



Global Environment Facility

GEF/LDCF.SCCF.4/Inf.5

March 21, 2008

LDCF/SCCF Council
April 25, 2008

**SCCF: AUDITED FINANCIAL STATEMENT
FOR THE YEAR ENDING JUNE 30, 2007**

SPECIAL CLIMATE CHANGE FUND
ADMINISTERED BY THE
INTERNATIONAL BANK FOR RECONSTRUCTION
AND DEVELOPMENT
AS TRUSTEE
WORLD BANK REFERENCE
TF069002

FINANCIAL STATEMENT AND
INDEPENDENT AUDITORS' REPORT
June 30, 2007

THE WORLD BANK GROUP
Trust Funds Division
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INDEPENDENT AUDITORS' REPORT

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To: International Bank for Reconstruction and Development (IBRD)
as Trustee for the
Special Climate Change Fund

We have audited the accompanying statement of cash receipts, disbursements and fund balance of the Special Climate Change Fund ("Trust Fund"), as administered by the International Bank for Reconstruction and Development (IBRD) as a Trustee (the Trustee), as of June 30, 2007 and for the year then ended and for the period from December 6, 2004 (date of inception) to June 30, 2007. This financial statement is the responsibility of the Trustee's management. Our responsibility is to express an opinion on this financial statement based on our audit.

We conducted our audit 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 audit provides 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 modified to mark investments to market (modified cash basis of accounting). The modified cash basis of accounting 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, the financial statement referred to above presents fairly, in all material respects, the fund balance of the Special Climate Change Fund as of June 30, 2007 and its cash receipts and disbursements for the year then ended and for the period from December 6, 2004 (date of inception) to June 30, 2007, on the basis of accounting described in Note 2 to the financial statement.

Deloitte & Touche LLP

December 28, 2007

SPECIAL CLIMATE CHANGE FUND

STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND FUND BALANCE

Expressed in U.S. dollars

	For the year ended June 30, 2007	December 6, 2004 (date of inception) to June 30, 2007
Contributions (Note 3)		
Canada	\$ -	\$ 5,237,110
Denmark	2,103,138	4,123,307
Finland	973,642	1,395,007
Germany	1,356,000	3,898,100
Ireland	525,000	1,075,000
Italy	5,000,000	5,000,000
Netherlands	-	3,128,880
Norway	2,297,907	3,936,445
Portugal	-	1,299,099
Spain	2,598,000	2,598,000
Sweden	-	1,432,552
Switzerland	1,065,661	2,586,893
United Kingdom	6,643,668	18,603,167
Total contributions	22,563,016	54,313,560
Investment income (Note 4)	2,030,355	2,698,573
Total receipts	24,593,371	57,012,133
Grants to Implementing Agencies:		
International Bank for Reconstruction and Development (IBRD)	1,180,000	1,180,000
United Nations Development Programme (UNDP)	1,419,503	1,419,503
Fees to Implementing Agencies:		
IBRD	863,100	863,100
Other Agencies	264,420	264,420
Administrative costs to Secretariat and Trustee (Note 5)	116,000	538,200
Total disbursements	3,843,023	4,265,223
Excess of receipts over disbursements	20,750,348	52,746,910
Fund balance:		
Beginning of period	31,996,562	-
End of period	\$ 52,746,910	\$ 52,746,910
Fund balance consists of:		
Share in pooled cash and investments		\$ 52,746,910

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

SPECIAL CLIMATE CHANGE FUND

NOTES TO FINANCIAL STATEMENT

June 30, 2007

Note 1 - Organization

The International Bank for Reconstruction and Development (IBRD) and several donors entered into agreements effective December 6, 2004, under which IBRD will administer the grants made available by various donors to the Special Climate Change Fund (the Trust Fund) established following the decision of the Conference of the Parties to the United Nations Framework Convention on Climate Change to invite the Global Environment Facility (GEF) to operate such a fund. The Trust Fund will finance activities, programs and measures relating to climate change and assist them to assess to what extent development projects are at risk from the impacts of climate change. At its meeting in May 2002, the GEF Council (the Council) approved the arrangements proposed for the establishment of the Trust Fund and invited IBRD to act as the Trustee (the Trustee). In addition to being Trustee, IBRD is also one of the three Implementing Agencies of the Trust Fund. The other two Implementing Agencies are the United Nations Development Programme (UNDP) and the United Nations Environment Programme (UNEP). The operational policies and procedures and governance structure of the GEF will apply to the operation of the Trust Fund.

The Secretariat of the GEF (the Secretariat) will submit to the Council for endorsement, proposals for the establishment of programs of activities to be financed by the Trust Fund. Donors indicate how their contributions are to be allocated between the programs. Donors provide their contributions both through cash and through delivery of unconditional promissory notes made payable to the Trustee upon demand.

Activities of the Trust Fund are carried out by IBRD which is responsible for their execution. IBRD as part of its executing activities, prepares terms of reference, procures goods and services from suppliers, disburses funds and submits progress reports and audited financial reports for these activities to donors.

continued

NOTES TO FINANCIAL STATEMENT

June 30, 2007

Note 2 - Significant accounting policies

The accompanying financial statement has been prepared on the cash receipts and disbursements basis of accounting modified to mark investments to market (modified cash basis of accounting). Accordingly, investment income includes realized and unrealized investment income.

The modified cash basis of accounting is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America or International Financial Reporting Standards; contributions are recorded when collected rather than when pledged, and expenditures are recorded as disbursements when paid rather than when committed. 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 refund 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 prior periods, are reported in the Statement of Cash Receipts, Disbursements and Fund Balance in the period the cash transaction occurs.

IBRD (the Trustee) 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.

continued

NOTES TO FINANCIAL STATEMENT

June 30, 2007

Note 3 - Contributions

Conversions of contributions received in various currencies into U.S. dollars are initiated by IBRD upon the latter of the receipt of funds, or the receipt of the signed and countersigned administration agreement. As of June 30, 2007 the amounts committed by the donors and received by IBRD are as follows:

Donor	Amounts Committed		Amounts Received		Contributions received in/ converted to US\$
Canada	Can\$	6,000,000	Can\$	6,000,000	5,237,110
Denmark	DKr	25,000,000	DKr	25,000,000	4,123,307
Finland	US\$	367,592	US\$	367,592	367,592
Finland	€	1,270,000	€	810,000	1,027,415
Germany	€	5,000,000	€	3,000,000	3,898,100
Ireland	US\$	1,075,000	US\$	1,075,000	1,075,000
Italy	US\$	10,000,000	US\$	5,000,000	5,000,000
Netherlands	€	2,400,000	€	2,400,000	3,128,880
Norway	NKr	39,000,000	NKr	24,000,000	3,936,445
Portugal	€	1,070,000	€	1,070,000	1,299,099
Spain	€	2,000,000	€	2,000,000	2,598,000
Sweden	SKr	25,000,000	SKr	10,000,000	1,432,552
Switzerland	SwF	3,200,000	SwF	3,200,000	2,586,893
United Kingdom *	£	10,000,000	£	10,000,000	18,603,167
Total					US\$ 54,313,560

* Entire contribution to the Trust Fund by United Kingdom was received in the form of promissory note.

continued

NOTES TO FINANCIAL STATEMENT

June 30, 2007

Note 4 - Investment income

Amounts paid into the Trust Fund, but not yet disbursed, are managed by IBRD, which maintains an investment portfolio (the Pool) for all of the trust funds administered by IBRD, the International Development Association, the International Finance Corporation, the Multilateral Investment Guarantee Agency, and the International Centre for Settlement of Investment Disputes (the World Bank Group). IBRD maintains all trust fund assets separate and apart from the funds of the World Bank Group. The Pool is divided into sub-portfolios to which allocations are made based on fund specific investment horizons, risk tolerances and/or other eligibility requirements for trust funds with common characteristics as determined by IBRD. Generally, the Pool is invested in liquid financial instruments such as money market instruments, government and agency obligations, mortgage-backed securities, and other high-grade bonds.

Investment income consists of the Trust Fund's allocated share of: interest income earned by the Pool, realized gains / losses from sales of securities and unrealized gains / losses resulting from marking the assets held by the Pool to market. Investment income in the amount of US\$2,030,355 and US\$2,698,573 was credited to the Trust Fund during the year ended June 30, 2007 and from December 6, 2004 (date of inception) to June 30, 2007, respectively.

Note 5 - Administrative cost

In accordance with the administration agreement, the Trust Fund, upon approval from the Council, makes disbursements to the Secretariat and the Trustee to cover all administrative expenses incurred in the performance of their responsibilities in connection with the Trust Fund.