GLOBAL ENVIRONMENT FACILITY TRUST FUND

ADMINISTERED BY THE
INTERNATIONAL BANK FOR RECONSTRUCTION
AND DEVELOPMENT
AS TRUSTEE

WORLD BANK REFERENCE
TF029840

FINANCIAL STATEMENTS
AND INDEPENDENT AUDITORS' REPORT
June 30, 2010 and 2009

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Independent Auditors' Report

To: Global Environment Facility Council and International Bank for Reconstruction and Development as Trustee for the Global Environment Facility Trust Fund

We have audited the accompanying statements of financial position of the Global Environment Facility Trust Fund ("GEF"), as administered by the International Bank for Reconstruction and Development as Trustee, as of June 30, 2010 and 2009, and the related statements of activities, cash flows, and changes in net trust resources for the years then ended. These financial statements are the responsibility of the GEF'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. An audit includes 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.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Global Environment Facility Trust Fund as of June 30, 2010 and 2009, and the results of its operations and cash flows for the years then ended in conformity with International Financial Reporting Standards as issued by the International Accounting Standards Board.

KPMG LLP

January 20, 2012

GLOBAL ENVIRONMENT FACILITY TRUST FUND

Administered by the International Bank for Reconstruction and Development as Trustee
Statements of Financial Position

Expressed in U.S. dollars

		June 30, 2010		June 30, 2009
ASSETS				
Share of Cash and Investments in the Pool (Notes 6 and 7)	$	3,038,939,460	$	2,902,340,602
Net Promissory Demand Notes (Notes 11 and 12)		945,369,650		1,045,986,116
Investment Income Receivable from Agencies (Note 14)		2,973,473		8,374,771
Advances to Agencies		2,415,969		818,384
Net IoC Receivables (Notes 8 and 12)		6,972,401		336,504,192
Total Assets	**$**	**3,996,670,953**	**$**	**4,294,024,065**
LIABILITIES				
Grant Liabilities (Note 15)				
IBRD/IA	$	1,233,903,362	$	1,106,189,332
UNDP		670,034,089		609,723,313
UNEP		168,164,965		134,532,314
EAs		176,580,310		126,790,053
Total Grant Liabilities		**2,248,682,726**		**1,977,235,012**
Fee Liabilities (Note 15)				
IBRD/IA		6,851,164		8,493,516
UNDP		3,012,288		2,652,879
UNEP		496,740		1,309,838
EAs		6,509,184		5,667,561
Total Fee Liabilities		**16,869,376**		**18,123,794**
Administrative Budget Liabilities to the Secretariat (Note 15)		**-**		**842,898**
Total Liabilities		**2,265,552,102**		**1,996,201,704**
NET TRUST RESOURCES (Partially Restricted) (Note 10)		**1,731,118,851**		**2,297,822,361**
Total Liabilities and Net Trust Resources	**$**	**3,996,670,953**	**$**	**4,294,024,065**

The accompanying notes to the financial statements are an integral part of these financial statements.

GLOBAL ENVIRONMENT FACILITY TRUST FUND

Administered by the International Bank for Reconstruction and Development as Trustee
Statements of Activities

Expressed in U.S. dollars

	For the Years Ended	
	June 30, 2010	**June 30, 2009**
INCOME		
Contributions (Notes 8, 9 and 10)	$ 142,447,084	$ 170,067,314
Amortization of Discount on IoC Receivables (Note 8)	7,660,299	20,772,609
Investment Income from Share in Pooled Cash and Investments	106,787,421	154,280,578
Interest Income Earned on GEF Grant Funds (Note 14)	2,904,289	10,343,348
Total Income	**259,799,093**	**355,463,849**
EXPENSES		
Grant Expenses (Notes 13 and 15)	747,151,589	550,022,057
Fee Expenses (Notes 13 and 15)	54,694,044	34,304,127
Administrative Budget: (Note 15)		
UNEP (STAP)	1,929,635	1,815,463
Secretariat and Evaluation Office	20,033,413	16,459,741
IBRD/Trustee	3,140,000	2,419,000
Total Administrative Budget	25,103,048	20,694,204
(Recovery of) Provision for Doubtful Receivables and Promissory Demand Notes (Note 12)	(1,259,761)	1,305,733
Audit Fees for Implementing Agencies	26,886	52,883
Total Expenses	**825,715,806**	**606,379,004**
Foreign Exchange Losses	(786,797)	(115,763,877)
Net Decrease in Net Trust Resources	**$ (566,703,510)**	**$ (366,679,032)**

The accompanying notes to the financial statements are an integral part of these financial statements.

GLOBAL ENVIRONMENT FACILITY TRUST FUND

Administered by the International Bank for Reconstruction and Development as Trustee
Statements of Cash Flows

Expressed in U.S. dollars

	For the Years Ended	
	June 30, 2010	**June 30, 2009**
Cash Flows from Operating Activities:		
Net Decrease in Net Trust Resources	$ (566,703,510)	$ (366,679,032)
Adjustments to reconcile net decrease in net trust resources to net cash provided by operating activities:		
Foreign Exchange Losses	786,797	115,763,877
Amortization of Discount on IoC Receivables	(7,660,299)	(20,772,609)
(Recovery of) Provision for Doubtful Receivables and Promissory Demand Notes	(1,259,761)	1,305,733
Changes in Assets and Liabilities		
Increase in Share of Cash and Investments in the Pool	(136,598,858)	(269,185,876)
Decrease in IoC Receivables	336,889,056	334,322,104
Decrease in Promissory Demand Notes	101,392,464	185,108,614
Increase in Grant and Fee Liabilities	270,193,296	14,482,837
(Decrease) / Increase in Administrative Budget Liabilities	(842,898)	212,898
Decrease in Investment Income Receivable	5,401,298	4,985,931
(Increase) / Decrease in Advances to Agencies	(1,597,585)	455,523
Net Cash Flows Provided by Operating Activities	**566,703,510**	**366,679,032**
Net Increase in Cash	-	-
Cash and Cash Equivalents, Beginning of Year	-	-
Cash and Cash Equivalents, End of Year	**$ -**	**$ -**

The accompanying notes to the financial statements are an integral part of these financial statements.

GLOBAL ENVIRONMENT FACILITY TRUST FUND

Administered by the International Bank for Reconstruction and Development as Trustee

Statements of Changes in Net Trust Resources

Expressed in U.S. dollars

	For the Years Ended	
	June 30, 2010	**June 30, 2009**
Net Trust Resources (Partially Restricted), Beginning of Year	$ 2,297,822,361	$ 2,664,501,393
Net Decrease in Net Trust Resources	(566,703,510)	(366,679,032)
Net Trust Resources (Partially Restricted), End of Year	$ 1,731,118,851	$ 2,297,822,361

The accompanying notes to the financial statements are an integral part of these financial statements.

NOTE 1: ORGANIZATION AND OPERATIONS

In 1994, Global Environment Facility (the "GEF") was formally established as a financial mechanism by the Instrument for the Establishment of the Restructured Global Environment Facility (the "Instrument"). Further, the GEF Trust Fund (the "Trust Fund") was established pursuant to the terms of the Instrument. Since 1994, the Instrument has been amended three times upon approval by the Assembly of the GEF (governing body of the GEF in which member countries participate) and adoption by the Implementing Agencies (see Note 3) and the Trustee of the Trust Fund (the "Trustee"). The amendments became effective as of June 19, 2003, September 14, 2007, and February 24, 2011 respectively.

The GEF as an independent financial organization provides funding to eligible countries for incremental costs of measures to achieve global environmental benefits in six focal areas specified in the Instrument, as amended: biological diversity, climate change, international waters, land degradation (primarily desertification and deforestation), ozone layer depletion, and persistent organic pollutants ("POPs"). 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.

The Trust Fund is administered by the International Bank for Reconstruction and Development ("IBRD") as Trustee. The resources of the Trust Fund, held in trust by the Trustee, are kept separate and apart from the resources of IBRD.

The responsibilities of the Trustee include the mobilization of resources for the Trust Fund, financial management of the Trust Fund, investment of funds as well as disbursement of funds to the Implementing and Executing agencies, in accordance with the provisions of the Instrument and decisions made by the Council.

NOTE 2: SUMMARY OF REPLENISHMENTS

As of June 30, 2010, there have been four replenishment cycles under which the Trustee was authorized to accept contributions to the Trust Fund, as follows:

GEF-1: July 1, 1994 – June 30, 1998
GEF-2: July 1, 1998 – June 30, 2002
GEF-3: July 1, 2002 – June 30, 2006
GEF-4: July 1, 2006 – June 30, 2010

On October 19, 2006, the World Bank Executive Directors adopted IBRD Resolution No. 2006-0008 entitled "Global Environment Facility Trust Fund Fourth Replenishment of Resources" (the "GEF-4 Resolution"), thereby authorizing the IBRD, as Trustee of the Trust Fund, to manage the resources made available under the fourth replenishment of resources to the Trust Fund (the "GEF-4"). Pursuant to the terms of the GEF-4 Resolution, the Advance Contribution Scheme became effective on November 30, 2006, and the GEF-4 became effective on February 8, 2007. The replenishment cycle GEF-5 started July 1, 2010 and will continue through June 30, 2014.

NOTE 3: IMPLEMENTING AND EXECUTING AGENCIES AND OTHER BODIES

Under the Instrument, there are three Implementing Agencies - IBRD, the United Nations Development Programme (“UNDP”) and the United Nations Environment Programme (“UNEP”) (jointly, the “IAs”, each individually, an “IA”). Specific responsibilities are assigned to each of the IAs, the GEF Secretariat (the “Secretariat"), the Trustee and the Scientific and Technical Advisory Panel (“STAP”). GEF resources are allocated to each of those parties pursuant to the terms of the Instrument. In addition, the GEF Council decided in 2003 that the GEF Monitoring and Evaluation Unit shall operate functionally independent and report directly to the GEF Council.

The Secretariat coordinates the formulation of projects included in the annual work program, oversees its implementation, and makes certain that operational strategy and policies are followed. The Secretariat is supported administratively by IBRD but operates in an independent manner to discharge the responsibilities assigned to it under the Instrument.

The GEF CEO is appointed by the Council on the joint recommendation of the IAs and heads the GEF Secretariat. In May 1999, the Council approved a proposal for the participation of four regional development banks in the preparation of GEF projects and direct access by such banks to GEF resources for the Project Development and Preparation Facility. Since then, the scope of direct access to GEF resources was expanded over time, as approved by the Council, to provide full direct access to the following organizations, (jointly, the "Executing Agencies" or “EAs”, each individually, an “EA”):

- African Development Bank/African Development Fund (collectively “AfDB”)
- Asian Development Bank (“ADB”)
- European Bank for Reconstruction and Development (“EBRD”)
- Food and Agriculture Organization of the United Nations (“FAO”)
- Inter-American Development Bank (“IADB”)
- International Fund for Agriculture and Development ("IFAD")
- United Nations Industrial Development Organization (“UNIDO”)

Effective during the year ended June 30, 2007, arrangements allowing for expanded direct access were entered into between the Secretariat, the Trustee and each of the EAs.

NOTE 4: BASIS OF PREPARATION

These financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”).

The basis of measurement of these financial statements is on historical cost basis except for the financial instruments which are measured at fair value (Note 6).

These financial statements are presented in U.S. dollars, which is the functional currency of the Trust Fund. Except as otherwise indicated, other financial information herein is also presented in U.S. dollars.

The accompanying financial statements include the assets, liabilities, results of activities and cash flows of the Trust Fund as of and for the fiscal years ended June 30, 2010 and 2009, respectively. These financial statements do not include the assets, liabilities, results of activities and cash flows of the Implementing Agencies, the Secretariat, the STAP, the GEF Evaluation Office, nor the Executing Agencies. Furthermore, for purposes of these statements, amounts relating to UNEP include the STAP, and similarly, amounts relating to the Secretariat include the Evaluation Office which is responsible for undertaking evaluations that involve a set of projects from more than one IA or EA.

NOTE 5: SUMMARY OF SIGNIFICANT ACCOUNTING AND RELATED POLICIES

Use of Estimates– The preparation of the financial statements requires management to make estimates and assumptions based upon information available as at the date of the financial statements. Actual results could materially differ from those estimates. Areas in which management makes estimates and assumptions in determining the amounts to be recorded include, present value calculations related to Instruments of Commitments (“IoCs”) receivables and allowances for receivables.

Foreign Exchange Gains/Losses – Transactions in currencies other than the U.S. dollar are recorded at the market rates of exchange in effect on the date of the transaction. At the end of each reporting period, assets and liabilities that are not denominated in U.S. dollars are revalued at the market rate of exchange prevailing at the end of the periods. Any adjustment resulting from currency exchange rate changes affecting monetary items is recognized as foreign currency exchange gains/losses.

Contributions and IoC Receivables – The Trust Fund receives its funding primarily from contributions, arising in the course of ordinary activities; provided by the participants contributing to the Trust Fund (“Contributing Participants”). Contributing Participants provide IoCs as a means of indicating their commitment to contribute to the Trust Fund. Upon receipt of unqualified IoCs, or when qualified IoCs become unqualified (in the case that Contributing Participants have initially deposited qualified IoCs), contributions are recognized as income and IoC receivables are initially recorded at fair value, and subsequently measured at amortized cost, using the effective interest rate method to amortize the discount. A qualified IoC means there are conditions present which limit it’s availability making it a conditional contribution.

Contributing Participants satisfy their obligations under the IoCs through the payment of cash or by depositing non-negotiable, non-interest-bearing demand notes, or similar obligations with the Trustee in accordance with the payment schedules set forth in the respective replenishment resolutions. IoC receivables are individually assessed for impairment at each date of the statement of financial position.

Promissory Demand Notes and Similar Obligations –Promissory demand notes, and similar obligations received in settlement of IoC receivables are non-negotiable, non-interest-bearing, and payable on demand. These notes or similar obligations are recorded at face value upon receipt, and are typically encashed (drawn down) by the Trustee based upon indicative encashment schedules provided by the Trustee to the Contributing Participants. Contributing Participants satisfy their obligations under the promissory demand notes or similar obligations deposited with the Trustee by making cash payments in accordance with the indicative, non binding encashment schedule. Promissory demand note receivables are individually assessed for impairment at each date of the statement of financial position.

Grant Liabilities – The Trust Fund disburses grant funds to the three IAs as well as the seven EAs who have entered into arrangements with the Trustee for their direct access to GEF resources (i.e. ADB, AfDB, EBRD, FAO, IADB, IFAD, and UNIDO), to fund GEF projects.

The Council has delegated to the Chief Executive Officer of the GEF (the "CEO") its authority to approve projects whose funding size is $1 million or less or enabling activities which are subject to expedited processes. In such cases, the Trustee recognizes grant expenses and liabilities to the IAs and EAs upon CEO approval. Grant liabilities are payable to the IAs and EAs upon their request, and after they have also approved the projects.

Grants exceeding $1 million or grants for enabling activities which are not subject to expedited processes must be approved by the Council and further endorsed by the CEO. In such cases, the Trustee recognizes grant expenses and liabilities to the IAs and EAs upon CEO endorsement.

Fee Liabilities – Fees are paid to the IAs and the EAs to cover expenses associated with the project cycle management of GEF projects. The Trust Fund recognizes fee liabilities upon approval by the CEO. Fee liabilities are paid to the IAs and EAs upon their request.

Administrative Budget – In accordance with the Instrument, the Council may approve administrative budgets of the IAs, EAs, STAP, Secretariat and Evaluation Office for reasonable administrative expenses incurred in the performance of their respective functions. In addition, the Trustee is reimbursed annually from the resources of the Trust Fund for the reasonable expenses incurred by it for the administration of the Trust Fund and for expenses incurred in administratively supporting the Secretariat.

The Council approves the administrative budget amounts, including Special Initiatives, payable to the IAs, EAs, Secretariat, Evaluation Office, STAP and the Trustee, as applicable, each fiscal year of the GEF. Funds are transferred to them in the fiscal year to which the administrative budget authorization relates. These transfers of funds are recorded as an advance in the Trust Fund, given that the IAs, EAs Secretariat, Evaluation Office, STAP and Trustee are only entitled to reimbursement of actual expenses incurred, up to the amount authorized. The actual amount of expenses reported by each of those entities is recorded as an expense of the Trust Fund. Administrative budget liabilities are paid to the IAs and EAs upon their request.

Share in Pooled Cash and Investments – Amounts paid into the Trust Fund, but not yet disbursed, are managed by the Trustee, which maintains an investment portfolio (the "Pool") for all of the trust funds administered by the IBRD, the International Development Association, the International Finance Corporation, the Multilateral Investment Guarantee Agency, and the International Centre for Settlement of Investment Disputes (the collectively "World Bank Group"). IBRD, on behalf of the World Bank Group maintains all trust fund assets separate and apart from the funds of the World Bank Group.

The Pool is divided into sub-portfolios to which allocations are made based on fund specific investment horizons, risk tolerances and/or other eligibility requirements set by the Trustee. Generally, the Pool is invested in financial instruments such as money market instruments, government and agency obligations, asset-backed securities, and other high-grade bonds. The Pool may also include securities pledged as collateral under repurchase agreements with other counterparties and receivables from resale agreements for which it has accepted collateral. Additionally, the Pool includes derivative contracts such as currency forward contracts, plain vanilla swaps and callable swaps linked to interest rates, foreign exchange rates and equity indices.

Based on the Trustee's investment strategy for trust funds, each sub-portfolio is invested in a combination of these asset types consistent with the applicable risk tolerance for that sub-portfolio. The Trustee maintains the investments on a pooled accounting basis. The pooled investments are classified as held for trading (portfolio with securities acquired or incurred principally for the purpose of selling or repurchasing it in the near term) and are reported at fair value with realized and unrealized gains/losses included in net investment income. Share in Pooled Cash and Investments represents the Trust Fund's pro-rata share of the Pool's fair value at the end of the reporting period. Purchases and sales within the Pool are accounted for at the trade date. The fair value is based on market quotations, where available. If quoted market prices are not available, fair values are based on generally accepted valuation techniques based on other observable market data. The corresponding proportionate interest income and investment gains/losses accrue to the Trust Fund in the period in which they occur. The Trust Fund's share in the pooled cash and investments is not deemed to be equivalent to cash for the purposes of the Statement of Cash Flows.

In accordance with IFRS, disclosures for fair value measurements of recognized financial instruments are presented. The disclosures include: a fair value hierarchy (i.e. categorization of all financial instruments into levels 1, 2 and 3 based on the relevant definitions); a summary of significant transfers between Level 1 and Level 2; reconciliation of Level 3 instruments at the beginning of the period to the ending balance; a summary of profit or loss for Level 3 positions held at balance sheet date; and sensitivity analysis information for the total position of Level 3 instruments and the basis for the calculation of such information. Refer to "Note 6 Fair Value of Financial Instruments" for these disclosures.

In October 2010, the IASB issued amendments to IFRS 7 *Financial Instruments: Disclosures*, which are applicable for annual periods beginning on or after July 1, 2011 (FY12). The amendments center on the improvement of disclosure requirements relating to transfers of financial assets that would help financial statement users improve their understanding of financial asset transfer transactions (e.g., securitizations), including understanding the risks that may remain with the entity that transferred the assets. The amendments also require additional disclosures if a disproportionate amount of transfer transactions are undertaken around the end of a reporting period. These amendments are not expected to have material impact upon the Trust Fund's financial reporting.

In November 2009, the IASB issued IFRS 9 *Financial Instruments* as the first step in its project to replace IAS 39 *Financial Instruments: Recognition and Measurement*. IFRS 9 introduces new requirements for classifying and measuring financial assets. In October 2010, the IASB reissued IFRS 9, incorporating new requirements on accounting for financial liabilities, and carrying over from IAS 39 the requirements for derecognition of financial assets and financial liabilities. IAS 39 is mandatorily effective for annual periods beginning on or after January 1, 2013 (FY14) and IFRS 9 is mandatorily effective for annual periods beginning on or after January 1, 2015 (FY16). The standard is not expected to have material impact on the Trust Fund's financial reporting.

In May 2011, the IASB issued IFRS 13, *Fair Value Measurement*. The standard is not expected to significantly impact current practice, but will change the existing fair value measurement and disclosure requirements. IFRS 13 is effective for the GEF for annual periods beginning after January 1, 2013 (FY 14). The standard is not expected to have material impact on the Trust Fund's financial reporting.

NOTE 6: FAIR VALUE OF FINANCIAL INSTRUMENTS

The Share in Pooled Cash and Investments - The share in pooled cash and investments (the "Pool") is held in a trading portfolio which is reported at fair value. The Trust Fund's share in the Pool is not traded in any market, however, the underlying assets within the Pool are reported at fair value. The fair value is the amount for which a financial asset could be exchanged, or a financial liability settled, between knowledgeable, willing parties. Where available, quoted market prices are used to determine the fair value of investment securities. The Pool may include investment securities as government and agency obligations, time deposits and money market securities, and asset-backed securities. For securities for which quoted market prices are not readily available, fair values are determined using model-based valuation techniques, either internally-generated or vendor-supplied, that include the standard discounted cash flow method using market observable inputs such as yield curves, credit spreads, and prepayment speeds, foreign exchange rates, and funding spreads. Unless quoted prices are available, time deposits and money market instruments are reported at face value, which approximates fair value. The Pool holds numerous securities each with different credit spreads and prepayment rates based on the characteristics of each security. The Trust Fund groups its share in the shared pool of investments as one class of financial assets. All other financial assets and financial liabilities are carried at amortized cost.

Hierarchy disclosures – The Trust Fund's financial instruments are categorized based on the priority of the inputs to the valuation technique. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1), the next highest priority to observable market-based inputs or inputs that are corroborated by market data (Level 2) and the lowest priority to unobservable inputs that are not corroborated by market data (Level 3). When the inputs used to measure fair value fall within different levels of the hierarchy, the level within which the fair value measurement is categorized is based on the lowest level input that is significant to the fair value measurement of the instrument in its entirety. Thus, a Level 3 fair value measurement of the instrument may include inputs that are observable (Level 2) and unobservable (Level 3).

The following table presents the fair value hierarchy of the cash and investments in the Pool measured at fair value on a recurring basis as of June 30, 2010:

In millions of U.S. dollars

	Fair Value Measurement on a Recurring Basis as of June 30, 2010			
	Level 1	*Level 2*	*Level 3*	*Total*
Government and agency obligations	$ 4,766	$ 7,233	$ -	$ 11,999
Time deposits and money market securities	801	6,426	-	7,227
Asset-backed securities	-	3,764	2	3,766
	$ 5,567	$ 17,423	$ 2	$ 22,992
Securities purchased under resale agreements and securities sold under repurchase agreements, net	(303)	(13)	-	(316)
Derivatives, net	-	(59)	-	(59)
Total of financial instruments in the Pool at fair value	$ 5,264	$ 17,351	$ 2	$ 22,617

During the year ended June 30, 2010, neither transfers between levels nor securities in level 3 were significant.

During fiscal year 2010 and 2009, GEF had no financial instruments measured at fair value on a non-recurring basis.

The Pool includes securities pledged as collateral under repurchase agreements with other counterparties. The Pool's carrying value of those securities at June 30, 2010 was $316 million (2009: $685 million). There are no significant terms and conditions associated with the use of collateral.

As of June 30, 2010, $4.5 million were held in the Pool as cash collateral that it is permitted to sell or repledge in the absence of default. The Trustee has not sold or re-pledged any collateral during this period. The terms and conditions associated with collateral have no significant unusual requirements from the usual practice of recourse when a default occurs.

IoC receivables - The initial recognition of the fair value of IoC receivables are estimated using a discounted cash flow method. The present value of each cash flow is computed using an estimated discount rate, based upon estimated donor specific risk free interest rates. Subsequent to initial recognition, IoC receivables are measured at amortized cost, using the effective interest rate method. As of June 30, 2010, the carrying value of the IoC receivables is a reasonable estimation of its fair value.

Other Financial Assets and Financial Liabilities - All other financial assets and financial liabilities (Promissory demand notes, Investment Income Receivables from Agencies, Advances to Agencies, Grant Liabilities, Fee Liabilities and Administrative Budget Liabilities) are short term in nature, and the carrying value is therefore deemed a reasonable estimate of fair value.

The GEF has no assets, including assets in the Pool that are impaired.

NOTE 7: FINANCIAL RISK MANAGEMENT

The Trust Fund is exposed to market, credit, and liquidity risks.

The risk management policies adopted by the Trustee to manage these risks are summarized below:

Market risk – Market risk refers to the risk that the value of a financial instrument will fluctuate as a result of changes in market prices, currency rates, or changes in interest rates. The share in the Pool is exposed to market risk primarily related to interest rates. The Trustee manages the asset allocation of the Pool so as to minimize the probability of incurring negative returns over the applicable investment horizon. The asset allocation of the Pool is managed to optimize total returns within the specified risk tolerance.

Interest Rate Risk – The Trustee uses a value at risk (VAR) computation to estimate the potential loss in the fair value of the Pool's financial instruments with respect to unfavorable movements in interest rate and credit spreads. Effective October 2009, the Trustee uses a Monte-Carlo simulation model to determine the observed inter-relationships between interest rate and credit spreads. These inter-relationships are determined by observing interest rate and credit spreads over a 5 year period of weekly historical data for the calculation of VAR amount. Prior to October 2009, the VAR was measured using a parametric/analytical approach. The absolute VAR of the Trust Fund's share of the portfolio over a twelve month horizon, at a 95% confidence level at June 30, 2010 is estimated to be $57,505,243 (2009: $80,975,035). The computation does not purport to represent actual losses in fair value of the Trust Fund's share in the Pool. The Trustee cannot predict actual future movements in such market rates and does not claim that these VAR results are indicative of future movements in such market rates or to be representative of the actual impact that future changes in market rates may have on the Trust Fund's future results or financial position.

Currency risk – Currency risk refers to the risk that the value of a financial instrument will fluctuate because of changes in currency exchange rates when there is a mismatch between assets and liabilities denominated in any one currency. The Trustee maintains the Trust Funds Shares in Pooled Cash and Investments in U.S. dollars. The majority of the Trust Fund's currency risk arises from IoCs and promissory demand notes when they are denominated in currencies other than in U.S. dollars. Cash contributions received in other currencies are converted into U.S. dollars on receipt. Commitments for grants, fees and administrative budgets, are denominated in U.S. dollars.

The following table details the sensitivity of the Statement of Activities to a strengthening or weakening of the major currencies in which the Trust fund holds financial instruments. The percentage movement applied in each currency is based on the average movements in the previous three annual reporting periods.

The average movement in the previous annual reporting periods is based on the beginning and ending exchange rates in each annual period.

	As at June 30, 2010		As at June 30, 2009	
Currency	3 year average % Change	Amount $ Thousands	3 year average % Change	Amount $ Thousands
Australian Dollar	11.5	$ 3,742	14.3	$ 6,469
Canadian Dollar	8.3	2,876	7.6	2,717
Danish Kroner	13.0	0	11.0	1,851
Euro	13.2	7,028	11.0	15,634
Japanese Yen	12.1	23,418	11.3	31,779
Mexican Peso	9.8	-	10.4	115
Norwegian Kroner	12.4	2,714	14.3	3,387
New Zealand Dollar	7.7	272	14.2	717
Pakistan Rupees	35.9	1,470	-	-
Pounds Sterling	8.6	8,400	8.8	13,900
Swedish Kronor	11.3	7,782	14.0	13,873
Special Drawing Rights	5.6	1,550	4.9	1,435
South African Rand	5.1	-	4.7	38
Swiss Franc	8.6	5,069	8.5	7,441
		$ 64,321		$ 99,356

Credit Risk – Credit risk refers to the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Trust Fund's maximum exposure to credit risk at June 30, 2010 is equivalent to $4,026 million the gross value of the assets before deducting the discount on IoC Receivables and allowance for uncollectible receivables (2009: $4,333 million). The Trustee does not hold any collateral or credit enhancements except for the repurchase agreements and resale agreements included in Note 6.

The Trustee identifies concentrations of credit risk based mainly on the extent to which the cash and investments in the Pool are held by an individual counterparty. The concentration of credit risk with respect to the Pool of cash and investments is limited because the Trustee has policies that limit the amount of credit exposure to any individual issuer.

The Trustee invests its share in pooled cash and investments in liquid instruments such as time deposits and money market securities, government and agency obligations, and asset-backed securities. The Trustee is limited to investments with minimum credit ratings in the U.S. markets or equivalent as follows:

- Time deposits and money market securities: issued or guaranteed by financial institutions whose senior debt securities are rated at least A-.
- Government and agency obligations: issued or unconditionally guaranteed by government agencies rated at least AA- if denominated in a currency other than the home currency of the issuer, otherwise no rating is required. Obligations issued by an agency or instrumentality of a government, a multilateral organization or any other official entity require a minimum credit rating of AA-.
- Asset-backed securities and corporate securities: minimum rating must be AAA.

As of June 30, 2010, approximately 90.8% of the Trust Fund's share of the investment pool (2009: 86.8%) is held in securities rated at least AA and approximately 96.8% is held in securities rated at least AA- (2009: 93.2%). As of June 30, 2010, the Trust Fund's approximate proportionate weightings in investment types are: 9.1% in time deposits and money market securities (2009: 11.0%), 65.0% in government and agency obligations(2009: 55.0%), and 25.9% in mortgage backed securities/asset backed securities and corporate securities (which are all rated at least AAA) (2009: 34%).

In addition, the Trust Fund is subject to the credit risk by Contributing Participants. IoC receivables result from unqualified IoCs being provided to the Trustee by Contributing Participants, and promissory demand notes receivable or similar obligations result from Contributing Participants providing promissory demand notes or similar obligations to the Trustee. The Trustee assesses the uncollectibility of receivables as described in Note 12. The main Contributing Participants are the U.S., Japan, Germany and United Kingdom.

Liquidity risk – Liquidity risk refers to the risk that an entity will encounter difficulty in obtaining liquid funds to meet its commitments. All liabilities are due to the IAs and EAs upon their request. As a policy, the Trustee makes commitments for administrative budgets, trustee fees and grants only if there are sufficient underlying Trust Fund assets. The Trustee maintains a significant portion of the Pool in short-term money market deposits to meet disbursement requirements of the Trust Fund.

NOTE 8: IoC RECEIVABLES AND CONTRIBUTIONS

The Trustee records an IoC receivable upon receipt of an unqualified IoC, or when a qualified IoC becomes unqualified. The receivable is initially recorded at fair value and subsequently remeasured at amortized cost using the effective interest rate method, net of any allowance for receivables (see Note 12).

The breakdown of IoC receivables is as follows:

	June 30, 2010	June 30, 2009
Gross IoC Receivables Due Within 1 Year	**$ 14,522,001**	**$ 351,865,075**
Less Unamortized Discount	(50,927)	(7,378,447)
Less Allowance for Receivables	(7,498,673)	(7,982,436)
Net IoC Receivables	**$ 6,972,401**	**$ 336,504,192**

Contributions and IoC receivables as of and for the years ended June 30, 2010 and 2009 are presented below.

Contributing Participants	Contributions for the Year Ended June 30, 2010	Contributions for the Year Ended June 30, 2009	IoC Receivable as at June 30, 2010	IoC Receivable as at June 30, 2009
Argentina	$ -	$ -	$ 2,275,237	$ 2,500,000
Australia	-	-	-	12,155,098
Austria	-	-	-	8,607,969
Belgium	-	49,696,030	-	-
Brazil	6,013,867	-	2,930,839	-
Canada	36,031,128	31,442,070	-	-
China	-	-	-	2,377,500
Denmark	-	-	-	14,696,958
Egypt	-	-	786,736	825,746
Finland	-	-	-	10,987,694
France	-	-	-	43,060,000
Germany	-	-	-	69,365,750
Greece	-	-	-	2,023,120
India	-	-	-	2,250,000
Ireland	-	-	-	2,006,878
Japan	-	-	-	87,756,512
Luxembourg	-	-	-	1,691,229
Mexico	-	-	-	1,101,525
New Zealand	-	-	-	1,367,730
Nigeria	-	-	4,436,701	4,656,690
Norway	9,962,997	8,929,214	-	-
Pakistan	3,939,092	-	4,092,488	-
Portugal	-	-	-	2,023,120
Slovenia	-	-	-	1,691,229
South Africa	-	-	-	797,613
Switzerland	-	-	-	20,368,484
Turkey	-	-	-	1,552,230
United Kingdom	-	-	-	58,002,000
United States	86,500,000	80,000,000	-	-
Total Contributions	$ 142,447,084	$ 170,067,314	$ 14,522,001	$ 351,865,075
Less Unamortized Discount			(50,927)	(7,378,447)
Less Allowance for Receivables			(7,498,673)	(7,982,436)
Net IoC Receivable			$ 6,972,401	$ 336,504,192

NOTE 9: QUALIFIED INSTRUMENTS OF COMMITMENT

In accordance with the Instrument and the respective Replenishment Resolution, when a Contributing Participant's contribution is subject to enactment by its legislature of the necessary appropriate legislation, it shall deposit a qualified IoC with the Trustee. Qualified IoCs are considered conditional contributions and are not included as Contributions until such time as they become unqualified and are therefore not reported as assets or income of the Trust Fund. The following table shows the qualified and still outstanding IoCs as of June 30, 2010 and as of June 30, 2009.

	June 30, 2010	June 30, 2009
GEF-2		
United States	$ 134,967,364	$ 140,667,364
GEF-3		
United States	28,059,280	28,059,280
GEF-4		
Canada	-	31,442,463
Norway	-	8,929,214
United States	-	80,800,000
	-	121,171,677
Total	**$ 163,026,644**	**$ 289,898,321**

NOTE 10: TEMPORARILY RESTRICTED CONTRIBUTIONS

In accordance with the provisions of the respective Replenishment Resolution, Contributing Participants to the GEF-2, GEF-3 and GEF-4, have the right to temporarily restrict their paid in contributions from being committed in the case that a Contributing Participant whose contribution represents more than 20% of the total amount to be contributed to the relevant replenishment has not unqualified its IoC in accordance with the schedule set out in the Replenishment Resolution ("Pro-rata right"). Other Contributing Participants may exercise their Pro-rata rights up to the percentage amount corresponding to the percentage of the IoC unqualified by the Contributing Participant whose contribution exceeds 20%.

As of June 30, 2010 and 2009, the Trust Fund has $246,322,536 and $246,548,649, respectively, of contributions with restrictions imposed on Paid In Contributions as described below.

As of June 30, 2010, 31.4 % of the U.S. contribution to the GEF-2 remains qualified. The U.S. is a contributor whose contribution represented more than 20% of the total amount to be contributed. As a result, two Contributing Participants, France and Japan, have continued to exercise their Pro-rata Right to defer commitment of part of their Paid In Contributions to the GEF-2: France 25 %; and Japan 25%. The deferred commitment resulting from exercising the Pro-rata Right for the GEF-2 amounted to $177,793,342 as of June 30, 2010 ($179,129,316 as of June 30, 2009).

Similarly, as of June 30, 2010, 6.53% of the U.S. contribution to the GEF-3 remains qualified. As a result, three Contributing Participants, France, Germany, and Japan have exercised the Pro-rata Right to defer commitment of their contributions to the GEF-3 corresponding to the qualified portion of the U.S. contribution: France 6.53%; Germany 6.53%; and Japan 6.53%. The deferred commitment resulting from exercising the Pro-rata Right for the GEF-3 amounted to $68,529,194 as of June 30, 2010 ($67,419,333 as of June 30, 2009).

Accordingly, as of June 30, 2010 and 2009, the total amounts of Paid In Contributions with respect to which commitment is deferred as a result of the exercise of the Pro-rata Right and that are therefore considered temporarily restricted are summarized in the table below.

U.S. dollar equivalent

Contributing Participant	June 30, 2010	June 30, 2009
GEF-2		
Austria	$ -	$ 5,931,660
France	40,403,047	46,436,424
Japan	137,390,295	126,761,232
	177,793,342	**179,129,316**
GEF-3		
France	13,458,984	15,125,733
Germany	19,180,000	19,180,000
Japan	35,890,210	33,113,600
	68,529,194	**67,419,333**
Total temporarily restricted	**$ 246,322,536**	**$ 246,548,649**

NOTE 11: PROMISSORY DEMAND NOTES AND SIMILAR OBLIGATIONS

Promissory demand notes and similar obligations are presented on the statement of financial position net of any allowance for receivables (see Note 12). The promissory notes and similar obligations are payable to the Trustee upon demand, due to the demand feature contained in these instruments.

As at June 30, 2010 and 2009, the balance of promissory demand notes and similar obligations are as detailed in the table below.

Contributing Participants	As of June 30, 2010	As of June 30, 2009
Austria	$ 8,821,555	$ 6,827,058
Australia	32,497,978	32,954,024
Canada	34,567,548	35,765,792
Cote d'Ivoire	14,460,225	15,177,223
Denmark	-	1,648,145
France	-	11,138,135
Germany	196,775,245	210,943,013
Japan	193,982,980	193,252,942
Luxembourg	3,801,139	4,832,997
Netherlands	34,646,016	68,623,667
New Zealand	3,521,393	3,684,417
Norway	21,896,542	23,749,425
Pakistan	1,153,542	2,893,052
Portugal	3,975,168	4,750,251
Sweden	68,580,721	98,885,627
Switzerland	59,119,785	66,694,195
Turkey	3,667,672	4,128,932
United Kingdom	97,448,669	100,059,747
United States	189,255,720	183,555,720
Subtotal	968,171,898	1,069,564,362
Less Allowance for receivables	(22,802,248)	(23,578,246)
Net Promissory Demand Notes	$ 945,369,650	$ 1,045,986,116

NOTE 12: ALLOWANCE FOR RECEIVABLES

Provisions for uncollectible receivables have been made as detailed in the table below.

	Allowance for IoC Receivbles			
	For the years ended			
	June 30, 2010		**June 30, 2009**	
Opening Allowance	$	7,982,436	$	8,243,484
Gross Income Statement Provision		-		-
Recovery for Amounts Collected		(483,763)		(261,048)
(Recovery of) Provision for Doubtful Receivables		(483,763)		(261,048)
Write-offs		-		-
Closing Balance	**$**	**7,498,673**	**$**	**7,982,436**

	Allowance for Promissory Demand Notes			
	For the years ended			
	June 30, 2010		**June 30, 2009**	
Opening Allowance	$	23,578,246	$	22,011,465
Gross Income Statement Provision				1,566,781
Recovery for Amounts Collected		(775,998)		-
(Recovery of) Provision for Doubtful Promissory Demand Notes		(775,998)		1,566,781
Write-offs		-		-
Closing Balance	**$**	**22,802,248**	**$**	**23,578,246**

NOTE 13: GRANTS AND FEES

For the fiscal years ended June 30, 2010 and 2009, grants and fees expenses are as follows:

	For the year ended June 30, 2010	For the year ended June 30, 2009
Grants		
IBRD/IA	$ 248,714,030	$ 217,886,646
UNDP	327,310,776	159,125,603
UNEP	73,632,651	76,015,408
UNIDO	27,000,000	31,007,832
EBRD	8,650,000	-
ADB	19,662,546	3,997,744
GEFSec	-	1,000,000
IFAD	6,039,815	35,401,984
IADB	29,107,680	9,319,920
FAO	2,554,091	16,266,920
AfDB	4,480,000	-
Sub-total	**747,151,589**	**550,022,057**
Fees		
IBRD/IA	13,252,379	9,066,243
UNDP	26,633,898	13,233,481
UNEP	6,737,655	3,971,732
UNIDO	2,744,000	2,814,281
EBRD	865,000	11,250
ADB	2,014,754	655,546
GEFSec	-	-
IFAD	196,182	2,474,518
IADB	1,976,767	4,500
FAO	255,409	2,072,576
AfDB	18,000	-
Sub-total	**54,694,044**	**34,304,127**
Total	**$ 801,845,633**	**$ 584,326,184**

NOTE 14: INVESTMENT INCOME EARNED ON GEF FUNDS

In accordance with financial procedure agreements between the Trustee and the respective IAs and EAs, investment income earned on GEF funds (other than fees) prior to disbursement by the IAs and EAs shall be returned to the Trustee upon the Trustee's request. For the years ended June 30, 2010 and 2009, the EAs/IAs had earned a total of $2,904,289 and $10,343,348 respectively. As of June 30, 2010 and 2009, a total of $2,973,473 and $8,374,771 respectively, was receivable from the EAs and IAs. Investment income receivable from the EAs and IAs are payable to the Trustee upon its demand.

NOTE 15: ADMINISTRATIVE RELATIONSHIPS

IBRD serves as the Trustee of the Trust Fund. IBRD also acts as an IA for the GEF. The Trust Fund transfers funds (resulting in a decrease in the corresponding liability), based on decisions by the Council or the CEO as applicable, to separate accounts established 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:

	As of and for the year ended June 30, 2010				Liability at June 30, 2010	
Transfers to:	Grants	Fees	Administrative Budget	Total	Grants	Fees
IBRD as IA	$ 121,000,000	14,894,731	N/A	$ 135,894,731	$ 1,233,903,362	$ 6,851,164
IBRD as Trustee	N/A	N/A	2,977,000	2,977,000	N/A	N/A
	$ 121,000,000	14,894,731	2,977,000	$ 138,871,731	$ 1,233,903,362	$ 6,851,164

	As of and for the year ended June 30, 2009				Liability at June 30, 2009	
Transfers to:	Grants	Fees	Administrative Budget	Total	Grants	Fees
IBRD as IA	$ 244,200,000	8,867,399	N/A	$ 253,067,399	$ 1,106,189,332	$ 8,493,516
IBRD as Trustee	N/A	N/A	2,884,000	2,884,000	N/A	N/A
	$ 244,200,000	8,867,399	2,884,000	$ 255,951,399	$ 1,106,189,332	$ 8,493,516

In accordance with the Instrument and decisions of the Council, IBRD also provides administrative support to the Secretariat and the Evaluation Office. The Trust Fund provides funds to the Secretariat and the Evaluation Office as approved by the Council in order to cover administrative expenses incurred by the Secretariat and Evaluation Office in the performance of their corporate management activities.

	Administrative Budget transferred	Administrative Budget Liabilities
As of and for the year ended June 30, 2010	$ 23,524,500	$ -
As of and for the year ended June 30, 2009	$ 18,905,955	$ 842,898

NOTE 16: APPROVAL OF FINANCIAL STATEMENTS

The financial statements were authorized for issue on January 20, 2012 by IBRD's management, in its capacity as Trustee.