

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

**WORLD BANK REFERENCE**  
**TF050551**

**FINANCIAL STATEMENT AND  
INDEPENDENT AUDITORS' REPORT**  
**June 30, 2010**

**THE WORLD BANK GROUP**  
Trust Funds Division  
Controller's Vice Presidency  
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Washington, DC 20433, USA  
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KPMG LLP  
2001 M Street, NW  
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## Independent Auditors' Report

International Bank for Reconstruction and Development  
as an Implementing Agency of the Global Environment Facility Trust Fund

We have audited the accompanying statement of receipts, disbursements and fund balance of the International Bank for Reconstruction and Development as an Implementing Agency of the Global Environment Facility Trust Fund for the fiscal year ended June 30, 2010. This financial statement is the responsibility of the Implementing Agency'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. 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 the Implementing Agency'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 the Implementing Agency's 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, this financial statement was prepared on the modified cash basis of accounting, which is a comprehensive basis of accounting other than generally accepted accounting principles.

In our opinion, the financial statement referred to above presents fairly, in all material respects, the receipts, disbursements and fund balance of the International Bank for Reconstruction and Development as an Implementing Agency of the Global Environment Facility Trust Fund for the fiscal year ended June 30, 2010 on the basis of accounting described in Note 2.

The accompanying statement of receipts, disbursements and fund balance 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, 2010 was not audited by us and, accordingly, we do not express an opinion on it.

**KPMG LLP**

December 15, 2010

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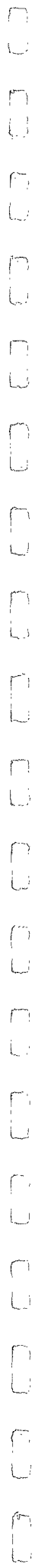
INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT AS AN  
IMPLEMENTING AGENCY OF THE GLOBAL ENVIRONMENT FACILITY TRUST FUND

**STATEMENT OF RECEIPTS, DISBURSEMENTS AND FUND BALANCE**

*Expressed in U.S. dollars*

	For the fiscal year ended June 30, 2010	March 14, 1991 (date of inception) to June 30, 2010 (Unaudited, see Note 13)
Transfers in from GEF Trust Fund for:		
Projects (Note 10)	\$ 121,000,000	\$ 2,408,052,918
Project implementation fees (Note 6)	14,894,731	299,277,265
Corporate budget (Note 7)	-	134,954,441
Project grant for EBRD (Note 8)	-	9,907,650
Project implementation fee for EBRD (Note 8)	-	942,000
Net investment income (Note 3)	344,639	22,008,591
Return of funds from special deposit account (Note 9)	54,175	4,842,498
Repayment of disbursements		
with repayment provisions (Note 10)	-	4,804,066
Reimbursement of ineligible expenditures (Note 11)	75,929	2,577,517
Other receipts (Note 12)	-	1,318,619
<b>Total receipts</b>	<b>136,369,474</b>	<b>2,888,685,565</b>
Project disbursements (Note 5 and 10)	198,337,152	2,366,320,802
Project implementation fees (Note 6)	23,981,330	298,825,810
Corporate budget disbursements (Note 7)	-	134,057,210
Project grant transfer to EBRD (Note 8)	-	9,907,650
Project implementation fee transfer to EBRD (Note 8)	-	942,000
Returned to GEF Trust Fund:		
Unutilized corporate budget	-	897,231
Implementation fee on cancelled project	-	173,520
Other receipts (Note 12)	-	1,177,365
Repayment of disbursements		
with repayment provisions (Note 10)	-	4,804,066
Reimbursement of ineligible expenditures (Note 11)	-	2,420,000
<b>Total disbursements</b>	<b>222,318,482</b>	<b>2,819,525,654</b>
Excess of (disbursements over receipts)/receipts over disbursements	(85,949,008)	69,159,911
<b>Fund balance:</b>		
Beginning of period	155,108,919	-
End of period	\$ 69,159,911	\$ 69,159,911
Fund balance consists of:		
Trust Fund's share of the cash and investments in the Pool (Note 4)	\$ 69,159,911	\$ 69,159,911

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



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

**NOTES TO FINANCIAL STATEMENT**

June 30, 2010

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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 GEF 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 on March 14, 1991 (date of inception) as a pilot program) was terminated and all funds, receipts, assets and liabilities held in the GET were transferred to the GEF Trust Fund at book value. The GEF Trust Fund is administered by the International Bank for Reconstruction and Development (IBRD) as Trustee. A separate financial statement reports the financial position, operations and cash flows of the GEF Trust Fund.

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## NOTES TO FINANCIAL STATEMENT

June 30, 2010

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### Note 1 - Organization and operation of the GEF (continued)

In addition to being the Trustee of the GEF Trust Fund, 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 GEF Trust Fund. The accompanying financial statement reports only the receipts and disbursements of the Trust Fund for 'IBRD as an Implementing Agency (IA) of the GEF' (the Trust Fund). The Trust Fund has the same date of inception of March 14, 1991 as the GET (this date is hereinafter referred to as 'Inception')

The Trust Fund's activities are partly executed by IBRD and partly by recipient governments or agencies (the Agencies) that are external to IBRD and who are responsible for the execution of funds disbursed by IBRD as grants and loans. IBRD and the Agencies, as part of their executing activities, prepare terms of reference, procure goods and services from suppliers, make payments and submit progress reports and audited financial reports for the activities executed by them respectively. IBRD is a member of the World Bank Group, which also includes the International Development Association, the International Finance Corporation (IFC), the Multilateral Investment Guarantee Agency, and the International Centre for Settlement of Investment Disputes.

### Note 2 - Significant accounting policies

The accompanying financial statement has been prepared on the cash receipts and disbursements basis of accounting, modified to record the share in pooled cash and investments at fair value (modified cash basis of accounting). Accordingly, net investment income includes realized and unrealized investment income (loss). Net investment income is credited to the Trust Fund with the exception of net investment income earned on funds transferred in from the GEF Trust Fund for projects and corporate budget (see Note 3) which is credited to the GEF Trust Fund.



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## NOTES TO FINANCIAL STATEMENT

June 30, 2010

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### Note 2 - Significant accounting policies (continued)

The modified cash basis of accounting is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America (U.S. GAAP) or International Financial Reporting Standards (IFRS). Receipts, with the exception of net investment income as described above, are recorded when collected (i.e., when credited to the trust fund) rather than when pledged/earned, and disbursements are recorded when paid (i.e., when debited to the trust fund).

In accordance with the modified cash basis of accounting, as described above, and with the policies adopted for the administration of this Trust Fund, certain transactions are reported in the Statement of Receipts, Disbursements and Fund Balance in the period in which the transaction is credited/debited to the Trust Fund, rather than in the period to which they relate. These may include transfers from GEF Trust Fund not credited to the Trust Fund at the financial statement date due to timing or other reasons, repostings of disbursements in the ordinary course of business as deemed necessary, and any refunds of previous disbursements deemed by management not to be eligible in accordance with the relevant agreements.

This financial statement is not intended to be a presentation in conformity with U.S.GAAP or IFRS; however, certain information pertaining to the fair value of financial instruments held in the pooled cash and investments is presented in accordance with the applicable U.S. GAAP pronouncements as described below.

U.S. GAAP defines fair value, establishes a consistent measurement framework and establishes a fair value hierarchy, which is based on the quality of inputs used to measure fair value and requires fair value measurement disclosures. It also requires that the valuation techniques used to measure fair value maximize the use of observable inputs and minimize the use of unobservable inputs. Notes 3 and 4 provide further details on the fair value measurement of the pooled cash and investments.



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## NOTES TO FINANCIAL STATEMENT

June 30, 2010

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### Note 2 - Significant accounting policies (continued)

Amounts paid into the Trust Fund, but not yet disbursed, are managed by IBRD which maintains an investment portfolio (the Pool) for all trust funds administered by the entities of 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, in accordance with the Trust Fund agreement. Generally, the Pool is invested in cash and liquid financial instruments such as money market instruments, government and agency obligations, mortgage-backed securities and other high-grade bonds. The Pool may 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, currency swaps and interest rate swaps.

The Pool is a trading portfolio and is reported at fair value, for which gains/losses are included in net investment income. The share in the pooled cash and investments represents the Trust Fund's allocated share of the Pool's fair value at the end of the reporting period.

Transactions in currencies other than the Trust Fund's reporting currency of U.S. dollars are initially recorded at the market rates of exchange in effect on the date of the transaction. Fund balances at the end of each reporting period that are not denominated in U.S. dollars are translated using the rate in effect for that date. The use of different exchange rates on the date of transaction and at each reporting period may result in a translation adjustment.

Expenditures made from IBRD's own resources on behalf of the Trust Fund are reimbursed to IBRD on a regular basis. To the extent that disbursements were made in currencies other than U.S. dollars, IBRD may be reimbursed a different amount due to the difference in exchange rates on different dates. Transaction gains or losses on disbursements, if any, are borne by IBRD.

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## NOTES TO FINANCIAL STATEMENT

June 30, 2010

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### Note 3 - Net investment income

Net investment income consists of the Trust Fund's allocated share of the following: interest income earned by the Pool, realized gains/losses from sale of securities and unrealized gains/losses resulting from recording the assets held by the Pool at fair value. Net investment income earned on funds received from the GEF Trust Fund is credited to the Trust Fund with the exception of net investment income earned on funds received from GEF Trust Fund for projects and corporate budget which is credited to the GEF Trust Fund. Net investment income in the amount of US\$344,639 and US\$22,008,591 (unaudited, see Note 13) was credited to the Trust Fund during the fiscal year ended June 30, 2010 and for the period from Inception to June 30, 2010, respectively, based on its allocated and applicable share of the cash and investments in the Pool.

### Note 4 - Fair value of financial instruments

As discussed in Notes 2 and 3, the cash and investments of all trust funds administered by the World Bank Group are managed in a pooled investment portfolio. The Trust Fund's share in the Pool is not traded in any market, however, the underlying assets within the Pool are traded and are reported at fair value. All investment decisions are made and performance monitored at the Pool level. The disclosure on fair value measurement and fair value hierarchy is therefore at the Pool level. The fair value amount of the Trust Fund's share in the pooled cash and investments at the end of the reporting period is also disclosed.

### *Fair Value Measurements*

IBRD has an established and documented process for determining fair values. Fair value is based upon quoted market prices for the same or similar securities, where available. Financial instruments for which quoted market prices are not readily available are valued based on discounted cash flow models. These models primarily use market-based or independently-sourced market parameters such as yield curves, interest rates, volatilities, foreign exchange rates and credit curves, and may incorporate unobservable inputs. Selection of these inputs may involve judgement. To ensure the valuations are appropriate where internally-developed models are used, IBRD has various controls in place, which include both internal and periodic external verification and review.





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## NOTES TO FINANCIAL STATEMENT

June 30, 2010

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### Note 4 - Fair value of financial instruments

The techniques applied in determining the fair values of financial instruments are summarized below.

#### *Investment securities*

Where available, quoted market prices are used to determine the fair value of investment securities. The Pool may include investment securities such as government and agency obligations, money market securities, and corporate and asset-backed securities.

For instruments 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. Unless quoted prices are available, money market instruments are reported at face value, which approximates fair value.

#### *Securities purchased under resale agreements and securities sold under repurchase agreements*

Securities purchased under resale agreements and securities sold under repurchase agreements are reported at face value which approximates fair value.

#### *Discount notes and plain vanilla bonds*

Discount notes and plain vanilla bonds are valued using the standard discounted cash flow method, which relies on market observable inputs such as yield curves, foreign exchange rates, basis spreads and funding spreads.

#### *Derivative contracts*

Derivative contracts include currency forward contracts, currency swaps and interest rate swaps. Derivatives are valued using the standard discounted cash flow methods with market observable inputs such as yield curves, foreign exchange rates, basis spreads and funding spreads.

#### *Fair Value Hierarchy*

Financial instruments representing the pooled investments for all trust funds administered by the World Bank Group are recorded at fair value and are categorized based on the inputs to the valuation techniques as follows:



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## NOTES TO FINANCIAL STATEMENT

June 30, 2010

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### Note 4 - Fair value of financial instruments (continued)

Level 1: Financial instruments whose values are based on unadjusted quoted prices for identical instruments in active markets.

Level 2: Financial instruments whose values are based on quoted prices for similar instruments in active markets; quoted prices for identical or similar instruments in markets that are not active; or pricing models for which all significant inputs are observable, either directly or indirectly for substantially the full term of the instrument.

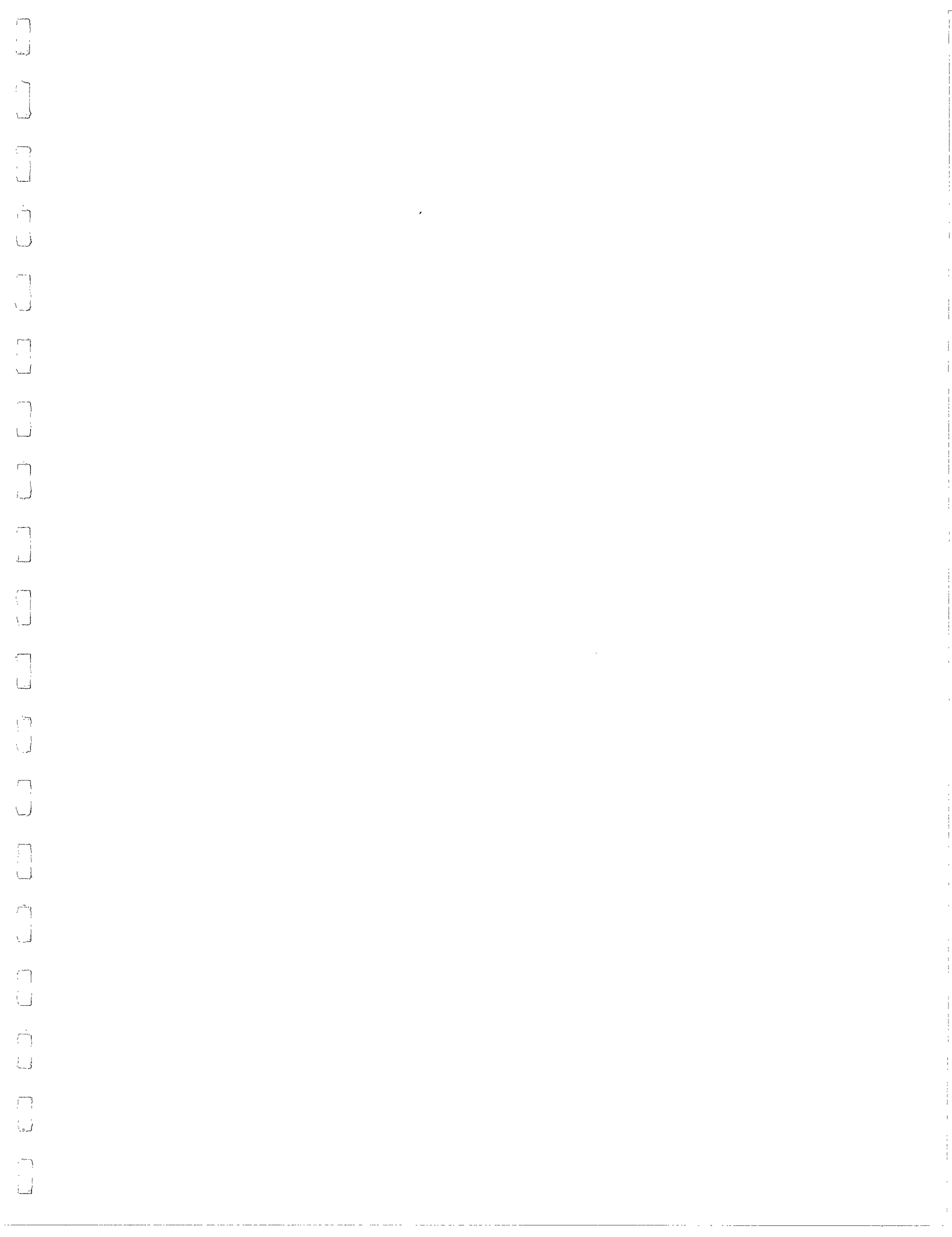
Level 3: Financial instruments whose values are based on prices or valuation techniques that require inputs that are both unobservable and significant to the overall fair value measurement.

As of June 30, 2010 and June 30, 2009, the Pool does not have any financial instruments measured at fair value on a non-recurring basis. The following tables present the Pool's fair value hierarchy for financial instruments measured at fair value on a recurring basis as of June 30, 2010 and June 30, 2009. The Trust Fund's allocated share of the Pool's financial instruments may hold varying proportions among the three levels.

*In millions of U.S. dollars*

	<i>Fair Value Measurement on a Recurring Basis</i>			
	<i>as of June 30, 2010</i>			
	<i>Level 1</i>	<i>Level 2</i>	<i>Level 3</i>	<i>Total</i>
Investment securities				
Government and agency obligations	\$ 4,766	\$ 7,233	-	\$ 11,999
Money market securities	801	6,426	-	7,227
Asset-backed securities	-	3,764	2	3,766
Total Investment securities	\$ 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)
<b>Total of financial instruments in the Pool at fair value</b>	<b>\$ 5,264</b>	<b>\$ 17,351</b>	<b>\$ 2</b>	<b>\$ 22,617</b>

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## NOTES TO FINANCIAL STATEMENT

June 30, 2010

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### Note 4 - Fair value of financial instruments (continued)

*In millions of U.S. dollars*

	<i>Fair Value Measurement on a Recurring Basis</i>			
	<i>as of June 30, 2009</i>			
	<i>Level 1</i>	<i>Level 2</i>	<i>Level 3</i>	<i>Total</i>
<b>Investment securities</b>				
Government and agency obligations	\$ 5,457	\$ 4,981	\$ 49	\$ 10,487
Money market securities	558	5,787	-	6,345
Asset-backed securities	-	4,114	96	4,210
<b>Total Investment securities</b>	<b>\$ 6,015</b>	<b>\$ 14,882</b>	<b>\$ 145</b>	<b>\$ 21,042</b>
Securities purchased under resale agreements and securities sold under repurchase agreements, net	(477)	(206)	-	(683)
Derivatives, net	-	(5)	-	(5)
<b>Total of financial instruments in the Pool at fair value</b>	<b>\$ 5,538</b>	<b>\$ 14,671</b>	<b>\$ 145</b>	<b>\$ 20,354</b>

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In the Pool, the carrying value of securities pledged as collateral under repurchase agreements as of June 30, 2010 and June 30, 2009 were US\$316 million and US\$685 million, respectively. During the fiscal years ended June 30, 2010 and June 30, 2009, neither transfers between levels nor securities in Level 3 were significant. Therefore, no further disclosures on them are included.

#### *Financial risks related to the Pool*

The Trustee invests the Pool's assets generally in liquid instruments such as money market securities, government and agency obligations, mortgage-backed securities and derivative contracts. The Trust Fund is exposed to credit risk on its share of the cash and investment in the Pool. Trustee is limited to investing in securities with minimum credit ratings in the U.S markets or equivalent, as follows:

- Money market securities - issued or guaranteed by financial institutions whose senior debt securities are rated at least A-.

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## NOTES TO FINANCIAL STATEMENT

June 30, 2010

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### Note 4 - Fair value of financial instruments (continued)

- 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-.
- Mortgage-backed securities and asset-backed securities - minimum rating must be AAA.
- Derivatives - counterparties must have a minimum rating of A+.

### *Trust Fund's share of the cash and investments in the Pool*

The Trust Fund's share of the cash and investments in the Pool, which was allocated based on the specific investment horizons, risk tolerances and other eligibility requirements pursuant to the Agreements, has a fair value of US\$69,159,911 as of June 30, 2010 (US\$155,108,919 as of June 30, 2009).

As of June 30, 2010, the Trust Fund's share in the Pool is invested in a sub-portfolio, of which approximately 64% of the securities are rated at least AA and 100% of the securities are rated at least A+. As of June 30, 2010, this Pool sub-portfolio is invested in the following types of instruments: 40% in money market securities, and 60% in government and agency obligations.

### Note 5 - Project disbursements

The Trust Fund provides funds for projects that achieve global environmental benefits in the focal areas. Grants up to a maximum of US\$1million are provided for Medium Sized Projects and over US\$1million for Full Sized Projects as defined pursuant to the Trust Fund agreements. In addition, Project Preparation Grants are provided to prepare and complete technical design and feasibility work. The Trust Fund also provides funds for (i) Development Marketplace projects that provide local innovative solutions to development problems; (ii) Earth Fund executed by IFC which leverages private sector funds to generate global environmental benefits in a sustainable and cost-effective manner; and (iii) other enabling activities which finance the preparation of a plan, strategy or program to fulfill commitments under a global environmental convention. The Trust Fund had disbursed an amount of US\$198,337,152 during the fiscal year ended June 30, 2010, the details of which are provided below.





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## NOTES TO FINANCIAL STATEMENT

June 30, 2010

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### Note 5 - Project disbursements (continued)

A disaggregation of amounts disbursed for the period from Inception to June 30, 2010, is not practicably determinable and therefore not presented.

<b>Particulars</b>	<b>For the fiscal year ended June 30, 2010</b>
Full Sized Projects	\$ 185,103,025
Medium Sized Projects	3,455,849
Project Development Fund - Block B	34,751
Project Development Fund - Block C	79,781
Project Preparation Grant	1,643,094
Development Marketplace	1,781,460
IFC Earth Fund	6,204,109
Other Projects *	35,083
<b>Total</b>	<b>\$ <u><u>198,337,152</u></u></b>

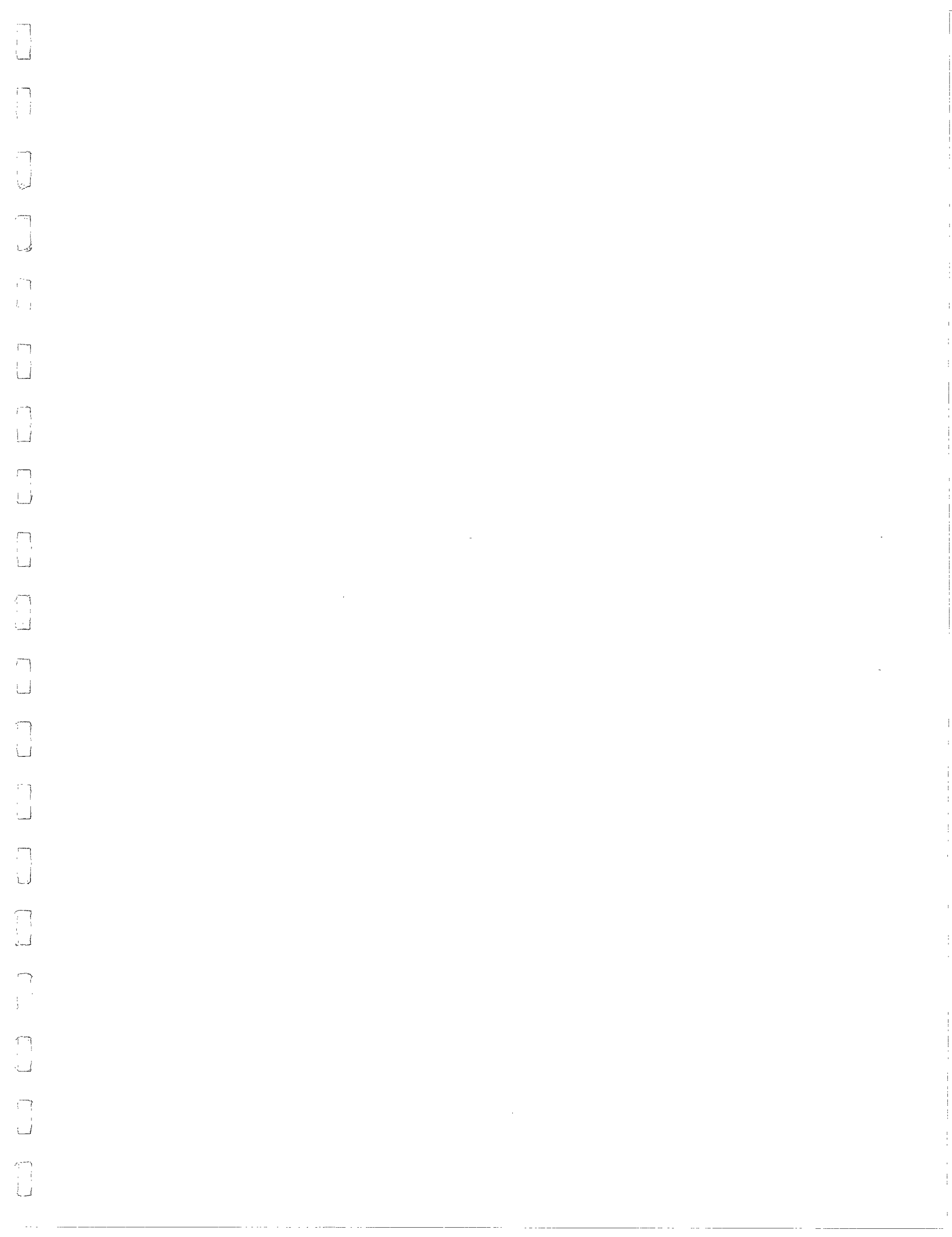
\* Relates to country dialogue workshop project which is a joint project by UNDP, UNEP and IBRD in cooperation with the Secretariat.

### Note 6 - Project implementation fees

On an ongoing basis, the GEF Trust Fund, based upon appropriate approval for allocations, provides funds through fees, to reimburse certain project implementation expenses associated with the identification, preparation, appraisal, negotiation, supervision and evaluation of GEF projects, including the GEF IFC Earth Fund.

Effective July 2007, the GEF Council decided to eliminate the corporate budget of IAs (see Note 7 below). Instead, the GEF Trust Fund provides additional fees to the Trust Fund in order to reimburse corporate administrative expenses <sup>1</sup>. Using these funds, the Trust Fund reimburses IBRD for certain administrative, accounting, financial reporting, and treasury services performed by IBRD.

<sup>1</sup> Corporate administrative services include policy support, portfolio management, reporting, outreach and knowledge sharing, and support to the GEF Evaluation Office



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## NOTES TO FINANCIAL STATEMENT

June 30, 2010

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### Note 6 - Project implementation fees (continued)

Disbursements for Project implementation fees include amounts for direct staff costs, related benefits and overheads totaling US\$23,491,839 for the fiscal year ended June 30, 2010 and US\$276,037,490 (unaudited, see Note 13) for the period from July 1, 2001 to June 30, 2010, which were paid to IBRD for its estimated costs incurred for activities consistent with the purpose of the Trust Fund in accordance with the administration agreements. A disaggregation of amounts of this nature that were reimbursed to IBRD prior to July 1, 2001 is not practicably determinable and therefore not presented.

### Note 7 - Corporate budget

Until June 30, 2007, in accordance with the Instrument, and as approved annually by the Council, the GEF Trust Fund provided corporate budget funds in order to reimburse administrative expenses incurred in the performance of corporate functions as IA. Corporate budget disbursements of US\$134,057,210 (unaudited, see Note 13) for the period from Inception to June 30, 2010 include amounts for direct staff costs, related benefits and overheads totaling to US\$18,736,739 (unaudited, see Note 13) for the period from July 1, 2001 to June 30, 2007, which were paid to IBRD for its estimated costs incurred for activities consistent with the purpose of the Trust Fund in accordance with the administration agreements. A disaggregation of amounts of this nature that were reimbursed to IBRD prior to July 1, 2001 is not practicably determinable and therefore not presented.

### Note 8 - Project grant and project implementation fee to EBRD

The Instrument calls upon the Implementing Agencies of the GEF to make arrangements for GEF project preparation and execution, by recipient governments, and at times through other agencies such as 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 the Implementing Agencies of the GEF, of which IBRD is one.

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## NOTES TO FINANCIAL STATEMENT

June 30, 2010

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### Note 8 - Project grant and project implementation fee to EBRD (continued)

Pursuant to an agreement between IBRD as IA and EBRD, a grant of US\$9,907,650 (unaudited, see Note 13) to support the implementation of an EBRD/GEF Environmental Credit Facility in the Republic of Slovenia together with US\$942,000 (unaudited, see Note 13) for certain costs of preparation, supervision, and report preparation of this GEF grant activity was made available to EBRD by the Trust Fund. For the period from Inception to June 30, 2010, the Trust Fund received these funds from the GEF Trust Fund, for the purposes of transferring them to EBRD.

### Note 9 - Return of funds from special deposit account

In order to ensure an adequate flow of funds to finance eligible expenditures, the Trust Fund may disburse funds before expenditures are made by GEF grant recipients. In such cases, the grant recipient maintains the 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 the Trust Fund. In cases where refunds (reflows) are received after the project has been closed, these amounts are recorded as receipts by the Trust Fund. The Trust Fund has recorded US\$54,175 and US\$4,842,498 (unaudited, see Note 13) for the fiscal year ended June 30, 2010, and for the period from Inception to June 30, 2010, respectively, as project reflows.

### Note 10 - Repayment of disbursements with repayment provisions

While GEF financing is 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 are to be approved on a project by project basis by the Council. IBRD as IA, and IFC acting as executing agency of IBRD as IA, implement and execute programs of such operations with repayment provisions.

The Trust Fund has advanced funds to IFC for such operations. However, the repayment provisions under these operations are contingent on a number of factors. Accordingly, in recognition of the uncertain nature of the repayments and in accordance with the modified cash basis of accounting, the Trust Fund reported amounts advanced for such operations as Project disbursements.

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## NOTES TO FINANCIAL STATEMENT

June 30, 2010

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### Note 10 - Repayment of disbursements with repayment provisions (continued)

The amount of US\$2,408,052,918 (unaudited, see Note 13) transferred in from the GEF Trust Fund towards projects for the period from Inception to June 30, 2010, includes funds transferred towards such operations totalling US\$62,050,000 (unaudited, see Note 13) with respect to active grants as of June 30, 2010. Included in Project disbursements are grants disbursed with repayment provisions, by IFC, acting as executing agency of IBRD as IA, totalling US\$46,094,585 (unaudited, see Note 13) for the period from Inception to June 30, 2010.

### Note 11 - Reimbursement of ineligible expenditures

IBRD performs various compliance reviews of the Trust Fund activities as part of its regular control framework. These reviews include GEF-financed activities for which IBRD acts as IA. As a result of these and other reviews, ineligible expenditures disbursed by the Trust Fund have been identified as detailed below:

Ineligible expenses identified during fiscal years	Amounts <sup>1</sup>	Reimbursed during fiscal years					Balance <sup>1</sup>
		2005 <sup>1</sup>	2006 <sup>1</sup>	2008 <sup>1</sup>	2009	2010	
2005	\$ 2,420,000	2,420,000					
2006	7,720		7,720				
2008	27,252			27,252			
2009	49,799				46,616	3,183	-
2010	95,041				-	72,746	22,295 <sup>2</sup>
<b>Total</b>	<b>\$ 2,599,812</b>	<b>2,420,000</b>	<b>7,720</b>	<b>27,252</b>	<b>46,616</b>	<b>75,929</b>	<b>22,295</b>

<sup>1</sup> Unaudited, see Note 13

<sup>2</sup> The remaining balance of US\$22,295 to be reimbursed to the Trust Fund relates to Richtersveld Community Biodiversity Conservation Project.

### Note 12 - Other receipts

Other receipts primarily represent interest income on unutilized fund balance held by the Agencies and returned to the Trust Fund.





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## NOTES TO FINANCIAL STATEMENT

June 30, 2010

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### Note 13 - Inception to date amounts

For fiscal years beginning on or after July 1, 2008, the annual Statements of Receipts, Disbursements and Fund Balance are audited by KPMG LLP, who have expressed unqualified audit opinions on each annual financial statements thereon. In addition, the Statement of Receipts, Disbursements and Fund Balance from Inception to June 30, 2008 was audited by other auditors, who expressed an unqualified audit opinion thereon, dated May 22, 2009. As a result, activity for the period from Inception to June 30, 2010 has been subject to audit, by different audit firms for the periods indicated above. However, because the prior amounts were not audited by KPMG LLP, the cumulative amounts have been labelled "unaudited".

### Note 14 - Subsequent events

Management has evaluated subsequent events through December 15, 2010, the date the financial statement was available to be issued.

