects to restore and protect transboundary water resources, often despite regional tensions.

Seven nations bordering the South China Sea are working to reverse the loss and degradation of coastal habitats and replenish important fish stocks lost to overexploitation of fisheries and land-based pollution. Distinguished for its tropical diversity, this large marine ecosystem supports fisheries, agriculture, and tourism. Other GEF projects are preventing navigational hazards in the Malacca Straits, the Mozambique Channel, and the Gulf of Honduras.

The Small Island Developing States Network collects, organizes, and disseminates information about best practices addressing

biodiversity conservation, climate change responses, management of international waters, and information technologies.

Through the Network's Web site, countries participate in virtual discussion forums, perform research, share expertise, and develop partnerships. The online International Waters Resource Centre of the GEF's IW:LEARN project provides similar resources for the entire international waters portfolio.

Persistent organic pollutants

Countries are phasing out the use of persistent organic pollutants (POPs), developing environmentally safe ways to destroy them, and switching to sustainable alternative technologies and practices.

Eritrea, Ethiopia, Madagascar, Namibia, and South Africa are demonstrating cost-effective, environmentally sound, and locally appropriate alternatives to DDT for malaria vector control, ensuring the alternatives' sustainable use through strengthened national and local capacity for malaria control. Countries along the Senegal and Niger River Basins are learning to reduce dependence on POPs and other agrochemicals.

Land degradation

Countries are developing institutional and human resource capacities, strengthening policy and regulatory environments, promoting economic incentives, and disseminating best practices. More than 20 million hectares of land are expected to be saved from degradation.

The Land Use Change Analysis as an Approach for Investigation of Biodiversity Loss and Land Degradation (LUCID) Project is an umbrella for various research activities occurring in sites across East Africa. This project helps communities and countries identify and monitor landscape changes and their impact on biodiversity and carbon stocks. In the Prespa Lakes Basin, Albania and Greece are addressing problems of integrated and transboundary ecosystem management. Brazil is employing sustainable natural resource management to mitigate the causes of rural poverty and land degradation, thereby improving the livelihoods and economic well being of people affected by desertification in the semi-arid Sertão.

Ozone depletion

The GEF provides grants and technical support to countries that are not eligible for assistance from the Multilateral Fund for the Implementation of the Montreal Protocol. Consumption of chlorofluorocarbons, halons, carbon tetrachloride, and methyl chloroform in countries receiving GEF funding has decreased more than 90 percent.

Ukraine halted methyl bromide production in 2002 and is now working to end the chemical's use in protecting stored grain throughout the supply and distribution system. GEF support is helping the country to introduce alternative pest management practices and technologies and to develop policies that support the phaseout effort. Additionally, the GEF is assisting the ministry of environment in meeting its obligations to control and report on ozone-depleting substances phaseout programs.



GEF Projects Making a Difference

Climate Change: Mexico—Large Renewable Energy Development Project

Mexico is implementing a long-term strategy to address and reduce barriers to facilitate the development and commercialization of grid-connected renewable energy technologies and markets. The project is driven by the country's desire to reduce greenhouse gas (GHG) emissions and increase diversity in its energy sources. With GEF support, the national government is providing incentives to jump-start the market and facilitate investments through regulatory changes and policy commitments that reduce risk and transaction cost barriers. Significant commercial funding indicates that the GEF will leverage its funding by a 10 to 1 ratio or higher over the life of the project. Mexico's trading relationships and technical stature throughout the hemisphere provide strong prospects for extrapolating the lessons learned to other policy, utility, and industrial environments.

Biodiversity: The Páramo in the Northern and Centre Andes

The Páramo is a neotropical alpine ecosystem in the Andes region, consisting of glacier- formed valleys and plains with a large variety of lakes, peat bogs, and wet grasslands intermingled with shrublands and forests. The ecosystem hosts about 5,000 different plant species, many of which have adapted to the region's physiochemical and climatic conditions, such as the low atmospheric

pressure, intense ultraviolet radiation, and the drying effects of wind.

The GEF project will create an enabling environment to improve the livelihoods of Páramo stakeholders through the conservation and sustainable use of the ecosystem's natural resources. The project has five outputs: (1) implementation of adequate conservation practices for productive activities, zoning, and conservation strategies; (2) acceptable conservation and sustainable use policies adopted by the governments and nongovernmental organizations; (3) increased technical capacity; (4) greater awareness about the importance of the region among key decision makers and rural and urban populations; and (5) a replication strategy.

International Waters: Large Marine Ecosystems of East Asia

The seas of East Asia comprise six interconnected large marine ecosystems (the Yellow Sea, the East China Sea, the South China Sea, the Gulf of Thailand, the Sulu-Celebes [Sulawesi] Sea, and the Indonesia Sea) that are under increasing pressure from land-based human activities. Billions of tons of untreated wastewater are discharged annually from coastal cities and industries, including livestock waste.

In 1995, with GEF support, 12 East Asian countries created the Partnerships in Environmental Management for the Seas of East Asia (PEMSEA) through which they developed a Sustainable Development Strategy for the Seas of

East Asia (SDS-SEA). The SDS-SEA is a call to action, providing a strategic vision; it was adopted in December 2003 (Putrajaya Declaration).

Countries have identified ways to accelerate on-the-ground investments to address land-based sources of marine pollution. GEF funding will help demonstrate the viability of innovative wastewater treatment facilities and will introduce financial tools to leverage private sector investments and replication.

Persistent Organic Pollutants: Africa DDT Alternatives

Eritrea, Ethiopia, Madagascar, Namibia, and South Africa are demonstrating cost-effective, environmentally sound, and locally appropriate alternatives to DDT for malaria vector control, ensuring their sustainable use through strengthened national and local capacity for malaria control.

Planning and implementation of vector control interventions require the selection of appropriate vector control methods that can be applied in areas with specific and well-defined environmental and epidemiological conditions. This intervention requires regular epidemiological, entomological, and epidemiological assessments that permit changes in the objectives of vector control programs over time. The project's strategy is to enhance the capacity of the participating countries to effectively plan, implement, monitor, and evaluate vector control interventions, which do not rely on DDT. The project

activities will be implemented in 16 demonstration districts in the five project countries.

Land Degradation: Capacity Development, Mainstreaming of Sustainable Land Management

Countries are developing institutional and human resource capacities, strengthening policy and regulatory environments, promoting economic incentives, and disseminating best practices. More than 20 million hectares of land are expected to be saved from degradation.

The Land Use Change Analysis as an Approach for Investigation of Biodiversity Loss and Land Degradation (LUCID) Project is an umbrella for various research activities occurring in sites across East Africa. The project helps communities and countries identify and monitor landscape changes and their impact on biodiversity and carbon stocks. In the Prespa Lake Basin, Albania and Greece are addressing problems of integrated and transboundary ecosystem management.

Brazil is rehabilitating and reforming its entire agricultural sector and supports sustainable land management as the key approach to the management of its natural resources. By promoting a sectorwide approach, the main causes of rural poverty and land degradation will be mitigated, thereby improving the livelihoods and economic well-being of people affected by land degradation.



The GEF Story during the Third Replenishment

Message from Leonard Good, former Chief Executive Officer and Chairperson

We are reminded daily of the increasing threats to our environment and its ability to sustain life. Drought persists across large swaths of sub-Saharan Africa. Glaciers and the polar ice caps are melting, a consequence of the concentration of greenhouse gases (GHGs) in the atmosphere. More than 1 billion people worldwide lack safe drinking water supplies. Our planet's physiology has been altered, and the enormity of this degradation confronts humanity with increasing urgency. How we respond is a global responsibility.

It has been a privilege to work with the Global Environment Facility over the past three years and to witness numerous projects that demonstrate how countries are overcoming difficult challenges to work effectively in addressing environmental problems.

In the Philippines, the power company CEPALCO (Cagayan Electric Power & Light Company, Inc.) taps solar photovoltaic and

hydropower sources to supply electricity to homes, schools, and hospitals. The project is pioneering technology applications and innovative financing tools to increase the country's use of renewable energy resources. Countries along the Danube Water Basin and the Black Sea are collaborating to protect and carefully manage the region's watershed and ecological resources. They are initiating controls on pollution, conserving biodiversity, and promoting sustainable development. Small island developing states are working diligently to restore and protect coastal and marine environments. Throughout Africa, countries use environmentally sound procedures to clean up stockpiles of deadly pesticides and toxic wastes that are contaminated with persistent organic pollutants (POPs). Argentina is working to control land degradation and restore ecosystems in Patagonia by implementing sustainable rangeland management practices.

Participating countries are acquiring expertise in technologies, education, training, networking, management, public awareness, financing, and public policy. Building such

capacities enables them to implement cost-effective, innovative approaches to improve water sanitation, eliminate highly toxic pollutants, promote renewable-energy resources, protect ecosystems, and create and sustain livelihoods. As these countries gain experience, others will learn how to replicate their efforts and share their experiences so that the benefits can multiply within and outside their boundaries. By doing so, they help to achieve lasting benefits worldwide.

The GEF's portfolio has expanded significantly beyond its original focus—addressing climate change, conserving biological diversity, safeguarding international waters, and protecting the Earth's ozone layer—to include new programs to eliminate POPs and other initiatives to promote and support sustainable land management, including forest management. Creating synergies among all of these areas is essential to achieving progress. Land degradation, for example, is recognized as a major threat to biodiversity and transboundary waters. Global climate change affects

the sustainability of ecosystems; mitigation requires renewable, clean energy resources, programs to protect biodiversity, and coastal resource management systems. Countries' management strategies for controlling the vectors of malaria and other diseases must consider the impact of climate change on the extension and latitude of mosquito breeding grounds. Hence, the national and regional responses that the GEF supports integrate many components to tackle several environmental problems simultaneously.

To improve the effectiveness and impact of the GEF, we undertook a major reform agenda in GEF-3 (the third replenishment period) that emphasized results measurement: the Resource Allocation Framework (RAF). This system directs funds to countries where they will do the most good. Resources are allocated to countries based on each country's potential to generate global environmental benefits and to successfully implement GEF projects. The GEF also began to expand the number of agencies that can directly access GEF resources. After establishing an independent evaluation office in 2003, the GEF

strengthened its ability to credibly evaluate the effectiveness of GEF projects and programs. More coherence within the GEF's focal areas, greater synergies, and integrated approaches to natural resource management are additional improvements under way.

It has been a great privilege to have worked with our member countries, the Implementing Agencies, the Executing Agencies, the nongovernmental organizations (NGOs), and the numerous other collaborators who form the GEF network.

As the GEF begins its fourth replenishment period, countries confront increasingly difficult and complex environmental problems

with financial resources that are becoming ever more scarce. The growing disparity between needs and resources underscores the leveraging power of the GEF and its partners' support in helping countries achieve results. The GEF is at a critical juncture in its evolution and potential global impact. The countries and institutions forming partnerships with the GEF provide strong reasons for optimism. I wish my successor, Monique Barbut, great success in moving the GEF forward.



Leonard Good
former CEO and Chairperson
Global Environment Facility

Global Challenges: The Urgent Risks Countries Face

Climate change, land degradation, water pollution, ozone depletion, a loss of biological diversity, and the rise in environmental contaminants are severely straining countries' ecosystems. As a consequence, human health, livelihoods, food production, economic advancement, and political stability are adversely affected. In addressing these urgent challenges, countries confront many obstacles and dilemmas. The GEF and its partners help countries understand the trade-offs, establish priorities, and implement responses.

The GEF unites 176 member governments—in partnership with international institutions, NGOs, the private sector, and others—to help countries address global environmental issues while supporting sustainable national development initiatives. As the designated financial mechanism for international conventions on biodiversity, climate change, and POPs, and as a designated financial mechanism for the convention on desertification, the GEF is the largest funder of environmental

projects. It also complies with other treaties and agreements.

All GEF projects reflect national priorities in the stewardship of the Earth's ecosystem. Countries, supported by GEF investments, develop and implement innovative, cost-effective responses to global environmental problems that are replicable and achieve lasting impact, thereby furthering sustainable development.

The GEF's Evolution: More Responsibilities, Broader Focus

Every four years, donor nations commit funding to replenish the GEF Trust Fund. In 2002, 32 donor countries pledged \$3 billion for the third replenishment of the GEF Trust Fund to broaden and accelerate the GEF's work.

In agreeing to provide this funding, the contributors stressed the GEF's unique role as the catalyst for international cooperation in producing global environmental benefits. They recognized the growing demands on the GEF, particularly regarding the outcomes

of the multilateral environmental agreements on POPs and land degradation, specifically desertification and deforestation.

With this third replenishment, the GEF worked to enhance project performance at the country level by adopting a new strategic approach to business planning, implementing more effective performance measurements, strengthening institutional arrangements to streamline project processing (including monitoring and evaluation), and promoting the integration of environmental issues into global sustainable development efforts.

The scope of GEF's activities has widened. For example, programs to address climate change expanded from mitigation (reducing concentrations of GHGs) to include adaptation (reducing countries' vulnerability to climate change and building adaptive capacity in all sectors of development). The biodiversity portfolio includes projects that conserve and sustainably use biodiversity while enhancing and generating livelihoods. In its efforts to help countries phase out ozone-depleting substances

under the Montreal Protocol, the GEF outlined a new direction to eliminate methyl bromide, to the extent feasible, during the third replenishment.

The Value of GEF Investments: Financial Leverage, Partnerships, Innovation, Replication, and Sustainability

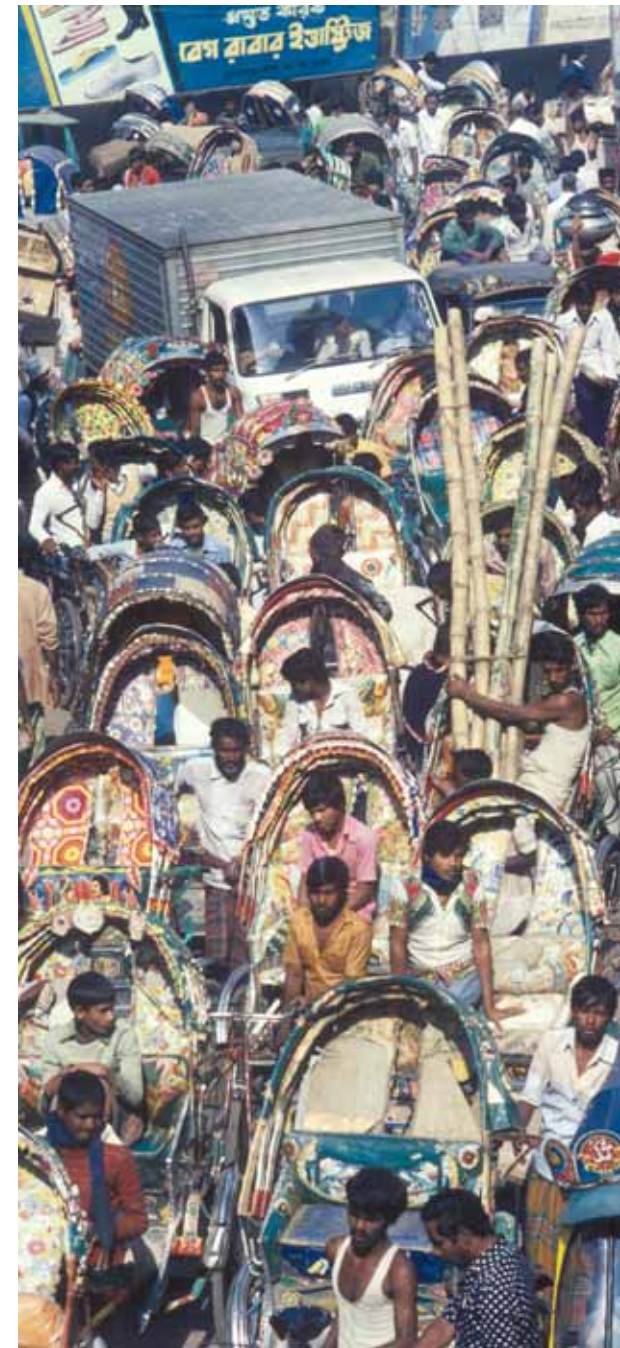
The GEF's involvement has an enormous multiplier effect. Every \$1 invested by the GEF leverages nearly \$4 in cofinancing from its partners. The GEF's partners also contribute their expertise, which, among other things, helps countries replicate results.

Fostering innovation is another component of the GEF's efforts. Technology transfer programs are leading to innovative business models to bring affordable, clean energy resources to homes, schools, hospitals, and workplaces. Innovative approaches are used in jump-starting markets, stimulating private investment, building capabilities, and strengthening infrastructures. New ways of doing business, such

as promoting shade-grown coffee, are also being implemented.

With GEF support, 126 countries are working to develop National Biosafety Frameworks (in support of the Cartagena Protocol) to ensure the safe import and export, handling, and release of living modified organisms developed through modern biotechnology applications.

Replication is a key component of GEF projects. As countries build capacity, they and the GEF inventory the "lessons learned," which are shared with all GEF members and collaborators. The GEF's Web site and other Internet-based services facilitate access to information about these countries' success stories.





From the Ground Up

Global Needs, Country Realities

Efforts to ameliorate global environmental degradation must be in harmony with the specific cultural, economic, political, and social conditions of a country. Indigenous knowledge, for example, is vital to conserving biodiversity and wilderness areas. Understanding a country's agricultural resources is key to developing appropriate biofuel alternatives. Laws, regulations, and capital markets help define the incentives and remove barriers to attracting investments in response to environmental degradation. Any solutions must be rooted in the realities of peoples' needs in developing countries.

The GEF helps countries to assess their capabilities, better understand the trade-offs, overcome the obstacles, and develop responses that protect the global environment and promote sustainable development. GEF-supported initiatives must be approved by a country's government and must reflect national and, where relevant, community needs.

Through GEF projects, countries acquire and strengthen managerial skills, planning capabilities, technological expertise, and implementation know-how. Individuals develop knowledge and skills through training and online information resources. Local communities become involved through GEF activities that are designed to increase awareness and participation. Governments, local institutions, and businesses, among others, learn how to build consensus, oversee projects, coordinate participants, share lessons learned, and replicate results. Enhancements to legal, financial, and information infrastructures create the appropriate environment essential for executing and sustaining GEF projects. Key components include government-business partnerships, technology transfers, and information dissemination through the Internet.

Embedding the Global Environment in National and Regional Priority-Setting

The GEF's approach helps countries better integrate global environmental concerns into national policy making. Success occurs most often when countries participate in decision making, assume ownership, and share the benefits.

In September 2005, the GEF Council adopted the RAF, a new system for allocating GEF resources to recipient countries in a transparent and consistent manner. The system is based on global environmental priorities and country capacity, policies, and practices that are relevant to the successful implementation of GEF projects. As such, the RAF builds on GEF's existing country-driven approach and partnerships with Implementing and Executing Agencies, and provides countries with increased predictability in the allocation of GEF funds.

RAF is built on two key pillars. The first pillar is a country's potential

to generate global environmental benefits, which reflects the GEF's mandate to provide incremental cost financing to generate global environmental benefits. The second pillar is country performance, which reflects the national policies and enabling environment that facilitate successful implementation of GEF projects. These two pillars are reflected in the RAF through two indexes: (1) the GEF Benefits Index, a measure of the potential of each country to generate global environmental benefits to a particular focal area, and (2) the GEF Performance Index, a measure of each country's capacity, policies, and practices that are relevant to a successful implementation of GEF programs and projects.

The Links between Development and Environment

Without access to such essentials as reliable clean energy and water resources, sanitation, food, and health services, countries cannot end poverty and create opportunities that improve human lives. The enormity of these unmet needs is illustrated by the fact that at least

1.1 billion of the world's people are without safe drinking water and 2.4 billion have no sanitation. Two-thirds lack reliable access to modern energy services. The projected population growth will exacerbate these needs and intensify demands on the Earth's resources.

Mismanagement of resources leads to impoverishment and inequity, breeding unrest and violence, and making economic development even more difficult to nurture and sustain. Pollution and other forms of environmental degradation undermine the quality of living conditions. Trade-offs pit immediate responses to satisfy energy needs against renewable, clean energy alternatives that may take longer to implement but that reduce GHG emissions. Economic growth that depends on agricultural exports exerts pressure on sustainable land cultivation and water resources.

As the four global environmental conventions evolved over the last decade, the link between the environment and sustainable development was strengthened. GEF projects recognize these links, building on the connections

among local, regional, and global benefits and harnessing market forces when feasible to promote environmental sustainability and produce global public benefits.

In responding to climate change, the GEF is working with countries to remove impediments to the development of sustainable markets that can finance widespread utilization of renewable energy. In francophone Africa, for example, a technological center facilitates the South-South transfer of knowledge and technology about mini- and microhydropower. Energy-saving technologies contribute to a stronger economy. Lowering energy costs borne by businesses and consumers frees up funds for other purposes. Such applications also boost agricultural productivity, increasing farmers' incomes, and attract commercial investments that generate livelihoods.

Transboundary basin countries receive GEF assistance to address concerns of their shared water-related ecosystems and determine flow requirements for environmentally sustainable development. The most extensive campaign unites 17 countries in

reducing pollution discharges to the Black Sea and the Danube Basin. These bodies of water are overburdened by pollution, eutrophication, invasive species, and overfishing. Collaborating countries are adopting needed policy, institutional, and legal reforms; they are also implementing programs, projects, and policies to reduce pollution from sewage, industrial, and agricultural sources.

Market Transformation, Innovative Services

Countries are working with the private sector to transform capital markets and finance innovation in environmentally sustainable technologies and services that allow countries to reap financial and social dividends. Government policies play a crucial role in shaping investors' decisions to commit funding and fostering market forces to promote environmental sustainability. To attract private investment, countries are addressing investors' risk mitigation concerns, supporting credit guarantees, and eliminating market barriers.

Promoting market-based solutions is part of these countries' efforts

to expand the use of small, off-grid renewables, such as solar home systems, and make them more affordable. Obstacles to the widespread use of renewable energy include high up-front costs, particularly for equipment installation and the limited finances of those who need the technology—most often the rural poor. Strengthening capacity, promoting enabling environments, developing policy frameworks, and increasing demand for renewable energy technologies are all part of country efforts to seed market-driven incentives.

To conserve biodiversity, countries are pursuing innovative financing solutions that include the following: (1) the development and capitalization of conservation trust funds; (2) a system of payments for environmental services; and (3) an easement of debt-for-nature swaps. The Toco Foundation in Trinidad and Tobago, for example, implemented a microcredit program to provide small loans to establish or expand the marketing efforts of women selling handicrafts, honey, fruit preserves, and local cuisine as part of an ecotourism development project.

A Catalyst for Collaboration

From the Nile River to the Black Sea, multicountry actions are necessary to foster sustainable development of the transboundary water systems that cover most of the Earth. The GEF helps countries work with their neighbors to modify human activities that place stress on transboundary water systems and interfere with downstream uses of those resources. In this way, conflicts over resources can be prevented, security improved, and sustainable resource-use fostered in support of global goals.

The countries of southern Mexico and Central America are helping restore the MesoAmerican Biological Corridor through a GEF-supported project that combines conservation efforts with standard-of-living improvements. Projects in the humid tropics, the Brazilian Amazon, and the Guyana Shield collectively work to conserve the largest remaining tracts of tropical rainforests.

In these and all of the GEF's portfolios, the GEF relies on several mechanisms to spark catalytic action in countries, including the following: (1) leveraging resources from the public and private sectors; (2) developing and implementing best practices for innovation, demonstration, and replication; (3) fostering international cooperation on environmental issues; and (4) mainstreaming environmental issues with partner institutions.

Benefiting from Science

Through the Scientific and Technical Advisory Panel (STAP), internationally recognized experts provide strategic guidance on the coherence of GEF operational programs and strategies, emerging issues, program implementation, and monitoring and evaluation indicators. The panel works to improve collaboration with other scientific and technical bodies, communities, and the private sector in areas relevant to the GEF's priorities.

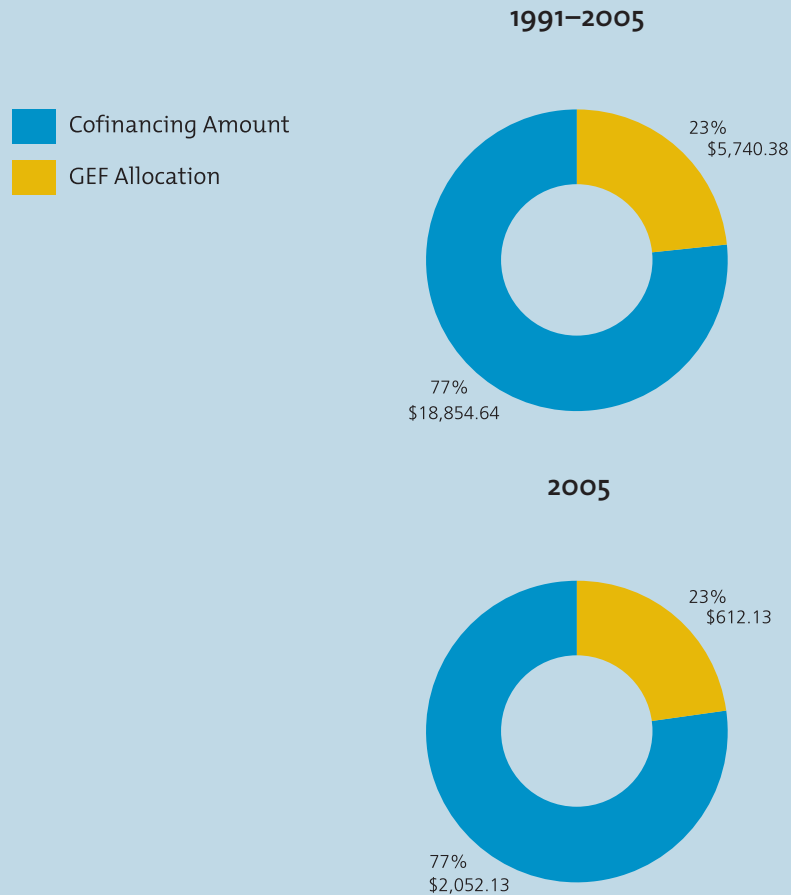
A GEF project in Mexico and Central America, with collaboration from top-notch scientists in the region, is providing alternatives to DDT (dichlorodiphenyl-trichloroethane), a POP used to control malaria. People in tropical areas are particularly vulnerable to malaria, a life-threatening disease affecting millions of people. The project aims to prevent the reintroduction of DDT for malaria control by promoting new mosquito-control techniques. Nine demonstration projects are being created to show that methods to control malaria without DDT are replicable and cost-effective.

Medicinal benefits derived from numerous plant species are one benefit of biodiversity. Scientists have identified more than 3,000 tropical plants as having anticancer properties. Protecting and using biodiversity resources in medicine offers great potential to address human health issues and create livelihoods. With GEF support, Sri Lanka is designing and implementing a program for five reserves where medicinal plants are collected from the wild. The program supports baseline research, monitoring, conservation planning, community organization, research on traditional medicinal plant knowledge, and sustainable activities related to medicinal plants.

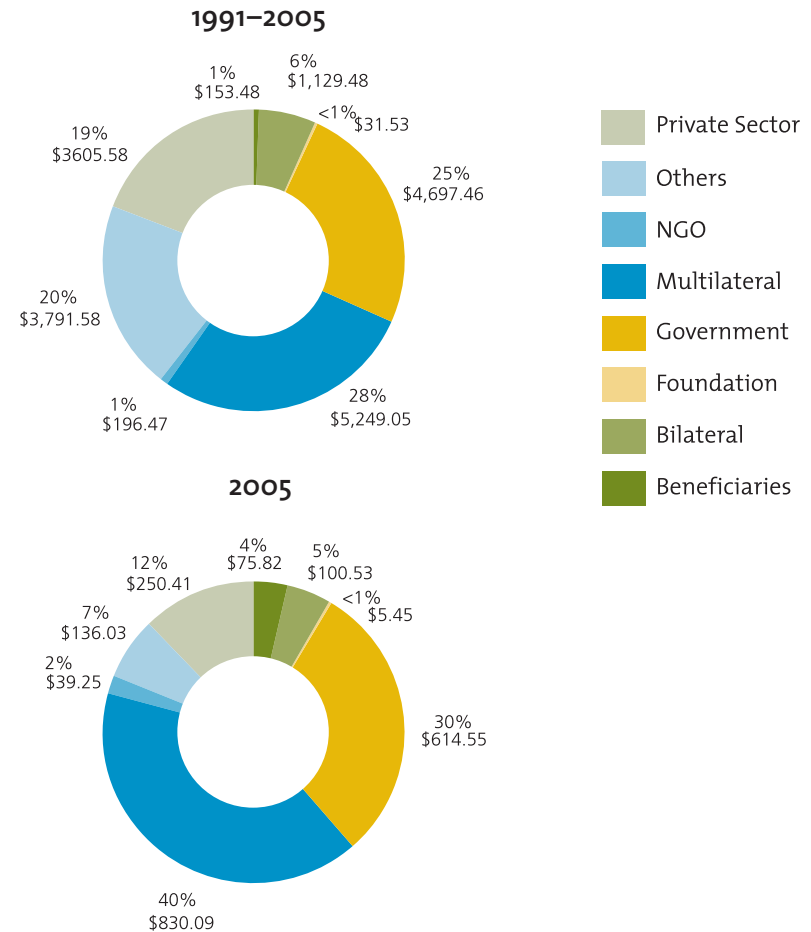


The GEF Portfolio Allocations and Cofinancing

The Leveraging Effect of GEF Support



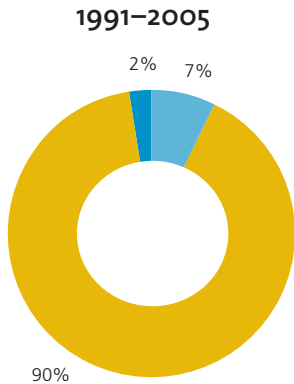
Sources of GEF Cofinancing



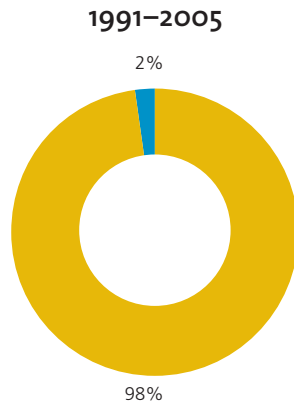
All amounts in millions of dollars. Totals may not equal 100% due to rounding. The category "others" includes total cofinancing to 1991–1993, when this funding was not differentiated by donor.

The GEF Portfolio Project Types

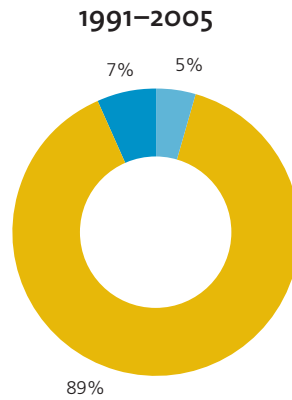
GEF Allocations for Climate Change Projects



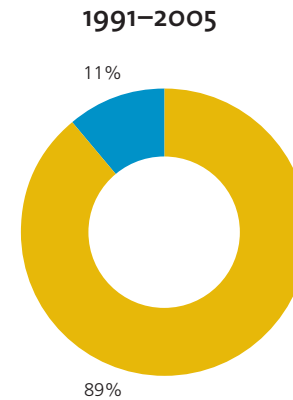
GEF Allocations for International Waters Projects



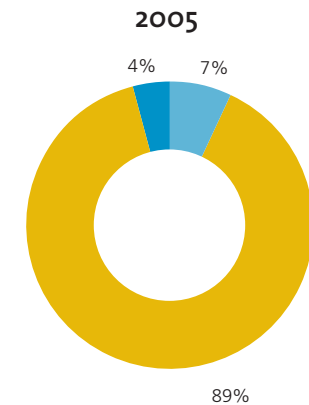
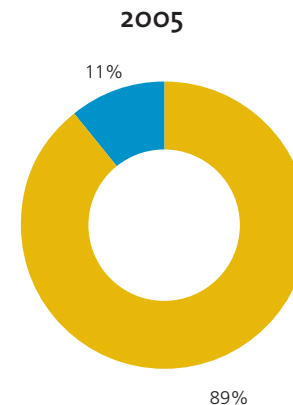
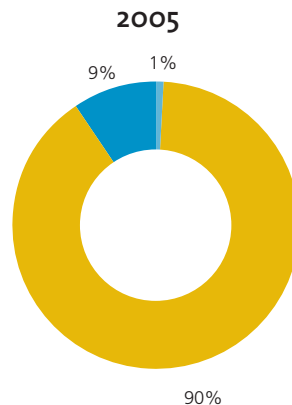
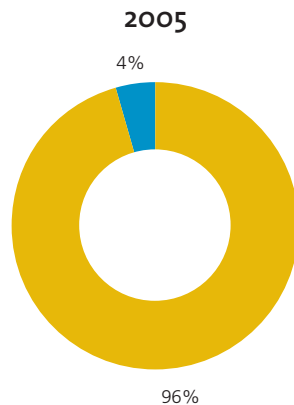
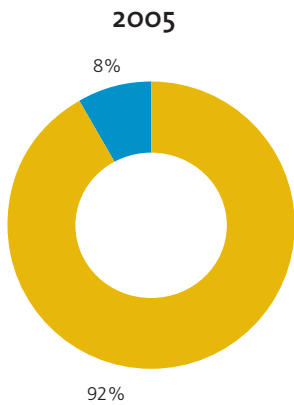
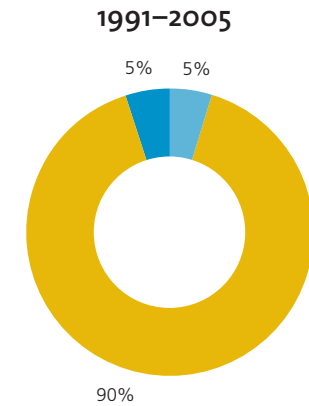
GEF Allocations for Biodiversity Projects





GEF Allocations for Land Degradation




GEF Allocations for Multi-focal Area Projects



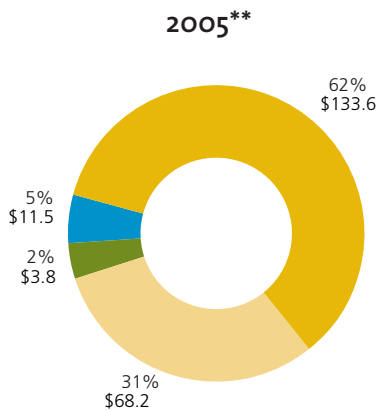
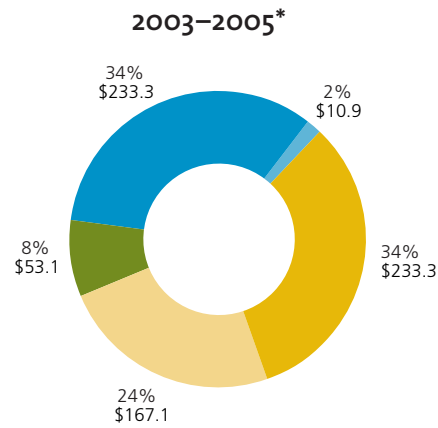
 Full-size projects: \$1 million and higher.

 Medium-size projects: Up to \$1 million; projects are accessible to NGOs.

 Enabling activities: Typically up to \$450,000.

Totals may not equal 100% due to rounding.

The GEF Portfolio Investments in Biodiversity



Catalyzing the Sustainability of Protected Area Systems. *Example:* This GEF project improves the management effectiveness of the national system of protected areas in Namibia.

Mainstreaming Biodiversity. *Example:* The GEF is lending support to growers in Latin America to produce certified sustainable coffee for markets in Europe and the United States.

Catalyzing Sustainability of Protected Area Systems at National Levels and Mainstreaming Biodiversity in Production Landscapes and Sectors. *Example:* A small number of projects combine the objectives of one strategic priority (strengthening protected area systems) with another (mainstreaming biodiversity conservation) in the production of landscape outside protected areas. The C.A.P.E. (Cape Action for People and the Environment) Biodiversity Conservation and Sustainable Development Project in South Africa will create new terrestrial and marine protected areas in the Cape floristic region and will mainstream biodiversity through Payment for Ecosystem Services Initiatives and by setting up sustainable agribusiness and tourism business in the area.

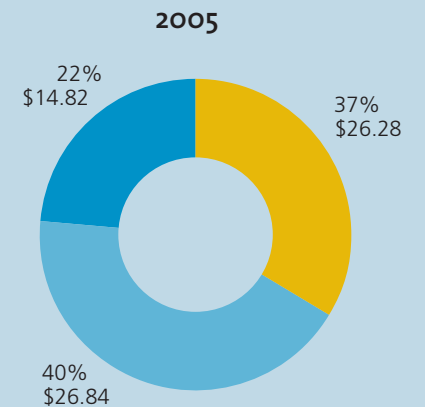
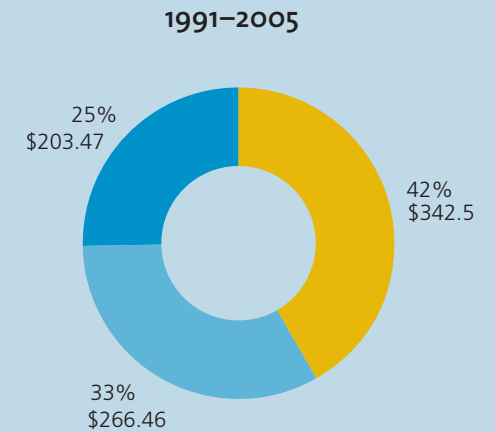
Implementing Cartagena Protocol on Biosafety *Example:* This global project helps 126 countries develop national biosafety frameworks and promotes regional and subregional collaboration.

Generation, Dissemination, and Uptake of Good Practices. *Example:* This GEF project conserves biological diversity in Malaysia through improved forest planning tools.

* The GEF began using strategic priorities in fiscal year 2003 (FY03). Projects before then have not been reclassified using the strategic priorities.

** For FY05, a number of projects reported that they included some of these activities.

The GEF Portfolio Investments in International Waters



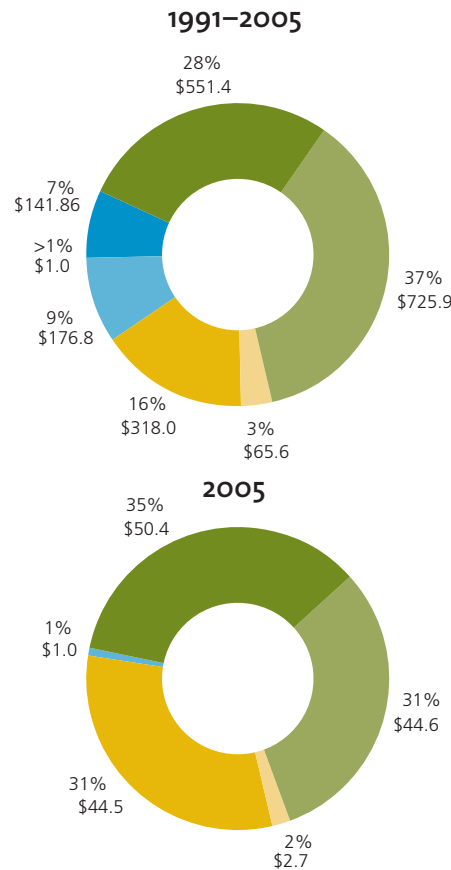
All amounts in millions of dollars.

The GEF Portfolio Investments in Climate Change

- Restoring Water Bodies.** *Example:* This strategic partnership of 17 countries supports a GEF program aimed at reducing nutrient pollution of the Danube River and the Black Sea Large Marine Ecosystem.

- Integrating Multiple Focal Areas.** *Example:* The GEF's Senegal River Basin Water and Environmental Management Project addresses land degradation and transboundary water management.

- Contaminant Reduction.** *Example:* This GEF global program reduces land-based sources of marine pollution in East Asia.



- Energy Efficiency.** *Example:* This GEF project promotes energy-efficient lighting in the Slovak Republic.

- Renewable Energy.** *Example:* This GEF initiative builds capacity to support renewable energy investments in the Pacific Islands and Central America.

- Sustainable Transportation.** *Example:* This GEF project supports rapid transit buses in República Bolivariana de Venezuela.

- Low-GHG Energy Technology.** *Example:* The GEF supports an investment in a biomass-based, externally fired, combined-cycle, electricity-generating plant in Brazil.

- Enabling Activities.** *Example:* The GEF's support helps 115 developing countries to prepare and submit initial national communications plans to the United Nations Framework Convention on Climate Change. Nearly 130 countries are receiving assistance for the second national communications plans.

- Strategic Priority on Adaptation.** *Example:* The GEF supports Hungary in an effort to identify and implement adaptation measures to counter the adverse affects of global warming on the globally significant biodiversity found in Lake Balaton.

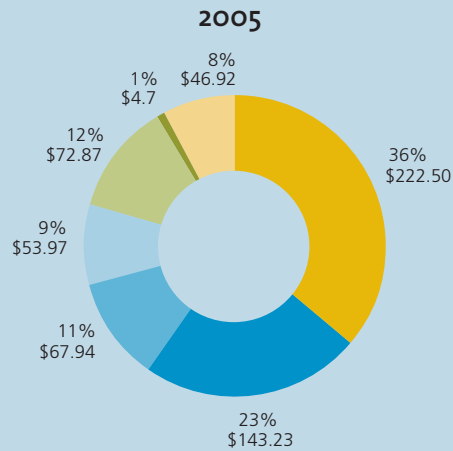
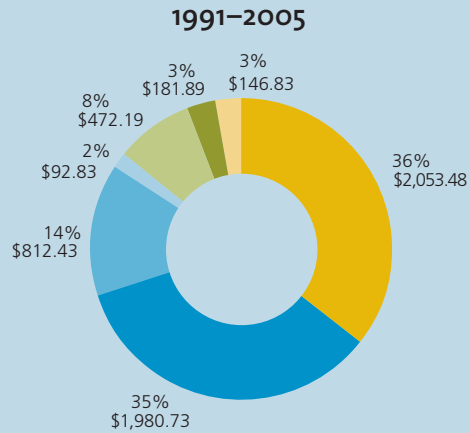
- Short-Term Measures to Reduce GHGs.** *Example:* This GEF project separates municipal and solid waste to reduce methane emissions in Indonesia.

All amounts in millions of dollars.

The GEF Portfolio Focal Areas and Regions

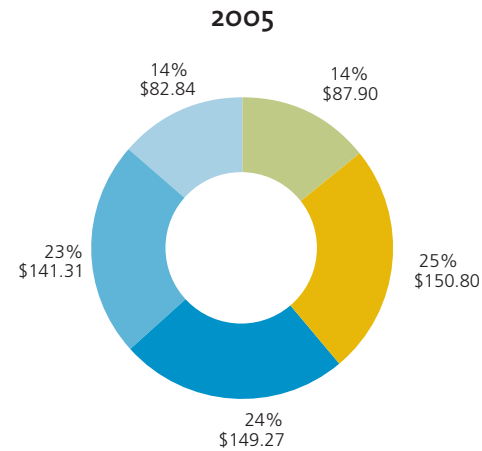
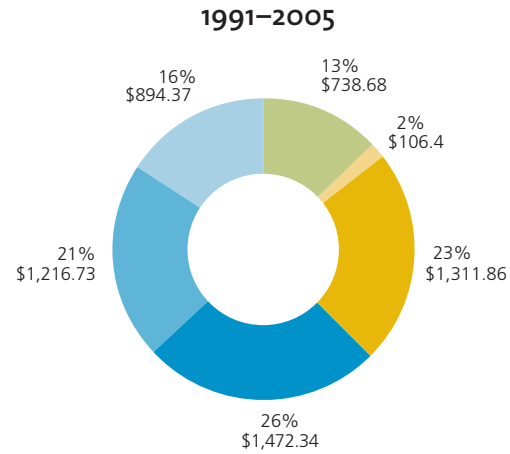
Total GEF Allocation by Focal Area

- Land Degradation
- International Waters
- Climate Change
- Multi-focal Areas
- Ozone Depletion
- Biodiversity
- Persistent Organic Pollutants (POPs)

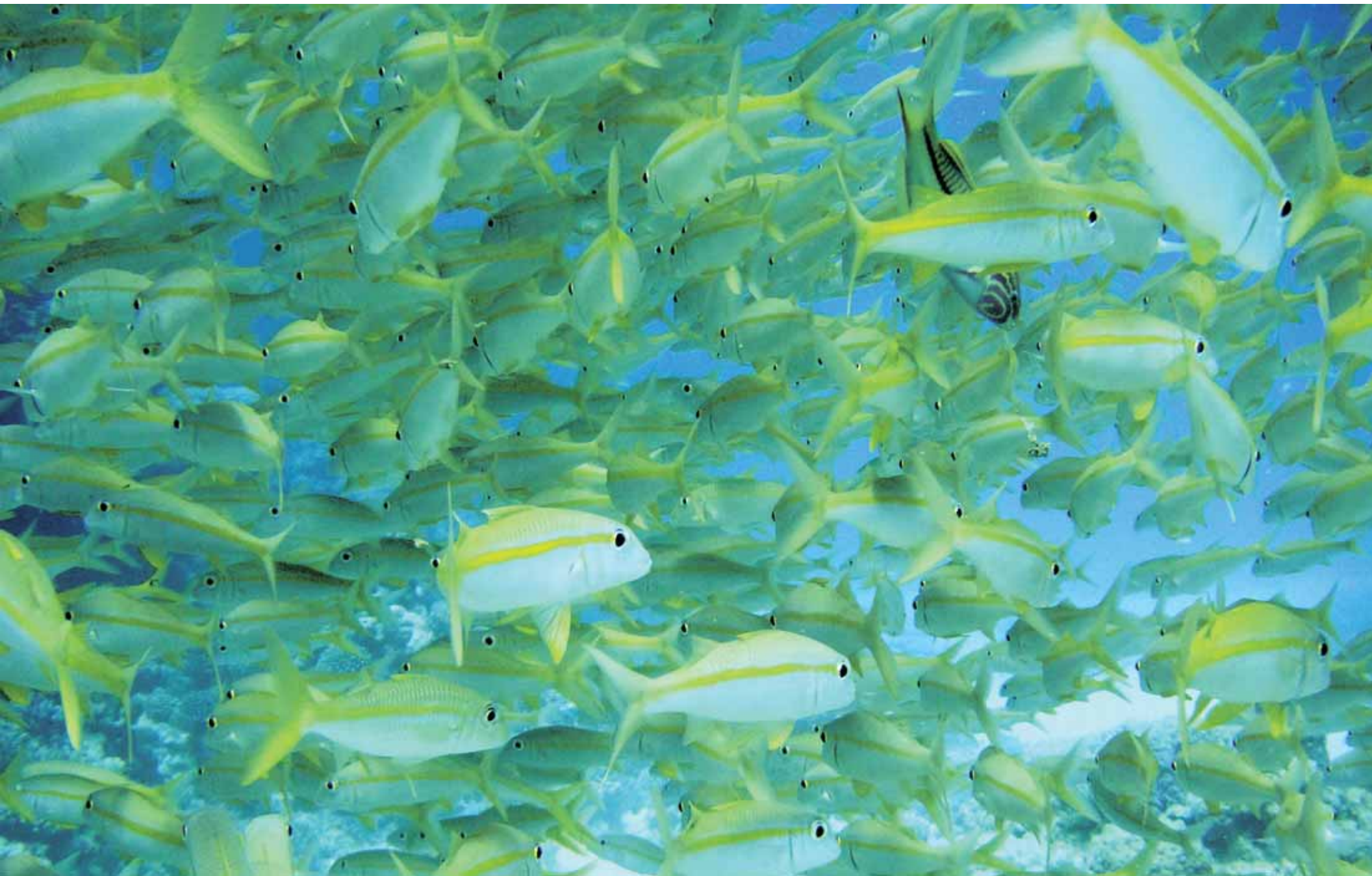


Total GEF Allocation by Region Including Global and Regional Projects

- Global
- Europe and Central Asia
- Latin America and the Caribbean
- Asia
- Regional
- Africa



All amounts in millions of dollars. Totals may not equal 100% due to rounding.



Status of the GEF Trust Fund and Financial Statements

The following information on the status of the Global Environment Facility (GEF) Trust Fund is based on the most recent Financial Statements of the International Bank for Reconstruction and Development (IBRD) as Trustee and the GEF Trust Fund, IBRD, UNDP, and UNEP as Implementing Agencies and the GEF Secretariat.

Status of the GEF Trust Fund as of June 30, 2005

The operating cycles and external auditors used by the Implementing Agencies, the Trustee, and the Secretariat are different. The most recent audited financial statements from the Implementing Agencies that fall into the fiscal year ended June 30, 2005, the Trustee, and the Secretariat are included in this Annex.

| | FINANCIAL STATEMENT AS OF |
|-----------------------------|---------------------------|
| Trustee | June 30, 2005 |
| IBRD as Implementing Agency | June 30, 2005 |
| Secretariat | June 30, 2005 |
| UNDP/GEF | December 31, 2004 |
| UNEP/GEF | December 31, 2004 |

1 UNDP and UNEP operate on a calendar year. IBRD and the Secretariat (which is supported administratively by IBRD) operate on a July-to-June fiscal year.

2 The UNDP/GEF and UNEP/GEF financial statements are audited by the U.N. Board of Auditors. IBRD as Implementing Agency, the Trustee, and the Secretariat's financial statements are audited by IBRD's external auditors.

GEF Allocations by Country, 1991 – 2005

(In USD Millions)

| COUNTRY | GEF AMOUNT | COUNTRY | GEF AMOUNT | COUNTRY | GEF AMOUNT | COUNTRY | GEF AMOUNT | COUNTRY | GEF AMOUNT |
|--------------------------|------------|--------------------|------------|------------------|------------|-----------------------|------------|-------------------------------|------------|
| Global | 738.68 | Colombia | 40.49 | Honduras | 17.15 | Mongolia | 14.15 | Solomon Islands | 0.36 |
| Regional | 1,099.08 | Comoros | 3.66 | Hungary | 41.42 | Morocco | 69.88 | South Africa | 58.54 |
| Afghanistan | 1.18 | Congo | 11.68 | India | 165.66 | Mozambique | 24.17 | Sri Lanka | 38.98 |
| Albania | 11.58 | Congo DR | 7.47 | Indonesia | 92.45 | Namibia | 25.43 | St. Kitts and Nevis | 0.59 |
| Algeria | 15.50 | Cook Islands | 0.63 | Iran | 18.10 | Nauru | 0.36 | St. Lucia | 1.31 |
| Angola | 0.34 | Costa Rica | 31.76 | Jamaica | 4.92 | Nepal | 12.76 | St. Vincent and Grenadines | 1.00 |
| Antigua and Barbuda | 1.22 | Côte d'Ivoire | 26.46 | Jordan | 21.51 | Nicaragua | 19.14 | Sudan | 4.57 |
| Argentina | 49.09 | Croatia | 25.29 | Kazakhstan | 35.29 | Niger | 5.72 | Suriname | 10.23 |
| Armenia | 11.90 | Cuba | 28.66 | Kenya | 30.50 | Nigeria | 45.93 | Swaziland | 9.82 |
| Azerbaijan | 13.68 | Czech Republic | 12.78 | Kiribati | 1.03 | Niue | 1.30 | Syria | 10.59 |
| Bahamas | 0.79 | Djibouti | 1.47 | Korea DPR | 3.38 | Oman | 1.17 | Tajikistan | 7.79 |
| Bahrain | 0.34 | Dominica | 1.05 | Kyrgyzstan | 2.23 | Pakistan | 47.45 | Tanzania | 33.41 |
| Bangladesh | 32.67 | Dominican Republic | 8.28 | Lao PDR | 13.21 | Palau | 1.21 | Thailand | 20.21 |
| Barbados | 0.72 | East Timor | 0.23 | Latvia | 11.92 | Panama | 20.03 | Togo | 2.31 |
| Belarus | 14.03 | Ecuador | 47.25 | Lebanon | 7.33 | Papua New Guinea | 27.59 | Tonga | 1.35 |
| Belize | 11.79 | Egypt | 79.95 | Lesotho | 6.61 | Paraguay | 11.36 | Trinidad and Tobago | 4.85 |
| Benin | 22.19 | El Salvador | 7.13 | Liberia | 1.84 | Peru | 59.57 | Tunisia | 41.56 |
| Bhutan | 13.74 | Equatorial Guinea | 0.30 | Libya | 0.48 | Philippines | 117.20 | Turkey | 21.79 |
| Bolivia | 26.41 | Eritrea | 8.54 | Lithuania | 26.79 | Poland | 70.70 | Turkmenistan | 3.78 |
| Bosnia-Herzegovina | 8.99 | Estonia | 1.57 | Macedonia | 3.72 | Republic Of Korea | 2.47 | Tuvalu | 0.22 |
| Botswana | 5.80 | Ethiopia | 10.87 | Madagascar | 36.88 | Romania | 41.56 | Tuvalu | 0.22 |
| Brazil | 253.42 | Fiji | 1.81 | Malawi | 15.03 | Russian Federation | 157.58 | Uganda | 52.87 |
| Bulgaria | 46.17 | Gabon | 12.38 | Malaysia | 28.47 | Rwanda | 11.31 | Ukraine | 50.42 |
| Burkina Faso | 30.56 | Gambia | 2.27 | Maldives | 4.87 | Samoa | 1.92 | Uruguay | 23.18 |
| Burundi | 6.84 | Georgia | 20.44 | Mali | 20.98 | São Tomé and Príncipe | 1.11 | Uzbekistan | 6.18 |
| Cambodia | 17.52 | Ghana | 29.79 | Malta | 0.36 | Saudi Arabia | 0.35 | Vanuatu | 1.74 |
| Cameroon | 19.20 | Grenada | 1.60 | Marshall Islands | 1.02 | Senegal | 20.65 | Venezuela | 13.79 |
| Cape Verde | 9.75 | Guatemala | 19.46 | Mauritania | 3.42 | Serbia | 10.36 | Vietnam | 50.75 |
| Central African Republic | 3.78 | Guinea | 19.81 | Mauritius | 8.04 | Seychelles | 5.28 | Yemen | 11.68 |
| Chad | 9.06 | Guinea-Bissau | 6.40 | Mexico | 210.93 | Sierra Leone | 0.80 | Zambia | 15.37 |
| Chile | 34.83 | Guyana | 9.81 | Micronesia | 1.42 | Slovak Republic | 23.20 | Zimbabwe | 15.10 |
| China | 516.78 | Haiti | 1.09 | Moldova | 8.71 | Slovenia | 21.32 | | |

GEF Allocations by Country, 2005

(In USD Millions)

| COUNTRY | GEF AMOUNT | COUNTRY | GEF AMOUNT | COUNTRY | GEF AMOUNT | COUNTRY | GEF AMOUNT | COUNTRY | GEF AMOUNT |
|--------------------|------------|--------------------|------------|------------------|------------|--------------------|------------|--------------|------------|
| Global | 87.90 | Costa Rica | 0.45 | Kenya | 6.05 | Nicaragua | 0.99 | Turkey | 0.37 |
| Regional | 138.05 | Czech Republic | 1.99 | Kiribati | 0.23 | Nigeria | 11.31 | Turkmenistan | 1.43 |
| Albania | 5.32 | Djibouti | 0.23 | Korea DPR | 0.75 | Palau | 0.23 | Tuvalu | 0.22 |
| Argentina | 3.46 | Dominica | 0.26 | Kyrgyzstan | 1.00 | Panama | 6.65 | Uganda | 4.25 |
| Azerbaijan | 5.84 | Dominican Republic | 4.60 | Lao PDR | 6.33 | Papua New Guinea | 1.22 | Ukraine | 8.19 |
| Bangladesh | 0.22 | East Timor | 0.23 | Latvia | 0.72 | Peru | 0.90 | Uzbekistan | 1.21 |
| Barbados | 0.29 | El Salvador | 5.35 | Liberia | 1.00 | Philippines | 9.34 | Venezuela | 1.95 |
| Belarus | 1.00 | Fiji | 0.23 | Madagascar | 0.19 | Romania | 1.00 | Vietnam | 11.05 |
| Belize | 0.35 | Gabon | 10.30 | Mali | 0.23 | Russian Federation | 21.64 | Yemen | 1.00 |
| Benin | 0.23 | Guatemala | 2.85 | Marshall Islands | 0.23 | Rwanda | 5.75 | Zambia | 6.56 |
| Bhutan | 0.55 | Guinea | 7.58 | Mauritius | 0.60 | Slovak Republic | 1.00 | | |
| Bosnia-Herzegovina | 8.79 | Guinea-Bissau | 0.45 | Mexico | 0.20 | Solomon Islands | 0.23 | | |
| Botswana | 1.23 | Guyana | 0.20 | Micronesia | 0.23 | South Africa | 15.13 | | |
| Brazil | 65.20 | Hungary | 1.95 | Moldova | 1.00 | Suriname | 0.20 | | |
| Bulgaria | 2.01 | India | 3.73 | Mozambique | 10.35 | Tajikistan | 0.78 | | |
| Cape Verde | 0.23 | Indonesia | 1.00 | Namibia | 13.99 | Tanzania | 10.33 | | |
| Chile | 1.04 | Iran | 9.92 | Nauru | 0.14 | Tonga | 0.23 | | |
| China | 62.25 | Kazakhstan | 8.55 | Nepal | 2.41 | Tunisia | 0.19 | | |

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

World Bank Reference
TF029840

Special Purpose Financial Statements and
Independent Auditors' Report
June 30, 2005 and 2004

THE WORLD BANK GROUP
Trust Funds Division
1818 H Street, N.W. Washington, D.C. 20433, USA
Tel.: (202) 458-5800 Fax: (202) 477-7163

INDEPENDENT AUDITORS' REPORT

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 financial statements of financial position of the Global Environment Facility Trust Fund (GEF) as of June 30, 2005 and 2004, 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, 2005 and 2004, 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

Deloitte & Touche LLP

October 19, 2005

Special Purpose Statements of Financial Position

Expressed in U.S. dollars

| | <u>JUNE 30, 2005</u> | <u>JUNE 30, 2004</u> |
|--|--------------------------------|--------------------------------|
| ASSETS | | |
| Share in pooled investments - Note 2 | \$ 1,877,422,694 | \$ 1,614,021,305 |
| Investment income receivable | — | 1,707,435 |
| Notes receivable - Note 3 | <u>1,587,777,520</u> | <u>1,732,250,663</u> |
| Total Assets | <u>\$ 3,465,220,214</u> | <u>\$ 3,347,979,403</u> |
| LIABILITIES | | |
| Grant liability: | | |
| IBRD/IA - Note 10 | \$ 820,708,500 | \$ 758,431,389 |
| UNDP | 74,435,428 | 111,314,379 |
| UNEP | 71,022,423 | 58,307,679 |
| EAs | 37,334,380 | — |
| Fee liability: | | |
| IBRD/IA - Note 10 | 4,621,100 | 29,247,250 |
| UNDP | 3,280,005 | 16,426,882 |
| UNEP | 1,138,701 | 1,124,685 |
| EAs | <u>1,945,840</u> | <u>—</u> |
| Total Liabilities | <u>1,014,486,377</u> | <u>974,852,264</u> |
| NET TRUST RESOURCES | | |
| Contributions committed - Note 3 | \$ 7,297,208,615 | \$ 7,205,685,573 |
| Contributions receivable - Notes 3 and 4 | (873,741,653) | (1,374,800,650) |
| Unamortized discounts | <u>(6,974,167)</u> | <u>(4,981,552)</u> |
| Contributions paid in - Note 3 | 6,416,492,795 | 5,825,903,371 |
| Cumulative grants and fees - Notes 6, 7 and 9 | (3,939,330,409) | (3,401,487,666) |
| Deficit | <u>(26,428,549)</u> | <u>(51,288,566)</u> |
| Total Net Trust Resources | <u>2,450,733,837</u> | <u>2,373,127,139</u> |
| Total Liabilities and Net Trust Resources | <u>\$ 3,465,220,214</u> | <u>\$ 3,347,979,403</u> |

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

Special Purpose Statements of Income

Expressed in U.S. dollars

FOR THE YEARS ENDED

| | <u>JUNE 30, 2005</u> | <u>JUNE 30, 2004</u> |
|--|----------------------|----------------------|
| INCOME | | |
| Net investment income - Note 2 | \$ 44,213,773 | \$ 15,300,036 |
| 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 | — |
| | <hr/> | <hr/> |
| Total Income | 50,973,225 | 15,300,036 |
| EXPENSES | | |
| Administrative budget: | | |
| IBRD/IA - Note 10 | 2,939,274 | 2,768,702 |
| UNDP | 5,613,000 | — |
| UNEP | 4,620,879 | 2,801,359 |
| Secretariat - Note 10 | 12,926,538 | 12,584,305 |
| IBRD/Trustee - Note 10 | 1,450,000 | 874,000 |
| Discount amortization | 902,171 | 471,145 |
| | <hr/> | <hr/> |
| Total Expenses | 28,451,862 | 19,499,511 |
| Foreign Exchange Gains | 2,338,654 | 4,685,481 |
| | <hr/> | <hr/> |
| Net Income | \$ 24,860,017 | \$ 486,006 |

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

Special Purpose Statements of Changes in Net Trust Resources

Expressed in U.S. dollars

FOR THE YEARS ENDED

| | JUNE 30, 2005 | | | JUNE 30, 2004 | | |
|--------------------------------------|-----------------------------------|----------------------------|-----------------------------|-----------------------------------|----------------------------|-----------------------------|
| | BALANCE, BEGINNING OF FISCAL YEAR | CHANGES DURING FISCAL YEAR | BALANCE, END OF FISCAL YEAR | BALANCE, BEGINNING OF FISCAL YEAR | CHANGES DURING FISCAL YEAR | BALANCE, END OF FISCAL YEAR |
| CONTRIBUTIONS - NOTE 3: | | | | | | |
| Unrestricted | \$6,490,373,337 | \$333,959,300 | \$6,824,332,637 | \$5,929,472,632 | \$560,900,705 | \$6,490,373,337 |
| Temporarily restricted: | | | | | | |
| Restrictions on IoC - Note 5 | 502,297,974 | (212,325,379) | 289,972,595 | 652,098,990 | (149,801,016) | 502,297,974 |
| Temporarily restricted: Pro Rata | | | | | | |
| Right & Advance Payment - Note 5 | 213,014,262 | (30,110,879) | 182,903,383 | 222,365,199 | (9,350,937) | 213,014,262 |
| Total Contributions Committed | 7,205,685,573 | 91,523,042 | 7,297,208,615 | 6,803,936,821 | 401,748,752 | 7,205,685,573 |
| Contributions receivable | (1,374,800,650) | 501,058,997 | (873,741,653) | (1,781,196,985) | 406,396,335 | (1,374,800,650) |
| Unamortized discounts | (4,981,552) | (1,992,615) | (6,974,167) | (2,321,241) | (2,660,311) | (4,981,552) |
| Contributions paid in - | | | | | | |
| Notes 5 and 9 | 5,825,903,371 | 590,589,424 | 6,416,492,795 | 5,020,418,595 | 805,484,776 | 5,825,903,371 |
| GRANTS AND FEES - | | | | | | |
| NOTES 6 AND 7: | | | | | | |
| IBRD/IA | (2,001,229,875) | (301,157,960) | (2,302,387,835) | (1,652,274,670) | (348,955,205) | (2,001,229,875) |
| UNDP | (1,073,646,646) | (107,233,196) | (1,180,879,842) | (1,056,994,764) | (16,651,882) | (1,073,646,646) |
| UNEP | (299,119,078) | (76,104,317) | (375,223,395) | (199,918,949) | (99,200,129) | (299,119,078) |
| EAs | (24,746,467) | (52,744,270) | (77,490,737) | (23,510,467) | (1,236,000) | (24,746,467) |
| Secretariat | (2,745,600) | (603,000) | (3,348,600) | (2,745,600) | — | (2,745,600) |
| Total Grants and Fees | (3,401,487,666) | (537,842,743) | (3,939,330,409) | (2,935,444,450) | (466,043,216) | (3,401,487,666) |
| Deficit | (51,228,566) | 24,860,017 | (26,428,549) | (51,774,572) | 486,006 | (51,288,566) |
| TOTAL NET TRUST RESOURCES | \$2,373,127,139 | \$77,606,698 | \$2,450,733,837 | \$2,033,199,573 | \$339,927,566 | \$2,373,127,139 |

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

Special Purpose Statements of Cash Flows

Expressed in U.S. dollars

| | FOR THE YEARS ENDED | |
|--|-----------------------------|-----------------------------|
| | <u>JUNE 30, 2005</u> | <u>JUNE 30, 2004</u> |
| CASH FLOWS FROM OPERATING ACTIVITIES: | | |
| Net Income | \$ 24,860,017 | \$ 486,006 |
| Adjustments to reconcile to net cash provided by operating activities: | | |
| Unrealized Loss on Pooled Investments | 2,983,118 | 1,592,051 |
| Decrease in Investment Income Receivable | 1,707,435 | 3,504,824 |
| Amortization of Discount on Contributions | 902,171 | 471,145 |
| Net Cash Flows from Operating Activities | <u>30,452,741</u> | <u>6,054,026</u> |
| CASH FLOWS FROM FINANCING ACTIVITIES: | | |
| Cash Contributions Received | 735,062,567 | 1,003,345,563 |
| Cash used for Grants and Fees | (499,110,801) | (368,972,424) |
| Net Cash Flows Provided by Financing Activities | <u>235,951,766</u> | <u>634,373,139</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES: | | |
| Cash transferred to Pooled Investments | (266,404,507) | (640,427,165) |
| Net Cash Flows Used in Investing Activities | <u>(266,404,507)</u> | <u>(640,427,165)</u> |
| Net Increase in Cash | — | — |
| Cash and Cash Equivalents, Beginning of Year | <u>—</u> | <u>—</u> |
| Cash and Cash Equivalents, End of Year | <u>\$ —</u> | <u>\$ —</u> |

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

Notes to Special Purpose Financial Statements

Years Ended June 30, 2005 and 2004

Expressed in U.S. dollars

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”).

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, 1998 (“GEF-1”). To date, two additional replen-

ishments to the original GEF have been agreed by the participants (“GEF-2” and “GEF-3”). In March 1998, 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. The total size of the GEF-3 was agreed at Special Drawing Rights (“SDR”) 2.365 billion (US \$3.0 billion).

The Executive Directors of IBRD authorized IBRD to act as Trustee in respect of the resources made available for GEF-2 (Resolution No. 98-2) and GEF-3 (Resolution 2002-0005). For the time between the expiration of GEF-2 and the GEF-3 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, upon effectiveness of the GEF-3, all funds receipts, assets, and liabilities held by the Trustee under the GEF-2 became administered as part of the GEF-3.

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, 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 Project Development and Preparation Facility - Block B (the “PDF-B”) resources available to them. In October 2002, the Council approved a proposal to expand direct access to

Notes to Special Purpose Financial Statements

Years Ended June 30, 2005 and 2004

Expressed in U.S. dollars

PDF-B resources by ADB and IADB to provide full access to allocations of GEF resources. On November 21, 2003, the Council approved a proposal to expand direct access of all other EAs (namely, the African Development Bank/African Development Fund, 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 in addition to PDF-B grants. As of July 31, 2005, arrangements allowing for expanded direct access have been entered into between the Secretariat, the Trustee and ADB, the African Development Bank/African Development Fund, FAO, IADB, IFAD, and UNIDO, respectively. An Arrangement with EBRD is currently being negotiated.

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 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 the IAs 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 IAs and EAs is recorded in the fiscal year in which such adjustment is reported to the Trustee.

Share in Pooled 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 Investments represents the Trust Fund's pro rata share of the Pool's

Notes to Special Purpose Financial Statements

Years Ended June 30, 2005 and 2004

Expressed in U.S. dollars

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.

Prior year comparatives have been amended to reclassify cash and cash equivalents of \$868,960,313, and investments \$745,060,992 into Share in Pooled Investments, in order to conform with current year presentation.

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 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 Note Receivables 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 executing agencies 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) (together the “EAs”), 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 interseasonals, 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

Notes to Special Purpose Financial Statements

Years Ended June 30, 2005 and 2004

Expressed in U.S. dollars

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 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 the U.S. dollar as at June 30, 2005 and 2004. Realized foreign exchange gains and losses result from the conversion of assets and liabilities held in currencies other than the U.S. dollar.

Notes to Special Purpose Financial Statements

Years Ended June 30, 2005 and 2004

Note 3: Contributions

As of June 30, 2005 cumulative contributions by Contributing Participants are as follows:

| CONTRIBUTING PARTICIPANTS | AS AT JUNE 30, 2005 | | | AS AT JUNE 30, 2004 |
|------------------------------|--------------------------|-------------------------|-------------------------|-------------------------|
| | CONTRIBUTIONS RECEIVABLE | CONTRIBUTIONS PAID IN | TOTAL CONTRIBUTIONS | TOTAL CONTRIBUTIONS |
| Argentina | \$ 2,500,000 | \$ 2,500,000 | \$ 5,000,000 | \$ 5,000,000 |
| Australia | 13,113,984 | 108,329,251 | 121,443,235 | 115,592,996 |
| Austria | 7,380,131 | 94,921,357 | 102,301,488 | 101,828,456 |
| Bangladesh | — | 2,734,440 | 2,734,440 | 2,730,132 |
| Belgium | 25,415,742 | 95,436,477 | 120,852,219 | 120,222,518 |
| Brazil | — | 11,206,687 | 11,206,687 | 11,211,115 |
| Canada | 32,198,858 | 281,509,997 | 313,708,855 | 303,043,297 |
| China | 2,743,556 | 27,092,925 | 29,836,481 | 30,226,013 |
| Côte d'Ivoire | — | 20,039,416 | 20,039,416 | 20,100,624 |
| Czech Republic | 1,463,230 | 15,341,370 | 16,804,600 | 16,761,770 |
| Denmark | 12,115,229 | 122,417,051 | 134,532,280 | 133,765,315 |
| Egypt | 2,335,201 | 8,971,001 | 11,306,202 | 11,316,192 |
| Finland | 10,803,204 | 95,096,811 | 105,900,015 | 105,775,828 |
| France | 49,644,850 | 581,591,030 | 631,235,880 | 627,704,493 |
| Germany | 73,416,562 | 831,111,863 | 904,528,425 | 903,697,036 |
| Greece | 3,469,085 | 12,938,757 | 16,407,842 | 16,413,097 |
| IBRD | — | 28,602,686 | 28,602,686 | 28,602,687 |
| India | 2,449,053 | 28,636,778 | 31,085,831 | 30,908,914 |
| Indonesia | — | 5,689,700 | 5,689,700 | 5,689,700 |
| Ireland | 1,734,543 | 11,597,992 | 13,332,535 | 13,330,626 |
| Italy | 143,970,065 | 249,315,550 | 393,285,615 | 248,131,517 |
| Japan | 110,946,338 | 1,201,879,500 | 1,312,825,838 | 1,320,032,913 |
| Korea | 1,107,540 | 13,845,969 | 14,953,509 | 14,953,509 |
| Luxembourg | 1,734,543 | 16,423,608 | 18,158,151 | 18,106,558 |
| Mexico | 1,267,750 | 19,667,860 | 20,935,610 | 20,935,610 |
| Netherlands | 22,822,730 | 270,081,907 | 292,904,637 | 292,749,493 |
| New Zealand | 2,143,799 | 17,056,382 | 19,200,181 | 18,141,164 |
| Nigeria | 4,389,690 | 12,351,409 | 16,741,099 | 16,759,879 |
| Norway | 8,688,240 | 111,778,935 | 120,467,175 | 118,374,158 |
| Pakistan | 1,463,230 | 21,216,864 | 22,680,094 | 22,622,076 |
| Portugal | 1,734,761 | 22,166,965 | 23,901,726 | 23,837,281 |
| Slovak Republic | — | 5,657,783 | 5,657,783 | 5,657,783 |
| Slovenia | 365,808 | 2,446,819 | 2,812,627 | 2,800,597 |
| Spain | 8,746,374 | 64,251,597 | 72,997,971 | 72,486,789 |
| Sweden | — | 244,607,447 | 244,607,447 | 246,504,001 |
| Switzerland | 19,409,506 | 192,777,033 | 212,186,539 | 213,307,969 |
| Turkey | 1,463,230 | 21,208,370 | 22,671,600 | 22,667,106 |
| United Kingdom | 53,677,457 | 509,994,739 | 563,672,196 | 563,696,361 |
| United States (Note 4) | 249,027,364 | 1,040,972,636 | 1,290,000,000 | 1,360,000,000 |
| Total | \$ 873,741,653 | \$ 6,423,466,962 | \$ 7,297,208,615 | \$ 7,205,685,573 |
| Less unamortized discounts | | (6,974,167) | | |
| Contributions paid in | | \$ 6,416,492,795 | | |

Notes to Special Purpose Financial Statements

Years Ended June 30, 2005 and 2004

Expressed in U.S. dollars

At June 30, 2005 and 2004, the paid in amounts of \$6,416,492,795 and \$5,825,903,371 contain a note receivable balance of \$1,587,777,520 and \$1,732,250,663, 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, 2005 and 2004 are as follows. These amounts are not discounted.

Notes Receivable Encashment Schedule

| JUNE 30, 2005 | | JUNE 30, 2004 | |
|-------------------------|-----------------|-------------------------|-----------------|
| AMOUNT | ENCASHMENT DATE | AMOUNT | ENCASHMENT DATE |
| | | \$ 434,477,000 | June 2005 |
| \$ 397,655,938 | June 2006 | 342,049,000 | June 2006 |
| 327,099,068 | June 2007 | 277,246,000 | June 2007 |
| 289,967,898 | June 2008 | 241,370,000 | June 2008 |
| 247,346,620 | June 2009 | 202,232,000 | June 2009 |
| 193,745,127 | June 2010 | 156,568,000 | June 2010 |
| 87,841,724 | June 2011 | 52,205,000 | June 2011 |
| 43,921,144 | June 2012 | 26,103,663 | June 2012 |
| <u>\$ 1,587,577,520</u> | | <u>\$ 1,732,250,663</u> | |

Notes to Special Purpose Financial Statements

Years Ended June 30, 2005 and 2004

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 USD 107.5 million, the United States will provide USD 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 decided 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 USD 70 million. Consequently, the Trustee reduced the amount of Contributions Receivable from the United States by USD 70 million for the GEF-3 and FY05.

Outstanding contributions receivable are as follows:

| | <u>JUNE 30, 2005</u> | <u>JUNE 30, 2004</u> |
|------------------------------------|-----------------------|-------------------------|
| GEF-1 contributions due on: | | |
| July 1, 2007 through June 30, 2008 | \$ 500,000 | \$ 500,000 |
| July 1, 2006 through June 30, 2007 | 1,278,400 | 1,281,730 |
| July 1, 2005 through June 30, 2006 | 1,278,400 | 1,281,730 |
| July 1, 2004 through June 30, 2005 | 1,778,400 | 1,781,731 |
| | <u>4,835,200</u> | <u>4,845,191</u> |
| GEF-2 contributions due on: | | |
| July 1, 2004 through June 30, 2005 | 140,667,365 | 157,214,709 |
| | <u>140,667,365</u> | <u>157,214,709</u> |
| GEF-3 contributions due on: | | |
| July 1, 2005 through June 30, 2006 | 728,239,088 | 634,510,232 |
| July 1, 2004 through June 30, 2005 | — | 578,230,518 |
| | <u>728,239,088</u> | <u>1,212,740,750</u> |
| Total | <u>\$ 873,741,653</u> | <u>\$ 1,374,800,650</u> |

Notes to Special Purpose Financial Statements

Years Ended June 30, 2005 and 2004

Expressed in U.S. dollars

Note 5: Temporarily Restricted Contributions

Temporarily Restricted Contributions (Restrictions on IoC) — As of June 30, 2005, the Contributions Committed and the Contributions Receivable are restricted due to the deposit of Qualified IoCs by Canada and Spain for its contributions to the GEF-3 and the U.S. for its contributions to the GEF-2 and the GEF-3.

Temporarily Restricted Contributions (Restrictions on IoC)

| | JUNE 30, 2005 | JUNE 30, 2004 |
|---------------|------------------------------|------------------------------|
| GEF-2 | | |
| United States | \$ 140,667,364 | \$ 140,667,364 |
| GEF-3 | | |
| Canada | 32,198,857 | 59,056,962 |
| Spain | 8,746,374 | 17,573,648 |
| United States | 108,360,000 | 285,000,000 |
| | <u>149,305,231</u> | <u>361,630,610</u> |
| Total | <u><u>\$ 289,972,595</u></u> | <u><u>\$ 502,297,974</u></u> |

In addition to restrictions imposed on IoCs, as described above, as of June 30, 2005 and 2004, the Trust Fund has \$182,903,383 and \$213,014,262, 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 20.84% of the total amount in 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, 2002. 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 the fourth tranche of their Paid In Contributions to the GEF-2 until corresponding amounts of the U.S. contribution are unqualified (“Pro-rata Right”).

As of June 30, 2005, three Contributing Participants, Austria, France, and Japan, had exercised their Pro-rata Right to defer commitment of the fourth tranche of their contribution to the GEF-2, Austria in the amount of \$5,084,843; France in the amount of \$39,807,457; and Japan in the amount of \$110,946,450.

For the GEF-3, the U.S., which deposited a Qualified IoC, had not unqualified 75% as of June 30, 2005. The arrear represents 0.20% of its GEF-3 contributions. As a result, three donors, Austria, France, and Germany, have exercised the Pro-rata Right in proportion to the U.S. shortfall in accordance with the provisions of Section 8 (b) and (c) of Resolution No. 2002-0005. The deferred commitment resulting from exercising the Pro-rata right amounted to \$990,361 as of June 30, 2005.

Accordingly, as of June 30, 2005, 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 \$156,829,111 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 Participant agrees to an early release. As of June 30, 2005, a total of \$26,074,272 was 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, 2005 and 2004.

Notes to Special Purpose Financial Statements

Years Ended June 30, 2005 and 2004

Expressed in U.S. dollars

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

| CONTRIBUTING PARTICIPANT | JUNE 30, 2005 | JUNE 30, 2004 |
|--------------------------|-----------------------|-----------------------|
| GEF-2 | | |
| Austria | \$ 5,084,843 | \$ 5,108,360 |
| France | 39,807,457 | 39,991,561 |
| Japan | 110,946,450 | 112,758,039 |
| Sub-total | <u>\$ 155,838,750</u> | <u>\$ 157,857,960</u> |
| GEF-3 | | |
| Austria | \$ 5,904 | — |
| France | 397,157 | — |
| Japan | 587,300 | — |
| Sub-total | <u>990,361</u> | <u>—</u> |
| Total | <u>\$ 156,829,111</u> | <u>\$ 157,857,960</u> |

Temporarily Restricted Contributions Due to Advance Payments by Contributing Participants

| CONTRIBUTING PARTICIPANT | JUNE 30, 2005 | JUNE 30, 2004 |
|--------------------------|-----------------------|-----------------------|
| Côte d'Ivoire | 1,463,230 | 2,938,980 |
| Korea | — | 1,398,554 |
| Sweden | 24,611,042 | 50,818,768 |
| Sub-total | <u>26,074,272</u> | <u>55,156,302</u> |
| Total | <u>\$ 182,903,383</u> | <u>\$ 213,014,262</u> |

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. The grant funds commitments to the Secretariat become payable upon commitment by the Trustee.

For the fiscal years ended June 30, 2005 and 2004, the cumulative grants and fees approved by the Council (and endorsed by the CEO if applicable), and/or by the CEO, committed by the Trustee and approved by the respective IAs and EAs (ADB, EBRD, IADB and UNIDO) are as follows:

Notes to Special Purpose Financial Statements

Years Ended June 30, 2005 and 2004

Expressed in U.S. dollars

| COUNCIL ALLOCATIONS GRANTS AND FEES | CUMULATIVE GRANTS AND FEES AS AT: | |
|--|-----------------------------------|-------------------------|
| | JUNE 30, 2005 | JUNE 30, 2004 |
| IBRD/IA | \$ 3,205,376,159 | \$ 3,039,441,922 |
| UNDP | 2,033,082,543 | 1,831,584,773 |
| UNEP | 508,473,271 | 446,584,602 |
| Secretariat | 3,348,600 | 2,745,600 |
| EAs | 86,542,737 | 36,553,467 |
| Total Council Allocations | \$ 5,836,823,310 | \$ 5,356,910,364 |

Of which Trustee Commitments are:

| TRUSTEE COMMITMENTS GRANTS AND FEES | CUMULATIVE GRANTS AND FEES AS AT: | |
|--|-----------------------------------|-------------------------|
| | JUNE 30, 2005 | JUNE 30, 2004 |
| IBRD/IA | \$ 2,660,788,598 | \$ 2,444,060,652 |
| UNDP | 1,692,844,765 | 1,499,982,064 |
| UNEP | 455,983,715 | 392,784,570 |
| Secretariat | 3,348,600 | 2,745,600 |
| EAs | 84,339,627 | 36,865,467 |
| Total Trustee Commitments | \$ 4,897,305,305 | \$ 4,376,438,353 |

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

| | | |
|----------------------------------|-------------------------|-------------------------|
| IBRD/IA | \$ 2,302,387,835 | \$ 2,001,229,875 |
| UNDP | 1,180,879,842 | 1,073,646,646 |
| UNEP | 375,223,395 | 299,119,078 |
| Secretariat | 3,348,600 | 2,745,600 |
| EAs | 77,490,737 | 24,746,467 |
| Total IA and EA approvals | \$ 3,939,330,409 | \$ 3,401,487,666 |

The differences between the total Council allocations and the total Trustee commitments in the amounts of \$939,518,005 at June 30, 2005 and \$980,472,011 at June 30, 2004 represent the amounts that have been approved by the Council or the CEO, as applicable, (and endorsed by the CEO if applicable) but not have been committed by the Trustee. The differences between the total Trustee commitments and the total IAs and EAs approvals in the amounts of \$957,974,896 and \$974,950,687, at June 30, 2005 and 2004, respectively, represent the amounts that have been committed by the Trustee but not yet approved by IAs and EAs.

Note 7: Grants and Fees

For the fiscal years ended June 30, 2005 and 2004, grants approved and fees requested by the IAs and EAs are as follows:

| | DURING THE PERIOD | |
|------------------|-----------------------|-----------------------|
| | JUNE 30, 2005 | JUNE 30, 2004 |
| GRANTS | | |
| IBRD/IA | \$ 290,627,110 | \$ 301,308,955 |
| UNDP | 85,944,049 | 225,000 |
| UNEP | 72,714,744 | 90,507,419 |
| UNIDO | 4,689,380 | 828,000 |
| IFAD | 700,000 | 300,000 |
| Secretariat | 603,000 | — |
| ADB | 28,475,000 | — |
| IDB | 13,925,000 | — |
| Sub-total | 497,678,283 | 393,169,374 |
| FEES | | |
| IBRD/IA | 10,530,850 | 47,646,250 |
| UNDP | 21,289,147 | 16,426,882 |
| UNEP | 3,389,573 | 8,692,710 |
| UNIDO | 54,000 | 108,000 |
| ADB | 3,520,840 | — |
| IDB | 1,380,050 | — |
| Sub-total | 40,164,460 | 72,873,842 |
| Total | \$ 537,842,743 | \$ 466,043,216 |

Note 8: Investment Income Earned on GEF Grant Funds Held by IAs

Investment income earned by the IAs on GEF grant funds held by the IAs 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, 2005 and 2004, the investment income amounts the IAs have reported to the Trustee are \$1,621,871 and zero, respectively.

Notes to Special Purpose Financial Statements

Years Ended June 30, 2005 and 2004

Expressed in U.S. dollars

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 the form of 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, 2005 the Trust Fund had transferred grant funds to IBRD as IA totaling \$51,875,000 with repayment provisions.

During the year, 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.

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, 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> |
| TRANSFERS TO: | FOR THE YEAR ENDED JUNE 30, 2004 | | | | LIABILITY AT JUNE 30, 2004 | |
| | GRANTS | FEES | ADMINISTRATIVE BUDGET | TOTAL | GRANTS | FEES |
| IBRD as IA | 114,877,347 | 18,399,000 | 2,768,702 | 136,045,049 | 758,431,389 | 29,247,250 |
| IBRD as Trustee | — | — | 874,000 | 874,000 | — | — |
| | <u>114,877,347</u> | <u>18,399,000</u> | <u>3,642,702</u> | <u>136,919,049</u> | <u>758,431,389</u> | <u>29,247,250</u> |

Notes to Special Purpose Financial Statements

Years Ended June 30, 2005 and 2004

Expressed in U.S. dollars

In accordance with the Instrument, and as approved annually by the Council, the Trust Fund provides grant and corporate budget funds to the GEF Secretariat 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, 2005 | 603,000 | — | 12,926,538 | 13,529,538 | — | — |
| For the year ended June 30, 2004 | — | — | 12,584,305 | 12,584,305 | — | — |

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 million to the Trust Fund. This amount was reported as income in the statement of income.

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

World Bank Reference
TF050551

Financial Statement and
Independent Auditors' Report
June 30, 2005

THE WORLD BANK GROUP
Trust Funds Division
1818 H Street, N.W. Washington, D.C. 20433, USA
Tel.: (202) 458-5800 Fax: (202) 477-7163

INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying statement of cash receipts, disbursements and fund balance of the Global Environment Facility Trust Fund, International Bank for Reconstruction and Development as an Implementing Agency of the Global Environment Facility Trust Fund as of June 30, 2005 and for the year then ended and for the period from March 14, 1991 (date of inception) to June 30, 2005. This financial statement is the responsibility of the Trust Fund administrator's management. Our responsibility is to express an opinion on this financial statement based on our audits. The financial statement of the International Bank for Reconstruction and Development as an Implementing Agency of the Global Environment Facility Trust Fund for the period from March 14, 1991 (date of inception) to June 30, 1997 was audited by other auditors whose report, dated October 2, 1997, expressed an unqualified opinion on that financial statement and included an explanatory paragraph that described the basis of accounting discussed in Note 2 to the financial statement. The financial statement for the period from March 14, 1991 (date of inception) to June 30, 1997 reflects total disbursements of US\$ 318.3 million of the related total for the period March 14, 1991 (date of inception) to June 30, 2004. The other auditor's report has been furnished to us, and our opinion, insofar as it relates to the amounts included for such prior period, is based solely on the report of such auditors.

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 statement is free of material misstatement. The Trust Fund is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audit 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 the Trust Fund'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 statement, 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 statement, this financial statement is prepared on the cash receipts and disbursements basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America and International Financial Reporting Standards. This financial statement is not intended to be a presentation in conformity with accounting principles generally accepted in the United States of America or International Financial Reporting Standards.

In our opinion, based on our audits and the report of the other auditors, the financial statement referred to above presents fairly, in all material respects, the fund balance of the International Bank for Reconstruction and Development as an Implementing Agency of the Global Environment Facility Trust Fund at June 30, 2005 and the cash receipts and disbursements for the year then ended and for the period from March 14, 1991 (date of inception) to June 30, 2005, on the basis of accounting described in Note 2 to the financial statement.

As discussed in Note 10 to the financial statement, as part of its regular control framework, the International Bank for Reconstruction and Development ("IBRD") performs various compliance reviews of the trust fund activities. These reviews include the Global Environment Facility Trust Fund ("GEF") - financed activities for which IBRD acts as an Implementing Agency. During fiscal year 2002, the Bank as an Implementing Agency brought to the attention of the Trustee and the Chief Executive Officer of the GEF that this work had identified certain matters which could result in ineligible expenditures in three recipient-executed GEF grants. Of the three recipient-executed grants, in one case, the recipient reimbursed the GEF Trust Fund US\$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, in May 2005, IBRD reimbursed US\$2.42 million to the GEF Trust Fund.

Deloitte & Touche LLP

October 30, 2005

Member of
Deloitte Touche Tohmatsu

Statement of Cash Receipts, Disbursements and Fund Balance

Expressed in U.S. dollars

| | FOR THE YEAR ENDED JUNE 30, 2005 | MARCH 14, 1991 (INCEPTION) TO JUNE 30, 2005 |
|---|---|--|
| TRANSFERS IN FROM TRUSTEE FOR: | | |
| Projects | \$ 228,350,000 | \$1,329,842,918 |
| Project Implementation Fees (Note 3) | 35,157,000 | 189,201,674 |
| Corporate Budget (Note 4) | 2,939,274 | 129,285,945 |
| Project Grant to EBRD (Note 5) | — | 9,907,650 |
| Project Implementation Fee for EBRD (Note 5) | — | 942,000 |
| | <u>266,446,274</u> | <u>1,659,180,187</u> |
| Investment Income (Note 7) | 1,361,092 | 12,028,538 |
| Return of Funds from Special Deposit Account (Note 8) | 493,190 | 720,566 |
| Repayment of Disbursements with Repayment Provisions (Note 9) | 3,392,007 | 3,392,007 |
| Reimbursement of Ineligible Expenditures (Note 11) | 2,420,000 | 2,420,000 |
| Total Receipts | <u>274,112,563</u> | <u>1,677,741,298</u> |
| | | |
| Project Disbursements (Notes 6, 9, 10 and 11) | 170,530,924 | 1,269,672,785 |
| Project Implementation Fees (Note 3) | 29,203,896 | 150,647,386 |
| Corporate Budget Disbursements (Note 4) | 2,961,159 | 129,091,104 |
| | | |
| Repayment of Disbursements with Repayment Provisions (Note 9) | 3,392,007 | 3,392,007 |
| Reimbursement of Ineligible Expenditures (Note 11) | 2,420,000 | 2,420,000 |
| Project Grant Transfer to EBRD (Note 5) | — | 9,907,650 |
| Project Implementation Fee Transfer to EBRD (Note 5) | — | 942,000 |
| Total Disbursements | <u>208,507,986</u> | <u>1,566,072,932</u> |
| | | |
| Excess of Receipts over Disbursements | 65,604,577 | 111,668,366 |
| Fund Balance, Beginning of Period | 46,063,789 | — |
| Fund Balance, End of Period | <u>\$ 111,668,366</u> | <u>\$ 111,668,366</u> |
| Fund balance consists of: | | |
| Share in Pooled Cash and Investments | | <u>\$ 111,668,366</u> |

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

Notes to the Statement of Cash Receipts, Disbursements and Fund Balance

June 30, 2005

Expressed in U.S. dollars

Note 1 — Organization and Operation of the GEF

The Global Environment Facility (“GEF”) was formally established as a mechanism in 1994 by the Instrument for the Establishment of the Restructured Global Environment Facility (“the Instrument”). It provides grants and concessional financing 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”).

In addition, in October 2002, an amendment to the Instrument was approved at the Assembly to make eligible the agreed incremental costs of activities to achieve global environmental benefits concerning chemicals management as they relate to the above focal areas. The 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 Council of the GEF (the “Council”) were also made eligible for funding insofar as they achieve global environmental benefits in the focal areas.

Under the Instrument, contributions to GEF and all other assets and receipts of GEF are held in the Global Environment Facility Trust Fund (the “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 (“GET”) (a funding mechanism for the GEF, 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. Separate financial statements report the financial position, operations and cash flows of the Trust Fund.

In addition to being Trustee of the Trust Fund, the International Bank for Reconstruction and Development (“IBRD”) is also one of the three Implementing Agencies of the GEF. The other two Implementing Agencies are

the United Nations Development Programme (“UNDP”) and the United Nations Environment Programme (“UNEP”). Under the Instrument, the Implementing Agencies of the GEF shall be accountable to the Council for their GEF financed activities, including the preparation and cost effectiveness of GEF projects, and for the implementation of the operational policies, strategies and decisions of the Council within their respective areas of competence. The Instrument similarly assigns other responsibilities to the Secretariat of the GEF (“the Secretariat”) and the Trustee of the Trust Fund.

IBRD is a member of the World Bank Group, which also includes the International Finance Corporation, the International Development Association, the Multilateral Investment Guarantee Agency, and the International Centre for Settlement of Investment Disputes. IBRD performs certain administrative, accounting, financial reporting and treasury services related to trust fund activities on behalf of the World Bank Group.

Note 2 — Basis of Accounting

The accompanying financial statement reports the cash receipts and disbursements of IBRD as an Implementing Agency (“IA”) of the GEF Trust Fund and has been prepared on the cash receipts and disbursements basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America or International Financial Reporting Standards. Under the cash receipts and disbursements basis of accounting, receipts are recorded when collected rather than when pledged, and disbursements are recorded when paid rather than when incurred. This financial statement is not intended to be a presentation in conformity with accounting principles generally accepted in the United States of America or International Financial Reporting Standards.

Transactions recorded in periods subsequent to the financial statement date, including reimbursement of disbursements deemed by management not to be eligible in accordance with the relevant trust fund and/or grant agreements, whether these transactions relate to the reporting period or to prior periods, are reported in the Statement of Cash Receipts, Disbursements and Fund Balance in the period the cash transaction occurs.

Notes to the Statement of Cash Receipts, Disbursements and Fund Balance

June 30, 2005

Expressed in U.S. dollars

IBRD is an international organization which conducts its operations in the currencies of all of its members. Disbursements in currencies other than the reporting currency are translated at the rates of exchange on the transaction dates. Transaction gains or losses, if any, are borne by IBRD.

Note 3 — Project Implementation Fees

On an ongoing basis, the Trust Fund, based upon allocation, approved by the Council (or, as the case may be, by the Chief Executive Officer (“CEO”) of the GEF, as such authority delegated by the Council) provides IBRD with funds to reimburse certain project implementation expenses associated with the identification, preparation, appraisal, negotiation, supervision and evaluation of GEF projects.

Note 4 — Corporate Budget

In accordance with the Instrument, and as approved annually by the Council, the Trust Fund provides corporate budget funds to IBRD as IA in order to reimburse IBRD as IA for administrative expenses incurred in the performance of its corporate functions as IA. On an annual basis, the Council reviews and approves the corporate budget of the GEF, including the budget for IBRD as IA. Using these funds, IBRD as IA reimburses IBRD for certain administrative, accounting, financial reporting, and treasury services performed by IBRD on behalf of IBRD as IA.

Note 5 — Project Grants and Project Implementation Fees for EBRD

The Instrument calls upon the Implementing Agencies of the GEF to make arrangements for GEF project preparation and execution, by, inter alia, multi-lateral development banks. Effective May 1999, the GEF Council approved a proposal to allow for the participation of the European Bank for Reconstruction and Development (“EBRD”) in the preparation and execution of GEF projects, within the context of an expanded opportunities program. In order to access GEF resources, multi-lateral development banks were required to do so via Implementing Agencies of the GEF, of which IBRD is one.

Pursuant to an agreement between IBRD as IA and EBRD, a grant of \$9,907,650, to support the implementation of an EBRD/GEF Environmental Credit Facility in the Republic of Slovenia together with \$942,000 for certain costs of preparation, supervision, and report preparation of this GEF grant activity was made available to EBRD by IBRD as IA. During the years ended June 30, 2004 and 2003, IBRD as IA received funds of \$9,907,650, and \$942,000, respectively, from the GEF Trustee, for purposes of transferring such funds to EBRD. These funds were transferred to EBRD during the year ended June 30, 2004.

Note 6 — Administrative Arrangements

In addition to the Project Implementation Fees and Corporate Budget it receives (Notes 3 and 4 respectively), IBRD is periodically reimbursed for expenditures made from its own resources in executing activities for the trust fund. Disbursements include amounts for direct staff costs, related benefits and overheads reimbursed to IBRD and incurred for activities consistent with the purpose of the trust fund in accordance with the administration agreements.

Note 7 — Investment Income

Amounts received from the Trust Fund for Project Implementation Fees, but not yet disbursed, are managed by IBRD, which maintains an investment portfolio (the “Pool”) for all of the trust funds administered by the World Bank Group. IBRD maintains all trust fund assets separate and apart from the funds of the World Bank Group. Under the Pool’s investment strategy in effect during the current reporting period, a significant portion of the Pool is invested in liquid instruments such as money market deposits, U.S. Treasury securities and other high-grade bonds.

Investment income earned on funds advanced to IBRD as IA for Projects and Corporate Budget is credited to the GEF Trust Fund, and therefore is not reflected in the accompanying financial statement.

Notes to the Statement of Cash Receipts, Disbursements and Fund Balance

June 30, 2005

Expressed in U.S. dollars

Note 8 — Return of Funds from Special Deposit Account

In order to ensure an adequate flow of funds to finance eligible expenditures, IBRD as IA may disburse funds before expenditures are made by GEF grant recipients. In such cases, the grant recipient maintains such advance disbursements in a separate special deposit account (“SA”). The grant recipient must document amounts advanced to the SA or refund any undocumented balances to IBRD as IA. In cases where refunds (reflows) are received after the project has been closed, these amounts are recorded as income by IBRD. IBRD as IA has recorded \$493,190 and \$720,566 for the year ended June 30, 2005, and the period March 14, 1991 (date of inception) to June 30, 2005, respectively, as project reflows.

Note 9 — Repayment of 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, including in the form of 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 by the Council. IBRD as IA, and IFC, acting as executing agency for IBRD as IA, have approved to implement and execute programs of such GEF operations other than grants, with repayment provisions. IBRD as IA has advanced funds to IFC 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, IBRD as IA has reported amounts advanced for such GEF operations as Project disbursements. With respect to active grants as at June 30, 2005, the Trust Fund had transferred grant funds to IBRD as IA for such operations totaling \$51,875,000 as grants with repayment provisions. With respect to active grants as at June 30, 2005, IFC, acting as executing agency for IBRD as IA, had disbursed grants with repayment provisions totalling \$21,464,683 to grant recipients, and are included in the line item “Project Disbursements” in the accompanying financial statement. In accordance with the cash receipts and disbursements basis of accounting, IBRD as

IA has not established any receivables due from grant recipients, nor has it recorded any payable to the GEF Trust Fund.

During the year ended June 30, 2005, an amount of \$3,392,007, comprising of \$2,717,581 principal repayment plus interest of \$674,426 was repaid to IBRD as IA. Subsequently, this amount was transferred to the GEF Trust Fund during the year ended June 30, 2005.

Note 10 — Commitments and Contingencies

As part of normal operations, the IBRD as Implementing Agency enters into contractual arrangements with external parties to undertake activities permitted under the trust fund. Some of these arrangements may contain predefined payment schedules for which funds are disbursed to external parties from the trust fund via reimbursements to IBRD. In accordance with the cash receipts and disbursements basis of accounting used, disbursements are not recorded in the financial statement until such payments are made.

Note 11 — Reimbursement of Ineligible Expenditures

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 IA. During fiscal year 2002, IBRD as IA 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 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, therefore closing the 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 IBRD as IA.

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT
GLOBAL ENVIRONMENT FACILITY TRUST FUND
THE SECRETARIAT

World Bank Reference
TF050495 & TF050496

Financial Statement and
Independent Auditors' Report
June 30, 2005

THE WORLD BANK GROUP
Trust Funds Division
1818 H Street, N.W. Washington, D.C. 20433, USA
Tel.: (202) 458-5800 Fax: (202) 477-7163

INDEPENDENT AUDITORS' REPORT

To: The Secretariat and the Council of the Global Environment Facility

We have audited the accompanying statement of cash receipts, disbursements and fund balance of the Trust Fund for the Secretariat of the Global Environment Facility as of June 30, 2005 and for the year then ended and for the period from March 14, 1991 (date of inception) to June 30, 2005. This financial statement is the responsibility of the Trust Fund administrator's management. Our responsibility is to express an opinion on this financial statement based on our audits. The financial statement of the Trust Fund for the Secretariat of the Global Environment Facility for the period March 14, 1991 (date of inception) to June 30, 1997 was audited by other auditors whose report, dated October 2, 1997, expressed an unqualified opinion on that financial statement and included an explanatory paragraph that described the basis of accounting discussed in Note 2 to the financial statement. The financial statement for the period from March 14, 1991 (date of inception) to June 30, 1997 reflects total disbursements of US\$24.3 million of the related total for the period from March 14, 1991 (date of inception) to June 30, 2005. The other auditors' report has been furnished to us, and our opinion insofar as it relates to the amounts included for such prior period, is based solely on the report of such other auditors.

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

As described in Note 2 to the financial statement, this financial statement was prepared on the cash receipts and disbursements basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America or International Financial Reporting Standards. This financial statement is not intended to be a presentation in conformity with accounting principles generally accepted in the United States of America or International Financial Reporting Standards.

In our opinion, based on our audits and the reports of the other auditors, the financial statement referred to above presents fairly, in all material respects, the fund balance of the Trust Fund for the Secretariat of the Global Environment Facility at June 30, 2005 and the cash receipts and disbursements for the year ended June 30, 2005, and for the period from March 14, 1991 (date of inception) to June 30, 2005, on the basis of accounting described in Note 2 to the financial statement.

Deloitte & Touche LLP

November 30, 2005

Trust Fund for the Secretariat of the Global Environment Facility Statement of Cash Receipts, Disbursements and Fund Balance

| | FOR THE YEAR ENDED JUNE 30, 2005 | MARCH 14, 1991 (DATE OF INCEPTION) TO JUNE 30, 2005 |
|---|--|---|
| TRANSFERS IN FROM TRUSTEE FOR: | | |
| Corporate Budget (Note 3) | \$10,359,383 | \$103,621,424 |
| Monitoring and Evaluation (Note 4) | 2,567,155 | 4,658,755 |
| Grant Commitments (Note 8) | 603,000 | 3,348,600 |
| | <u>13,529,538</u> | <u>111,628,779</u> |
| Donor Contributions - Monitoring and Evaluation (Note 6) | 121,133 | 653,099 |
| Donor Contributions - WSSD (Note 6) | — | 150,000 |
| Total Receipts | <u>13,650,671</u> | <u>112,431,878</u> |
| Corporate Budget Disbursements (Notes 3 and 9) | 11,586,513 | 99,493,122 |
| Monitoring and Evaluation Disbursements (Notes 4 and 9) | 2,644,870 | 4,806,025 |
| Grant Commitments (Notes 5 and 9) | 71,706 | 2,032,443 |
| Total Disbursements | <u>14,303,089</u> | <u>106,331,590</u> |
| (Disbursements over Receipts) / Excess of Receipts over Disbursements | (652,418) | 6,100, 288 |
| Fund Balance, Beginning of Period | <u>6,752,706</u> | <u>—</u> |
| Fund Balance, End of Period | <u><u>6,100,288</u></u> | <u><u>6,100, 288</u></u> |
| Fund balance consists of: | | |
| Share in Pooled Cash and Investments | | <u><u>\$ 6,100, 288</u></u> |

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

Notes to the Statement of Cash Receipts, Disbursements and Fund Balance

June 30, 2005

Expressed in U.S. dollars

Note 1 — Organization and Operation of the GEF

The Global Environment Facility (“GEF”) was formally established as a mechanism in 1994 by the Instrument for the Establishment of the Restructured Global Environment Facility (“the Instrument”). It provides grants and concessional financing 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”).

In addition, in October 2002, an amendment to the Instrument was approved at the Assembly to make eligible the agreed incremental costs of activities to achieve global environmental benefits concerning chemicals management as they relate to the above focal areas. The 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 Council of the GEF (“the Council”) were also made eligible for funding insofar as they achieve global environmental benefits in the focal areas.

Under the Instrument, contributions to GEF and all other assets and receipts of GEF are held in the Global Environment Facility Trust Fund (the “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 (“GET”) (a funding mechanism for the GEF, 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. Separate financial statements report the financial position, operations and cash flows of the Trust Fund.

The Secretariat of the GEF (“the Secretariat”) coordinates the formulation of projects included in the annual work program, oversees its implementation, and makes certain that operational strategy and policies are followed. The Secretariat is supported administratively by IBRD and operates in a functionally independent manner to discharge the responsibilities assigned to it under the Instrument. IBRD performs certain administrative, accounting, financial reporting and treasury services related to trust fund activities on behalf of the Secretariat. The Instrument similarly assigns other responsibilities to the Trustee of the Trust Fund and the implementing agencies.

IBRD is a member of the World Bank Group, which also includes the International Finance Corporation, the International Development Association, the Multilateral Investment Guarantee Agency, and the International Centre for Settlement of Investment Disputes.

Note 2 — Basis of Accounting

The accompanying financial statement reports the cash receipts and disbursements of the Secretariat, and has been prepared on the cash receipts and disbursements basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America or International Financial Reporting Standards. Under the cash receipts and disbursements basis of accounting, receipts are recorded when collected rather than when pledged, and disbursements are recorded when paid rather than when incurred. This financial statement is not intended to be a presentation in conformity with accounting principles generally accepted in the United States of America or International Financial Reporting Standards.

Transactions recorded in periods subsequent to the financial statement date, including reimbursement of disbursements deemed by management not to be eligible in accordance with the relevant Trust Fund agreements, whether these transactions relate to the reporting period or to

Notes to the Statement of Cash Receipts, Disbursements and Fund Balance

June 30, 2005

Expressed in U.S. dollars

prior periods, are reported in the Statement of Cash Receipts, Disbursements and Fund Balance in the period the cash transaction occurs.

IBRD is an international organization which conducts its operations in the currencies of all of its members. Disbursements in currencies other than the reporting currency are translated at the rates of exchange on the transaction dates. Transaction gains or losses, if any, are borne by IBRD.

Note 3 — Transfers in from Trustee for Corporate Budget

In accordance with the Instrument, and as approved annually by the Council, the Trust Fund provides corporate budget funds to the Secretariat in order to reimburse the Secretariat for administrative expenses incurred in the performance of its corporate management activities. On an annual basis, the Council reviews and approves the corporate budget of the GEF, including the budget for the Secretariat. Using these funds, the Secretariat subsequently reimburses IBRD for certain administrative, accounting, financial reporting, and treasury services performed by IBRD on behalf of the Secretariat.

Note 4 — Monitoring and Evaluation Unit

Administratively, the M&E Unit is located within the GEF Secretariat and reports directly to the GEF Council. The M&E Unit is responsible for all corporate M&E activities, including the development of M&E policies and guidelines, implementation of the annual project performance review, focal area and cross-cutting evaluations, country portfolio reviews and the evaluation of GEF's overall performance.

Effective July 1, 2003, the corporate budget of the M&E unit is reported separately from the corporate budget of the Secretariat. Funding for M&E activities prior to July 1, 2003 were included in the line item "Transfers in

from Trustee for Corporate Budget', as described in Note 3. Similarly, corporate budget disbursements associated with M&E activities prior to July 1, 2003 are included in the 'Corporate Budget Disbursements' line item. Transfers in of \$2,567,155 and corporate budget disbursements of \$2,644,870 for the year ended June 30, 2005 represent amounts relating to the fiscal year ended June 30, 2005, and do not include any amounts which may have been received or disbursed by the Secretariat for M&E activities prior to July 1, 2003, given that the M&E unit was made an independent unit effective July 1, 2003.

Using these funds, the M&E unit subsequently reimburses IBRD for certain administrative, accounting, financial reporting and treasury services performed by IBRD in connection with M&E activities.

Note 5 — Administrative Arrangements

In addition to the Corporate Budget and Monitoring and Evaluation funds it receives (Notes 3 and 4 respectively), IBRD is periodically reimbursed for expenditures made from its own resources in executing activities for the trust fund. Grant Commitment disbursements include amounts for direct staff costs, related benefits and overheads reimbursed to IBRD, and incurred for activities consistent with the purpose of the trust fund in accordance with the administration agreements.

Note 6 — Donor Contributions

Contributions received in various currencies are converted into U.S. dollars by IBRD. The M&E Unit has received Donor contributions totaling \$121,133 and \$653,099 for the year ended June 30, 2005, and for the period March 14, 1991 (date of inception) to June 30, 2005, respectively, to support a study of the Nature of Local Benefits in GEF Program areas.

Notes to the Statement of Cash Receipts, Disbursements and Fund Balance

June 30, 2005

Expressed in U.S. dollars

Prior to the fiscal year ended June 30, 2005, the M&E unit previously received Donor contributions totaling \$150,000 to fund the development of lessons-learned case studies on environmental enterprises for presentation at the World Summit on Sustainable Development (“WSSD”).

Note 7 — Investment Income

Funds held by the Secretariat, but not yet disbursed, are managed by IBRD, which maintains an investment portfolio (the “Pool”) for all of the trust funds administered by the World Bank Group. IBRD maintains all trust fund assets separate and apart from the funds of the World Bank Group. Under the Pool’s investment strategy in effect during the current reporting period, a significant portion of the Pool is invested in liquid instruments such as money market deposits, U.S. Treasury securities and other high-grade bonds.

Investment income earned on funds held by the Secretariat is credited to the Trust Fund, and therefore is not reflected in the accompanying financial statement.

Note 8 — Approved Grant Commitments

Cumulative funds received for grant commitments totaling \$3,348,600 include \$748,600 as part of the GEF Country Dialogue Workshops, a joint project managed by United Nations Development Programme (“UNDP”), United Nations Environment Programme (“UNEP”) and IBRD in cooperation with the Secretariat.

In addition, the Secretariat was previously authorized by the contributing participants to commit \$2,600,000 with respect to the Programme for Measuring Incremental Costs for the Environment (“PRINCE”) project. As of June 30, 2005, the PRINCE project has been completed.

Note 9 — Commitments and Contingencies

As part of normal operations, the Secretariat may enter into contractual arrangements with external parties to undertake activities permitted under the trust fund. Some of these arrangements may contain predefined payment schedules for which funds are disbursed to external parties from the trust fund. In accordance with the cash receipts and disbursements basis of accounting used, disbursements are not recorded in the financial statement until such payments are made.

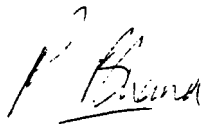
AUDIT OPINION

I have audited the accompanying Statement of Income and Expenditure and notes thereto of the United Nations Development Programme (UNDP) Trust Fund for the Global Environment Facility (GEF) for the twelve months ended 31 December 2004. The financial statements are the responsibility of UNDP management. My responsibility is to express an opinion on the financial statements based on my audit.

I conducted my audit in accordance with the common auditing standards of the Panel of external Auditors of the United Nations, the specialized agencies and the International Atomic Energy Agency and in conformity with the International Standards on Auditing. Those standards require that we plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free of material misstatement. An audit includes the examining, on a test basis, and where considered by the auditor to be necessary in the circumstances, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for the audit opinion.

In my opinion, the Statement of Income and Expenditure and notes thereto fairly presents, in all material respects, the operations of the Trust Fund for the Global Environment Facility for the twelve months ended 31 December 2004.

Furthermore, in my opinion, the transactions of the Trust Fund for the GEF that has come to my notice or which I have tested as part of my audit, have in all significant respects been in accordance with the Instrument for the establishment of the Global Environment Facility and the decisions taken by the GEF Council.



Pramesh Bhana
Director, External Audit, South Africa
United Nations Board of Auditors
25 November 2005

Statement of Income and Expenditure for the
12 Months Ended 31 December 2004 for GEF Trustee

In U.S. thousands of dollars

| | <u>2004</u> | <u>2003</u> |
|--|-------------------------|-------------------------|
| INCOME | | |
| Voluntary contributions — Note 1 | \$105,404 | \$215,689 |
| Interest income | 623 | (96) |
| Other income | 137 | 246 |
| | <u>106,164</u> | <u>215,839</u> |
| EXPENDITURE | | |
| Programme expenditure | 144,065 | 129,466 |
| Administrative costs | 15,424 | 17,695 |
| Other expenditure | 9 | 18 |
| | <u>159,498</u> | <u>147,179</u> |
| Excess (shortfall) of income over expenditure | (53,334) | 68,660 |
| Savings on prior biennium's obligations | (224) | (230) |
| Refunds to donors and transfers to/from Other Funds | (17,897) | (17,415) |
| Reserves & fund balances, beg. of period | <u>91,730</u> | <u>40,715</u> |
| Reserves & fund balances, end of period | <u>\$ 20,275</u> | <u>\$ 91,730</u> |

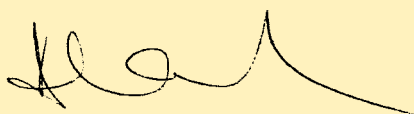
Approved Project Commitments from GEF Funds

Cumulative to 31 December 2004

In U.S. thousands of dollars

| | |
|---|----------------------------|
| Full-sized Technical assistance | \$ 1,039,994 |
| Small Grants Programme | 172,651 |
| Medium-sized | 70,240 |
| Enabling Activity | 93,894 |
| PRIF and other | 18,742 |
| PDF-A | 5,313 |
| PDF-B | 50,987 |
| PDF-C | 2,058 |
| Total approved project commitments | <u>\$ 1,453,879</u> |

I certify, in all material respects, that the information contained in this statement reflects the activities for the Global Environment Facility financed from contributions received from the World Bank, as GEF Trustee.



Darshak Shah
Director and Comptroller
Office of Finance, BOM
United Nations Development Programme

Notes to the Statement

Note 1: Voluntary contributions comprise:

| | <u>2004</u> | <u>2003</u> |
|---|--------------------------|--------------------------|
| (IN U.S. THOUSANDS OF DOLLARS) | | |
| GEF Trustee on behalf of the World Bank | \$ 105,404 | \$ 215,469 |
| UNEP | <u>—</u> | <u>220</u> |
| Total voluntary contributions | <u>\$ 105,404</u> | <u>\$ 215,689</u> |

Note 2: This Statement of Income and Expenditure has been prepared on an accrual basis of accounting except for voluntary contributions which are on a cash basis in line with UNDP accounting policies. Therefore this statement includes the following unliquidated obligations:

| | <u>2004</u> | <u>2003</u> |
|---|------------------------|-----------------------|
| (IN U.S. THOUSANDS OF DOLLARS) | | |
| Unliquidated obligations—Projects | \$10,133 | \$9,343 |
| Unliquidated obligations—Administrative | <u>—</u> | <u>—</u> |
| Total unliquidated obligations | <u>\$10,133</u> | <u>\$9,343</u> |

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

Outstanding advances receivable/(payable) made to executing agencies are (as at 31 December):

| | <u>2004</u> | <u>2003</u> |
|--|------------------------|------------------------|
| (IN U.S. THOUSANDS OF DOLLARS) | | |
| Government | \$13,390 | \$11,970 |
| Executing Agencies | <u>(8,878)</u> | <u>(7,251)</u> |
| Total outstanding advances receivable/(payable) | <u>\$ 4,512</u> | <u>\$ 4,719</u> |

Note 3: Unexpended resources

The GEF Trust Fund has received letters of commitments from the World Bank as trustee to the Global Environment Facility for \$1,792,623,000 (2003: \$1,469,098,000).

United Nations  Nations Unies

BOARD OF AUDITORS

NEW YORK

FAX: (212) 963-3684

AUDIT OPINION

I have audited the Statement of Assets, Liabilities, Reserves and Fund Balance as at 31 December 2004, Statement of Income and Expenditures and Changes on Reserves and Fund Balance and Statement of Cash Flows of the United Nations Environment Programme (UNEP) Trust Fund for the Global Environment Facility (GEF) for the financial period ended 31 December 2004. These financial statements are the responsibility of UNEP management. My responsibility is to express an opinion on the financial statements based on my audit.

I conducted my audit in accordance with the common auditing standards of the Panel of External Auditors of the United Nations, the specialized agencies and the International Atomic Energy Agency and in conformity with the International Standards on Auditing. Those standards require that we plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, and as considered by the auditor to be necessary in the circumstances, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for the audit opinion.

In my opinion, the financial statements present fairly, in all material respects, the financial position of the Trust Fund for the GEF as at 31 December 2004 and the results of operations and cash flows for the period then ended.

Further, in my opinion, the transactions of the Trust Fund for the GEF that have come to my notice or which I have tested as a part of my audit, have in all significant respects been in accordance with the Instrument for the establishment of the Global Environment Facility and the decisions taken by the GEF Council.



Sabiniano G. Cabatuan
Director, External Audit, Philippines
United Nations Board of Auditors
21 November 2005

Statement of Income and Expenditure and Changes in Reserves and Fund Balance

for the First Year of the Biennium 2004–2005 Ended 31 December 2004

In U.S. thousands of dollars

| | 2004 | 2003 |
|--|-----------------|-----------------|
| | USD | USD |
| INCOME | | |
| Voluntary contributions | \$24,621 | \$52,075 |
| Interest income | 293 | 1,233 |
| Miscellaneous income | 49 | 17 |
| Total Income | <u>24,963</u> | <u>53,325</u> |
| EXPENDITURE | | |
| Staff and other personnel costs | 14,029 | 11,757 |
| Contractual services | 27,091 | 20,059 |
| Travel | 3,244 | 2,274 |
| Operating expenses | 10,004 | 8,273 |
| Acquisitions | 2,684 | 2,269 |
| Other expenditures | — | (9) |
| Total Expenditure | <u>57,052</u> | <u>44,623</u> |
| Excess/(shortfall) of income over expenditure | (32,089) | 8,702 |
| Prior year adjustment | (1,278) | (7,205) |
| Net excess/(shortfall) of income over expenditure | <u>(33,367)</u> | <u>1,497</u> |
| Provisional savings on or cancellation of prior periods' obligations | 5 | (821) |
| Reserves and fund balances, beginning of period | 76,613 | 75,937 |
| Reserves and fund balances, end of period | <u>\$43,251</u> | <u>\$76,613</u> |



David Hastie
Acting Chief
Budget and Financial Management Service, UNON
20 April 2005

TECHNICAL COOPERATION TRUST FUND FOR UNEP'S IMPLEMENTATION
OF THE ACTIVITIES FUNDED BY THE GLOBAL ENVIRONMENT FUND

Statement of Assets, Liabilities, Reserves, and Fund Balance

as at 31 December 2004

In U.S. thousands of dollars

| | 2004 | 2003 |
|---|-----------------|------------------|
| | <u>USD</u> | <u>USD</u> |
| ASSETS | | |
| Cash and term deposits | \$ 17,158 | \$ 71,925 |
| Other accounts receivable | 35,050 | 32,113 |
| Deferred charges | 279 | 73 |
| Total Assets | <u>52,487</u> | <u>104,111</u> |
| LIABILITIES | | |
| Interfund payable | 1,149 | 21,256 |
| Other accounts payable | 2,259 | 3,239 |
| Reserve for obligations | 5,828 | 3,003 |
| Total Liabilities | <u>9,236</u> | <u>27,498</u> |
| RESERVES AND FUND BALANCES | | |
| Cumulative surplus | 43,251 | 76,613 |
| Total Reserves and Fund Balances | <u>43,251</u> | <u>76,613</u> |
| Total Liabilities, Reserves, and Fund Balances | <u>\$52,487</u> | <u>\$104,111</u> |



David Hastie
Acting Chief
Budget and Financial Management Service, UNON
20 April 2005

TECHNICAL COOPERATION TRUST FUND FOR UNEP'S IMPLEMENTATION
OF THE ACTIVITIES FUNDED BY THE GLOBAL ENVIRONMENT FUND

Statement of Cash Flows

for the First Year of the Biennium 2004–2005 Ended 31 December 2004

In U.S. thousands of dollars

| | 2004 USD | 2003 USD |
|--|-----------------|-----------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Net excess/(shortfall) of income over expenditure | \$(33,367) | \$1,497 |
| (INCREASE)/DECREASE IN | | |
| Other accounts receivable | (2,937) | (6,931) |
| Deferred charges | (206) | (55) |
| INCREASE/(DECREASE) IN | | |
| Other accounts payable | (980) | (341) |
| Reserves for obligations | (2,825) | (1,527) |
| Less: interest income | (293) | (1,232) |
| Net cash from operating activities | (34,958) | (8,589) |
| CASH FLOWS FROM INVESTING AND FINANCING ACTIVITIES | | |
| Increase/(decrease) in interfund payable | (20,107) | 17,963 |
| Plus: interest income | 293 | 1,232 |
| Net cash flow from investing and financing activities | (19,814) | 19,195 |
| CASH FLOW FROM OTHER SOURCES | | |
| Provisional savings on or cancellation of prior periods' obligations | 5 | (821) |
| Net cash flow from other sources | 5 | (821) |
| NET INCREASE/(DECREASE) IN CASH AND SHORT-TERM DEPOSITS | (54,767) | 9,785 |
| Cash and short-term deposits, beginning of period | 71,925 | 62,140 |
| Cash and short-term deposits, end of period | \$17,158 | \$71,925 |



David Hastie
Acting Chief
Budget and Financial Management Service, UNON
20 April 2005



The GEF Family

| | |
|---|----|
| Council Members and Alternates | 65 |
| NGO Regional Contacts | 68 |
| Scientific and Technical Advisory Panel Members | 69 |
| GEF Publications | 70 |

GEF Council Members and Alternates*

Member: ANDERSEN, Geert Aagaard (Denmark)
 FREDERIKSEN, Dan (Denmark)
Alternate: BJORNEBYE, Erik (Norway)
Countries: Denmark, Latvia, Lithuania, Norway

Member: ARASTOU, Seyed Mojtaba (Iran)
 HOSEINI, Pirooz
 MOEINI, Hossein
Alternate: AMIN-MANSOUR, Javad (Iran)
Countries: Iran

Member: BANTSEKIN, Nikita B. (Russian Federation)
Alternate: TBD
Countries: Armenia, Belarus, Russian Federation

Member: BUYS, Jozef (Belgium)
Alternate: FARAGO, Tibor (Hungary)
Countries: Austria, Belgium, Czech Republic, Hungary, Luxembourg, Slovak Republic, Slovenia, Turkey

Member: DALI, Najeh (Tunisia)
 HILALI, M'hamed
Alternate: HILALI, M'hamed (Morocco)
 DALI, Najeh
Countries: Algeria, Egypt, Morocco, Tunisia

Member: DE JONG, Gerben (Netherlands)
 STOELINGA, Alphons
Alternate: VAN DEN BERGEN, Vincent (Netherlands)
Countries: The Netherlands

Member: EHRHARDT, Roger (Canada)
 HAGEMAN, Ellen
Alternate: GUTHRIE, Tina (Canada)
Countries: Canada

Member: ENKHSAIKHAN, Jargalsaikhany (Mongolia)
Alternate: MEKPRAYOONTHONG, Manop (Thailand)
Countries: Cambodia, Korea DPR, Lao PDR, Malaysia, Mongolia, Myanmar, Thailand, Vietnam

Member: FERNANDEZ, Ramon (France)
Alternate: MARTIN, Marc-Antoine (France)
Countries: France

Member: GRAYEB BAYATA, Claudia (Mexico)
 SANCHEZ BAKER, Ricardo (Mexico)
Alternate: SEMPRIS, Emilio (Panama)
Countries: Costa Rica, El Salvador, Guatemala, Honduras, Mexico, Nicaragua, Panama, Venezuela

Member: HELE, Pierre (Cameroon)
 TANYI-MBIANYOR, Clarkson (Cameroon)
Alternate: DOUNGOUBE, Gustave (Central African Republic)
Countries: Burundi, Cameroon, Central African Republic, Congo, Congo DR

Member: JOST, Manuela (Switzerland)
 ROCK, Philippe (Switzerland)
Alternate: HILBER, Anton (Switzerland)
 DUBOIS, Jean-Bernard (Switzerland)
Countries: Azerbaijan, Kazakhstan, Kyrgyz Republic, Switzerland, Tajikistan, Turkmenistan, Uzbekistan

Member: KRAEVA, Emilia (Bulgaria)
Alternate: IVANOV, Violeta (Moldova)
Countries: Albania, Bulgaria, Croatia, Georgia, Macedonia, Moldova, Poland, Romania, Ukraine

Member: LUGRIS, Fernando (Uruguay)
 QUEREJAZU, Veronica (Bolivia)
 AGUILERA ANTUNEZ, Erwin (Bolivia)
Alternate: ROSELLINI, Adolfo (Argentina)

BOCALANDRO, Tabaré
Countries: Argentina, Bolivia, Chile, Paraguay, Peru, Uruguay

Member: KABWAZA, Raphael (Malawi)
 METSING, Julius (Lesotho)
Alternate: KABWAZA, Raphael
Countries: Botswana, Lesotho, Malawi, Mozambique, Namibia, South Africa, Swaziland, Zambia, Zimbabwe

Member: MIYAHARA, Takashi (Japan)
 HASAGAWA, Koichi
 KUNHARA, Takeshi
Alternate: TAKANO, Shuichi (Japan)
 KITAGAWA, Katsuro
Countries: Japan

Member: MONTEIRO, Carlos Alberto de Sousa (Cape Verde)
Alternate: SARR, Momodou (Gambia)
Countries: Burkina Faso, Cape Verde, Chad, Guinea-Bissau, Mali, Mauritania, Niger, Senegal, Gambia

Member: NIETO, Alejandro (Spain)
 RAMOS, Teresa
Alternate: MOTA PINTO, Nuno (Portugal)
Countries: Greece, Ireland, Portugal, Spain

Member: PARK, Kang-ho (Republic of Korea)
Alternate: COOK, Alan (New Zealand)
Countries: Australia, New Zealand, **Republic of Korea**

Member: PERSAUD, Doorga (Guyana)
Alternate: COOPER, Donald (Bahamas)
PERSAUD, Doorga
Countries: Antigua and Barbuda, Bahamas, Barbados, Belize, Cuba, Dominica, Dominican Republic, Grenada, **Guyana**, Haiti, Jamaica, St. Kitts and Nevis, St. Lucia, St. Vincent and Grenadines, Suriname, Trinidad and Tobago

Member: PITTMAN, Bobby (US)
Alternate: MCMURRAY, Claudia (US)
Countries: **United States**

Member: PRADO, Julio (Ecuador)
Alternate: LAZARY TEIXEIRA, Carlos Alfredo (Brazil)
DUARTE, Villanova
Countries: Brazil, Colombia, **Ecuador**

Member: SHAH, Shuja (Pakistan)
AGHA, Tanwir
Alternate: LUTFI, Sultan (Jordan)
Countries: Afghanistan, Jordan, Lebanon, **Pakistan**, Syria, Yemen

Member: SIUKOSAARI, Jukka (Finland)
GARCIA-THÄRN, Amalia
Alternate: GARCIA-THÄRN, Amalia (Sweden)
KARANKO, Kari
Countries: Estonia, **Finland**, Sweden

Member: SODERINI, Ludovica (Italy)
Alternate: D'ONOFRIO, Gaetano (Italy)
Countries: **Italy**

Member: STEINKE, Marita (Germany)
Alternate: HERMANN, Walter (Germany)
Countries: **Germany**

Member: SUMARDJA, Effendy (Indonesia)
Alternate: AISI, Robert G. (Papua New Guinea)
Countries: Cook Islands, Fiji, **Indonesia**, Kiribati, Marshall Islands, Micronesia, Nauru, Niue, Palau, Papua New Guinea, Philippines, Samoa, Solomon Islands, Tonga, Tuvalu, Vanuatu

Member: KUMAR, Dhanendra (India)
VASUDEV, Chander Mohan (India)
Alternate: AHMED, Khan (Bangladesh)
ALI KHAN, Akbar (Bangladesh)
Countries: Bangladesh, Bhutan, **India**, Maldives, Nepal, Sri Lanka

Member: WAISS, Aboubakar Douale (Djibouti)
Alternate: WOLDEYOHANNIS, Mogos (Eriteria)
Countries: Comoros, **Djibouti**, Eritrea, Ethiopia, Kenya, Madagascar, Mauritius, Rwanda, Seychelles, Sudan, Tanzania, Uganda

Member: WHEATLEY, Josceline (UK)
Alternate: HATHAWAY, Roy (UK)
Countries: **United Kingdom**
Member: WOROU, Theophile (Benin)
Alternate: OTENG-YEBOAH, Alfred (Ghana)
Countries: **Benin**, Côte d'Ivoire, Ghana, Guinea, Nigeria, Sierra Leone, Togo

Member: ZOU, Jiayi (China)
Alternate: YANG, Jinlin (China)
Countries: **China**

The latest list of GEF's Primary In-Country Contacts is available online at www.thegef.org/participants/focal_points/focal_points.html

as of December 31, 2005

*Countries in bold currently hold rotating Council Member position.

The Constituencies of the following new member countries have yet to be determined: Bosnia-Herzegovina, Equatorial Guinea, Gabon, Israel, Liberia, Libya, Malta, Sao Tome and Principe, Serbia and Montenegro and Timor-Leste DR.



NGO Regional Contacts

CENTRAL NGO FOCAL POINT

Liliana HISAS
GEF NGO Regional Focal Point for
South America
Fundacion Ecologica Universal - FEU
Av. Corrientes 1393, 7 floor
Buenos Aires (C1043ABA)
Argentina
Tel: 54 11 43730552
Fax: 54 11 43731243
E-Mail: lhisas@feu999.org

AFRICA

INDIGENOUS PEOPLES

Lucy MULENKEI
Indigenous Information Network
Box 74908-00200
City Square
Nairobi
Kenya
Tel: 254 273958
Fax: 254 2729607
E-Mail: iin@iin.co.ke

NORTHERN AFRICA

Salah Sahabi
Association Recherche Climat
Environnement (ARCE)
BP 4250 Ibn Rochd, 31037
Oran, Algeria
Tel: (213) 41 42 31 16
Fax: (213) 41 53 07 38/41 42 58 67
E-mail: salah_sahabi@yahoo.com

SOUTHERN AFRICA

Dorothy MANUEL
Zero Regional Environment
Organization
158 Fife Avenue, Greenwood
P.O. Box 5338

Harare, Zimbabwe
Tel: (+263 4) 720405/706998
Fax: (+263 4) 720405/706998
E-mail: dorothy@zeroregional.com

WESTERN AFRICA

Djimingue NANASTA
GEF NGO Regional Focal Point for
Western Africa
ENDA Tiers Monde-Programme
Energie
54, Rue Carnot
BP 3370
Dakar
Senegal
Tel: 221 822 5983
Fax: 221 821 7595
E-Mail: energy2@enda.sn

ASIA

PACIFIC

Rex HOROI
Executive Director
Foundation of the Peoples of the
South Pacific International
Suva
Fiji
Tel: 679 331 2250
Fax: 679 331 2298
E-Mail: rex.horoi@fspi.org.fj

WESTERN ASIA

Khadija RAZAVI
GEF NGO Regional Focal Point for
Western Asia
Centre for Ecodevelopment Studies
and Applications (CENESTA)
West 10 Juybar Street Fatemi Place
14157 Tehran
Iran

Tel: 98 21 8957922
Fax: 98 21 2954217
E-Mail: Khadija@cenesta.org

EUROPE

Roman PUKALOV
GEF NGO Regional Focal Point for
Europe
Greenpeace
Moscow, Novaya Bashilovka 6
Russia
E-Mail:
baikal.russia@diala.greenpeace.org

LATIN AMERICA AND THE CARIBBEAN

CARIBBEAN

Joth SINGH
Executive Director
Caribbean Conservation Association
(CCA) Chelford
Bush Hill
The Garrison
St. Michael
Barbados
Tel: 246 426 5373
Fax: 246 429 8483
E-Mail: ccadirector@caribsurf.com

Leslie John WALLING
Caribbean Conservation Association
(CCA)
"Chelford", Bush Hill, The Garrison
St. Michael, Barbados
Tel: (246) 426 5373
Fax: (246) 429 8483
E-mail: cca@ccanet.net

MESOAMERICA

Jesus CISNEROS
GEF NGO Regional Focal Point for
Mesoamerica
Oficina Regional para Mesoamérica,
Unión Mundial para la
Naturaleza (UICN-ORMA)
IUCN Mesoamerica Regional Office
P.O. Box 146-2150
Moravia
Costa Rica
Tel: 506 2410101
Fax: 506 2409934
E-Mail: jesus.cisneros@iucn.org

SOUTH AMERICA

German ROCHA
Corporación País Solidario "CPS"
Calle 70 No. 13-29
Bogota, Colombia
Tel: (571) 2495336
Fax: (571) 2491044
E-mail: cpscol@yahoo.com,
cenprof@sky.net.co

NORTH AMERICA

Gary ALLPORT
National Audubon Society
700 Broadway
New York, New York 10003
United States
Tel: 202 8612242 ext 3032
Fax: 202 861 4290
E-Mail: gallport@audobon.org

Scientific and Technical Advisory Panel Members

Ms. Yolanda Kakabadse
Chairperson, STAP
Fundacion Futuro Latinoamericano
Mariano Echeverria 843
Quito
Ecuador
E-Mail: yolandak@uio.satnet.net

Dr. Habiba Gitay
Vice Chairperson, STAP
Millennium Ecosystem Assessment
Capacity Building Coordinator
(visiting Fellow at the Australian
National University)
9910 Chase Hill Court
Vienna, VA 22182
USA
E-Mail: habiba.gitay@anu.edu.au

Dr. Cristian Samper
Director
Smithsonian Institution
National Museum for Natural History
10th & Constitution Avenue, NW
Suite 421
Washington, DC 20560-0106
USA
E-Mail: samperc@si.edu

Prof. Brian Huntley
Chief Executive
National Botanical Institute
Kirstenbosch
Private Bag X7
Claremont 7735, Cape Town
South Africa
E-Mail: Huntley@sanbi.org
Laidler@sanbi.org

Dr. Peter J. Schei
DG PJS
Fridtjof Nansen Institute
PO Box 326
NO-1326
Lysaker
Norway
E-Mail: pjs@fni.no

Prof. Peter Henricke
President
Wuppertal Institute for Climate,
Environment, and Energy
Doppersberg 19
42103 Wuppertal
Germany
E-Mail:
Peter.henricke@wupperinst.org
sylvia.borbonus@wupperinst.org

**Dr. Anjali Rambaud-Measson
Shanker**
IED Innovation Energie
Développement
2, Chemin de la Chauderaie
69340 Francheville
France
E-Mail: a.shanker@ied-sa.fr

Dr. Timothy O. Williams
Chief Programme Officer
(Agriculture)
Special Advisory Services Division
Commonwealth Secretariat
Marlborough House
Pall Mall
London, SW1Y 5HX
UK
E-Mail: t.williams@commonwealth.int
wiltmt@aol.com

Prof. Anne R. Kapuscinski
Director
Institute for Social, Economic, and
Ecological Sustainability (ISEES)
University of Minnesota
186 McNeal Hall
1985 Buford Avenue
St. Paul, MN 55108
USA
E-Mail: kapus001@umn.edu

Mrs. Angela Cropper
2 Mt. Anne Drive, Second Avenue
Cascade
Port of Spain
Trinidad and Tobago
E-Mail:
acropper@thecropperfoundation.org
Copy to: Keisha Garcia at
kgarcia@thecropperfoundation.org

Prof. Anand Patwardhan
Indian Institute of Technology
Shailesh J. Mehta School of
Management
Powai
Mumbai 400076
India
E-Mail: anand@iitb.ac.in
apat@yahoo.com
edtifac@tifac.org.in

Prof. Thomas B. Johansson
Professor and Director
International Institute for Industrial
Environmental Economics
Lund University
PO Box 196
221 00 Lund
Sweden
E-Mail:
thomas.b.johansson@iiee.lu.se

Prof. Saburo Matsui
Professor
Graduate School of Global
Environmental Studies
Department of Technology & Ecology
Kyoto University
Yoshida Honmachi
Sakyo-ku, Kyoto City
Kyoto 606-8501
Japan
E-Mail:
matsui@eden.env.kyoto-u.ac.jp

Prof. Sani Ibrahim
Associate Professor
School of Chemical Sciences
Universiti Sains Malaysia
11800 USM, Pulau Pinang
Malaysia
E-Mail: sani@usm.my
sanihim@yahoo.com

Prof. Hubertus Savenije
Department Water Management
(Hydrology and Ecology)
Delft University of Technology
Stevinweg 1 - Room 4.94
2628 CN Delft
The Netherlands
E-Mail: h.h.g.savenije@citg.tudelft.nl

GEF Publications

New in 2005

Achieving the Millennium Development Goals: A GEF Progress Report
GEF Annual Report 2004: Producing Results for the Global Environment
GEF Global Support for Wilderness Areas (Map, Folder and Fact Sheets)
GEF Global Action on Climate Change (Folder and Fact Sheets)
GEF Global Action on Persistent Organic Pollutants* (Map, Folder, and Fact Sheets)
GEF Global Action on Water (Folder and Fact Sheets)
GEF Global Action on Renewable Energy (Map, Folder, and Fact Sheets)
GEF Building Capacity to Reduce Risks of Climate Change (Folder and Fact Sheets)
Instrument for the Establishment of the Restructured Global Environment Facility**
Rules of Procedure for the GEF Council**
Operational Report on GEF Projects (CD-ROM)
GEF and Small Island Developing States: How the Global Environment Facility is Working with SIDS for a Sustainable Future (French and Spanish)

New in 2004

GEF and Small Island Developing States: How the Global Environment Facility is working with SIDS for a Sustainable Future

Forests Matter: GEF's Contribution to Conserving and Sustaining Forest Ecosystems
GEF Global Action on Water (Map, Folder, and Fact Sheets)
GEF and the Convention on Biological Diversity: A Strong Partnership with Solid Results

General Interest

GEF – Effective, Responsive, Targeted (Calling Card Brochure)
High Priorities: GEF's Contribution to Preserving and Sustaining Mountain Ecosystems (2002)
Biodiversity Matters: GEF's Contribution to Preserving and Sustaining the Natural Systems that Shape our Lives (2002)
GEF Policies, Operations, and Future Development (by Mohamed T. El-Ashry, former CEO & Chairman, Global Environment Facility): Address to the Second GEF Beijing Assembly (2002)
The GEF Roundtable Series 2002: A Contribution to the World Summit on Sustainable Development (including the brochures for: GEF Roundtable on Sustainable Energy: January 2002, New York, USA; GEF Ministerial Roundtable on Financing the Environment and Sustainable Development: March 2002, Monterey, Mexico & June 2002, Bali, Indonesia; GEF Roundtable on Forests: March 2002, New York, USA; GEF Roundtable on Land, Water, & Food Security: March 2002, New York, USA
GEF...Dynamic Partnerships: Real Solutions (2002)
Operational Report on GEF Projects (2002)
The Challenge of Sustainability (2002)
Shine a Light – 15-minute video describing the work of the GEF over its 10-year history; narrated by Harrison Ford (2002)
GEF Securing Livelihoods – 15-minute video describing the rehabilitation of small farms around Lake Baringo in Kenya (2002)
Forests: Here for Eternity – 16-minute video that demonstrates Costa Rica's systems of charges for ecological services (2002)
Powering Sustainable Development – 15-minute video showing the different approaches to renewable energy provision in developing countries (2002)
Life Support (Brochure) (2001)
New Business: Geothermal, biomass, wind, fuel cells, solar* (2001)
GEF Contributions to Agenda 21: The First Decade* (2000)
Introduction to the GEF* (2000); also available in German
The Difference GEF Makes, 2000 Annual Report of the Global Environment Facility
GEF Digest* (quarterly); a newsletter for nongovernmental organizations
The New Delhi Statement of the First GEF Assembly** (1998)
Keeping the Promise (1997); Harrison Ford narrates this video introduction to the GEF (15- and 30-minute versions)

Thematic Publications

What Kind of World? The Challenge of Land Degradation*
Making a Visible Difference in Our World (GEF and protected areas)
Keeping the Promise on Water: GEF's Contributions to Sustaining Our Planet's Ecosystems
GEF in Africa: How the Global Environment Facility is Working with African States for a Sustainable Future; also available in French
Good Practices: Country Coordination and GEF (2001)
IUCN & GEF: Partners in Conservation (2000)
GEF Caring for Generations
Solar Thermal Energy Comes to Rajasthan (2000); also available in German
Mountain Matters (2000)
Promoting Energy Efficiency and Renewable Energy: GEF Climate Change Projects and Impacts (2000)
GEF Global Action Waters* (2000); a series of 5 fact sheets
GEF Action on Biodiversity (2000)
GEF Projects Related to Water Resources (2000)
GEF Support for Activities to Address Climate Change (1999)
GEF Projects with Components That Address Land Degradation (1999)
10 Cases of Technology Transfer (2000)
GEF Action on Biodiversity: poster-size map (2000)
GEF Action on International Waters: poster-size map (2000)

GEF Strategy and Operations

Operational Report on GEF Programs (updated yearly)
GEF Operational Programs* (1997)
Operational Strategy* (1996)
The GEF Project Cycle* (1995)
Incremental Costs* (1996)
Medium-Sized Projects* (1997)
A Framework of GEF Activities Concerning Land Degradation* (1996)
Public Involvement in GEF-Finance Projects* (1996)
Rules of Procedure for the GEF Council* (2000)
Rules of Procedure for the GEF Assembly* (2000); Arabic, Chinese, and Russian versions (2002)
Instrument for the Establishment of the Restructured Global Environment Facility* (1994)

Working Papers

Working Paper 10 – From Idea to Reality: The Creation of the Global Environment Facility (1994)
Working Paper 11 – Environmental Indicators for Global Cooperation (1995)
Working Paper 12 – Capacity Building Requirements for Global Environmental Protection
Working Paper 13 – Restructuring the Global Environment Facility
Working Paper 14 – The Outlook for Renewable Energy Technologies
Working Paper 15 – Implications of Agenda 21 and UNCLOS for International Waters as a GEF Focal Area (1998)

Working Paper 16 – The Costs of Adapting to Climate Change
Working Paper 17 – Financing Protection of the Global Commons: The Case for a Green Planter Contribution (2000)
Working Paper 18 – Creating Income and Local Employment in a Selection of GEF Projects
Working Paper 19 – The Global Environment Facility as a Pioneering Institution: Lessons Learned and Looking Ahead
Working Paper 20: Mainstreaming Biodiversity in Production Landscapes

Regional Reports

GEF in Africa: How the Global Environment Facility is Working with African States for a Sustainable Future (2001); also available in French
GEF in Africa: Project Fact sheets (2001)
GEF Action in the Asia-Pacific Region: Partnerships for Sustainable Development (2001)
GEF Action in the Asia-Pacific Region: Project Fact sheets (2001)
GEF in the Western Asia Region: How the Global Environment Facility is Working with Countries in Western Asia for Sustainable Development (2001)
GEF in the Western Asia Region: Project Factsheets (2001)
GEF in Latin America and the Caribbean Region (LAC): How the Global Environment Facility is Working with LAC for a Sustainable Future (2001); also available in Spanish

GEF in Latin America and the Caribbean Region (LAC): Project Factsheets (2001)
Global Environment Facility (GEF) Action in the ECE Region: Partnerships for Sustainable Development (2001); also available in French
Global Environment Facility (GEF) Action in the ECE Region: Project Factsheets (2001)

Monitoring and Evaluation Working Papers

Monitoring and Evaluation Working Paper 1 – Achieving Sustainability of Biodiversity Conservation (2000)
Monitoring and Evaluation Working Paper 2 – The GEF Solar PV Portfolio: Emerging Experience and Lessons (2000)
Monitoring and Evaluation Working Paper 3 – Multicountry Project Arrangements: Report of a Thematic Review
Monitoring and Evaluation Working Paper 4 – Measuring Results from Climate Change Programs: Performance Indicators for GEF (2000)
Monitoring and Evaluation Working Paper 5 – Integrating Capacity Development into Project Design and Evaluation: Approach and Frameworks (2000)
Monitoring and Evaluation Working Paper 6 – GEF Land Degradation Linkage Study (2001)
Monitoring and Evaluation Working Paper 7 – Thematic Review of GEF-Financed Solar Thermal Projects
Monitoring and Evaluation Working

Paper 8 – Contributions to Global and Regional Agreements: Review of the GEF International Waters Program
Monitoring and Evaluation Working Paper 9 – The GEF Energy Efficient Product Portfolio

Monitoring and Evaluation Reports

Third Overall Performance Study (2005)
Biodiversity Program Study (2004)
Climate Change Program Study (2004)
Program Study on International Waters (2004)
Review of Financial Arrangements in GEF-Supported Biodiversity Projects (2003)
Biodiversity Program Study (2002)
Program Study on International Waters (2002)
Monitoring and Evaluation Policies and Procedures (2002)
International Waters Program Study (2001)
Biodiversity Program Study (2001)
Review of Climate Change Enabling Activities, Evaluation Report (2000) and Evaluation Summary Report* (2000)
Study of Impacts of GEF Activities on Phase-Out of Ozone Depleting Substances, Evaluation Report (2000); summary report also available in Russian
Interim Assessment of Biodiversity Enabling Activities, Evaluation Report* (1999); and Evaluation Summary Report* (1999)
Project Performance Report (1996–2005)*
Experience with Conservation Trust Funds, Evaluation Report* (1999)

Evaluation Summary Report of Experience with Conservation Trust Funds* (1999)
Summary Report of the Study of GEF Project Lessons* (1998)
Study of GEF's Overall Performance** (1997)
The First Decade of the GEF: Second Overall Performance Study

12 – Participation Means Learning Through Doing: GEF's Experience in Biodiversity Conservation and Sustainable Use (2001)
13 – Transforming Markets for Energy-Efficient Products: Experience and Lessons from GEF-Supported Projects
14 – Best Practices in Project Monitoring and Evaluation: Lessons Learned in Manufacturing and Marketing of Energy-Efficient Products

GEF Lessons Notes Series

1 – Building Partnerships with Communities (1998)
2 – Encouraging Private Sector Involvement in GEF Projects (1998)
3 – Lessons from an Integrated Conservation and Development “Experiment” in Papua New Guinea (1998)
4 – Partnership with the Private Sector: Lessons from Batangas Bay, The Philippines (1998)
5 – When is Conservation Best Served by a Trust Fund? (1999)
6 – Building Strategic Focus in a Conservation Trust Fund (1999)
7 – The Mexican Nature Conservation Fund (1999)
8 – 1998 Project Performance Report (1999)
9 – Best Practices in Preparing National Biodiversity Strategies and Action Plans (1999)
10 – 1999 Project Performance Report (2000)
11 – Emerging Lessons from GEF Multicountry Projects (2000)

* Documents marked with an asterisk are available in English, French, and Spanish.
** Documents marked with two asterisks are available in six languages: Arabic, Chinese, English, French, Russian, and Spanish.



PHOTO CREDITS

Cover: Frans Lanting | Minden Pictures
Table of Contents: Gary Braasch | Corbis
Page 2: Scott Stulberg | Corbis
Page 4: Lana Wong
Page 6: Frans Lanting | Minden Pictures
Page 8: Danny Lehman | Corbis
Page 10: Mitsuki Iwago | Minden Pictures
Page 13: Mark Edwards | Peter Arnold
Page 14: Martin Puddy | Getty
Page 17: Justin Guariglia | Getty
Page 23: www.coralreef.org
Page 64: Arne Hoel
Page 67: JP Trenque
Cover 3: Nevada Wier | Getty

RESEARCH CREDITS

Information used in this report was provided by the GEF, the World Bank, the World Health Organization, the United Nations, and several nongovernmental organizations.

PRODUCTION CREDITS

Text: James D. Spellman
Editors: Clare Fleming and Sarwat Hussain
Production: Asha Richards, Rick Ludwick, Nora Ridolfi
Design: Patricia Hord.Graphik Design
Printing: York Graphic Services

Copyright © 2006 Global Environment Facility
1818 H Street NW, Washington DC 20433 USA

The text of this publication may be reproduced in whole or in part and in any form for educational or nonprofit uses, without special permission, provided acknowledgment of the source is made. The GEF Secretariat would appreciate receiving a copy of any publication that uses this book for its source. Copies may be sent to the GEF Secretariat in care of the address above.

No use of this publication may be made for resale or other commercial purposes without prior written consent of the GEF Secretariat. All images remain the sole property of their source and may not be used for any purpose without written permission from the source.



**GLOBAL
ENVIRONMENT
FACILITY**

For more information contact:

Global Environment Facility
1818 H Street NW
Washington, DC 20433 USA
Tel: 202-473-0508
Fax: 202-522-3240
Email: Secretariat@theGEF.org

www.theGEF.org