June 30, 2012 and 2011

Global Environment Facility Trust Fund (GEF)

Administered by the International Bank for Reconstruction and Development as Trustee

World Bank Reference: TF029840

Financial Statements and Independent Auditor's Report

The World Bank Group
Trust Funds Division, Client Services Department
Controller's Vice Presidency
www.worldbank.org

KPMG LLP
Suite 12000
1801 K Street, NW
Washington, DC 20006

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 ("Trust Fund"), as administered by the International Bank for Reconstruction and Development as Trustee, as of June 30, 2012 and 2011, 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 Trust Fund'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 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 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 Environmental Facility Trust Fund as of June 30, 2012 and 2011, and the results of its operations and its cash flows for the years then ended in conformity with International Financial Reporting Standards as issued by the International Accounting Standards Board.

KPMG LLP

December 5, 2012

STATEMENTS OF FINANCIAL POSITION

Expressed in U.S. dollars unless otherwise noted

	Note	As Of June 30, 2012	June 30, 2011
Assets			
Share of the Cash and Investments in the Pool	6, 7	$ 3,674,326,357	$ 3,262,940,418
Promissory Demand Notes, Net	6, 7, 11, 12	1,002,873,777	1,207,963,776
Investment Income Receivable from Agencies	14	3,709,232	4,354,448
Advances to Agencies		2,523,746	4,148,749
IoC Receivables, Net	6, 7, 8, 10, 12	1,015,807,751	1,634,824,205
Total Assets		**5,699,240,863**	**6,114,231,596**
Liabilities			
Grant Liabilities	15		
IBRD/IA		966,959,856	1,139,029,124
UNDP		848,959,106	747,138,254
UNEP		226,732,577	221,674,067
EAs		308,531,591	292,596,345
Total Grant Liabilities		2,351,183,130	2,400,437,790
Fee Liabilities	15		
IBRD/IA		1,205,645	8,037,305
UNDP		1,462,725	2,514,861
UNEP		530,272	178,836
EAs		6,363,744	15,029,214
Total Fee Liabilities		9,562,386	25,760,216
Administrative Budget Liabilities to the Secretariat	15	766,704	870,204
Total Liabilities		**2,361,512,220**	**2,427,068,210**
Net Trust Resources (Partially Restricted)	10	**3,337,728,643**	**3,687,163,386**
Total Liabilities and Net Trust Resources (Partially Restricted)		**$ 5,699,240,863**	**$ 6,114,231,596**

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

STATEMENTS OF ACTIVITIES

Expressed in U.S. dollars unless otherwise noted

	Note	For the Years Ended June 30, 2012	June 30, 2011
Income			
Contributions	8, 9, 10	$ 259,300,782	$ 2,551,996,623
Amortization of Discount on IoC Receivables	8	14,446,545	10,589,914
Investment Income from Share of Cash and Investments in the Pool		63,000,863	55,382,666
Investment Income Earned on GEF Grant Funds	14	3,255,129	3,974,396
Total Income		**340,003,319**	**2,621,943,599**
Expenses			
Grant Expenses	13, 15	452,911,989	739,290,440
Fee Expenses	13, 15	43,549,896	65,232,235
Administrative Budget	15		
UNEP (STAP)		2,237,722	2,156,939
Secretariat and Evaluation Office		20,994,650	42,523,430
IBRD/Trustee		3,177,000	2,864,202
Total Administrative Budget		26,409,372	47,544,571
Recovery of doubtful IoC Receivables and Promissory Demand Notes	12	(1,161,400)	(2,469,772)
Total Expenses		**521,709,857**	**849,597,474**
Foreign Exchange Gains (Losses)		(167,728,205)	183,698,410
Net (Decrease)/ Increase in Net Trust Resources		**$ (349,434,743)**	**$ 1,956,044,535**

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

STATEMENTS OF CASH FLOWS

All amounts expressed in U.S. dollars unless otherwise noted

	For the Years Ended	
	June 30, 2012	**June 30, 2011**
Cash Flows from Operating Activities:		
Net (Decrease)/ Increase in Net Trust Resources	$ (349,434,743)	$ 1,956,044,535
Adjustments to reconcile net (decrease)/increase in net trust resources to net cash provided by operating activities:		
Foreign Exchange Losses / (Gains)	167,728,205	(183,698,410)
Amortization of Discount on IoC Receivables	(14,446,545)	(10,589,914)
(Recovery of)/ Provision for Doubtful IoC Receivables and Promissory Demand Notes	(921,306)	3,109,043
Changes in Assets and Liabilities		
Increase in Share of Cash and Investments in the Pool	(411,385,939)	(224,000,958)
Decrease/ (Increase) in IoC Receivables	530,303,590	(1,535,373,270)
Decrease/(Increase) in Promissory Demand Notes	141,442,508	(163,893,379)
(Decrease)/Increase in Grant and Fee Liabilities	(65,452,490)	160,645,904
(Decrease)/Increase in Administrative Budget Liabilities	(103,500)	870,204
Decrease/(Increase) in Investment Income Receivable from Agencies	645,216	(1,380,975)
Decrease/(Increase) in Advances to Agencies	1,625,003	(1,732,780)
Net Cash Flows Provided by (Used in) Operating Activities	**$ 349,434,743**	**$ (1,956,044,535)**
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.

STATEMENTS OF CHANGES IN NET TRUST RESOURCES

All amounts expressed in U.S. dollars unless otherwise noted

	For the Years Ended	
	June 30, 2012	**June 30, 2011**
Net Trust Resources (Partially Restricted), Beginning of Year	$ 3,687,163,386	$ 1,731,118,851
Net (Decrease) Increase in Net Trust Resources	(349,434,743)	1,956,044,535
Net Trust Resources (Partially Restricted), End of Year	**$ 3,337,728,643**	**$ 3,687,163,386**

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

Note 1: Organization and Operations

In 1994, the Global Environment Facility (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 periodically 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 GEF, as an independent 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 if 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, 2012, there have been five 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

GEF-5: July 1, 2010 – June 30, 2014

On July 19, 2010, the World Bank Executive Directors adopted IBRD Resolution No. 2010-0004 entitled "Global Environment Facility Trust Fund Fifth Replenishment of Resources (the “GEF-5 Resolution”) thereby authorizing the IBRD, as Trustee of the Trust Fund, to manage the resources made available under the fifth replenishment of resources to the Trust Fund (the “GEF-5”). Pursuant to terms of the GEF-5 Replenishment Resolution, the Advance Contribution Scheme under the GEF-5 Replenishment became effective on November 2, 2010, when the Trustee received Instruments of Commitment (IoCs) or Qualified Instruments of Commitment from Contributing Participants whose contributions aggregate not less than 20% of total contributions under the GEF-5 Replenishment.

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 ensures 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 these banks to GEF resources for the Project Development and Preparation Facility. Since then, the scope of direct access to GEF resources has 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 (IDB)
- International Fund for Agriculture and Development (IFAD)
- United Nations Industrial Development Organization (UNIDO)

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 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, 2012 and 2011. 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. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised and in any future periods affected. Actual results could differ from those estimates. Areas in which management makes estimates and assumptions in determining the amounts to be recorded include initial 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, monetary 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 period. 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. The IoCs can be qualified or unqualified. Qualified IoCs means there are conditions present which limit its availability making it a conditional contribution and therefore not recognizable as income until they become unqualified. Upon receipt of unqualified IoCs, or when qualified IoCs become unqualified, contributions are recognized as income and IoC receivables at fair value. Subsequently, the IoC receivables are measured at amortized cost, using the effective interest rate method.

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 – Promissory demand notes received in settlement of IoC receivables are non-negotiable, non-interest-bearing, and payable on demand. These notes 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 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 (i.e. ADB, AfDB, EBRD, FAO, IDB, IFAD, and UNIDO), who have entered into arrangements with the Trustee for their direct access to GEF resources 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 and 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 approves 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 it incurs 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 GEF Secretariat, the GEF Evaluation Office, the Scientific and Technical Advisory Panel of UNEP (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. Administrative budget liabilities are paid to the IAs and EAs upon their request. These transfers of funds are initially recorded as an advance, 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. Subsequently, the actual amount of expenses reported by each of those entities is recorded as an expense of the Trust Fund.

Investment income earned on GEF grants - As part of normal operations, the GEF trust fund transfers large amounts to the IAs and EAs ("agencies") in order for them to execute GEF projects. These agencies will not immediately disburse these funds, due to the nature of the projects. Furthermore, the agencies will earn interest income on these funds while being held, pending their disbursement. The agencies are required, by virtue of financial procedure agreements ("FPA"s) between the agencies and the GEF Trustee, to report and remit this income to the GEF Trust Fund.

Share of the Cash and Investments in the Pool – 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 the IBRD, the International Development Association (IDA), the International Finance Corporation (IFC), the Multilateral Investment Guarantee Agency (MIGA), and the International Centre for Settlement of Investment Disputes (ICSID) (collectively the 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 for trust funds with common characteristics as determined by IBRD, on behalf of the World Bank Group. These sub-portfolios may hold all or a portion of the instruments held by the Pool.

Generally, the Pool includes cash and liquid financial instruments such as government and agency obligations, time deposits, money market securities, and asset-backed securities. The Pool may also include securities pledged as collateral under repurchase agreements and derivatives with other counterparties, and receivables from resale agreements as well as derivatives for which it has accepted collateral. Additionally, the Pool includes derivative contracts such as currency forward contracts, currency swaps, interest rate swaps, and the contracts to purchase or sell mortgage-backed securities to-be-announced (TBAs). Payables and receivables associated with the investment activities are also included in the Pool.

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

In accordance with IFRS, disclosures for fair value measurements of recognized financial instruments 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.

Accounting and Reporting Developments

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. The new requirements are 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*. IFRS 13 is effective for the GEF for annual periods beginning on or after January 1, 2013 (FY14). The standard is not expected to have material impact on the Trust Fund's financial reporting, but will change the existing fair value measurement and disclosure requirements.

In December 2011, the IASB issued amendments to IFRS 7, *Disclosures about Offsetting Financial Assets and Financial Liabilities*. The standard requires disclosing both gross information and net information about instruments and transactions eligible for offset in the statement of financial position, and instruments and transactions subject to a master netting agreement and agreements similar to master netting agreements. IFRS 7 is effective for annual periods beginning on or after January 1, 2013 (FY14). In addition to the amendments to IFRS 7, application guidance was added to IAS 32, *Financial Instruments Presentation: Offsetting Financial Assets and Financial Liabilities*, to clarify the existing offsetting rules. The amendments will become effective for annual periods beginning on or after January 1, 2014 (FY15). These standards are not expected to have impact on the Trust Fund's financial reporting.

Note 6: Fair Value of the Pool and Financial Instruments

Share of the Cash and Investments in the Pool

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. All investment decisions are made and performance is 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 of the cash and investments in the Pool at the end of each reporting period is also disclosed.

Fair Value Measurements

IBRD, on behalf of the World Bank Group, 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 involves judgment. The Pool may include financial instruments such as government and agency obligations, time deposits, money market securities, asset-backed securities, securities purchased under resale agreements and securities sold under repurchase agreements, and derivatives.

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

Government and agency obligations and asset-backed securities

Where available, quoted market prices are used to determine the fair value of government and agency obligations 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, prepayment speeds, foreign exchange rates, and funding spreads.

Time deposits and money market securities

Unless quoted prices are available, time deposits and money market securities 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.

Derivative contracts

Derivative contracts include currency forward contracts, currency swaps, interest rate swaps and contracts to purchase or sell TBA Securities. Derivatives are valued using model based valuation techniques which include the standard discounted cash flow method 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 of the trust funds administered by the World Bank Group are recorded at fair value and are categorized based on inputs to the valuation techniques as follows (in order of priority placed on the inputs):

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.

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 priority 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).

As of June 30, 2012 and June 30, 2011, 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, 2012 and June 30, 2011. Payables and receivables associated with the investment activities and cash are not included in the fair value hierarchy tables and their carrying amounts approximate their fair values. The Trust Fund's share of the Pool's financial instruments may comprise varying proportions among the three levels.

In millions of U.S. dollars

	Fair Value Measurement on a Recurring Basis as of June 30, 2012			
	Level 1	***Level 2***	***Level 3***	***Total***
Government and agency obligations	$4,506	$8,400	$ -	**$12,906**
Time deposits and money market securities	529	8,145	-	**8,674**
Asset-backed securities	-	3,349	1	**3,350**
Securities purchased under resale agreements and securities sold under repurchase agreements, net	50	(20)	-	**30**
Derivatives, net	-	76	-	**76**
Total of financial instruments in the Pool at fair value	**$5,085**	**$19,950**	**$1**	**$25,036**

In millions of U.S. dollars

	Fair Value Measurement on a Recurring Basis as of June 30, 2011			
	Level 1	***Level 2***	***Level 3***	***Total***
Government and agency obligations	$3,794	$ 6,783	$ -	**$10,577**
Time deposits and money market securities	903	10,390	-	**11,293**
Asset-backed securities	-	3,586	7	**3,593**
Securities purchased under resale agreements and securities sold under repurchase agreements, net	-	(752)	-	**(752)**
Derivatives, net	-	(154)	-	**(154)**
Total of financial instruments in the Pool at fair value	**$4,697**	**$19,853**	**$7**	**$24,557**

During the fiscal years ended June 30, 2012 and June 30, 2011, neither transfers between levels nor changes in the fair value of Level 3 were significant. Therefore, no further disclosures on these items are included.

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 to a sub-portfolio based on the specific investment horizons, risk tolerances and other eligibility requirements, has a fair value of $3,674,326,357 and $3,262,940,418 as of June 30, 2012 and June 30, 2011, respectively.

The following table presents investment holdings in the sub-portfolio by investment categories as of June 30, 2012 and June 30, 2011:

Types of financial instruments	June 30, 2012	June 30, 2011
Government and agency obligations	57%	48%
Time deposits and money market securities	17%	29%
Asset-backed securities	26%	23%
Total	**100%**	**100%**

IoC receivables - The initial fair value of IoC receivables is 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, 2012, 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 impaired assets, including assets in the Pool.

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 currency rates, changes in interest rates or spreads. 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. The Trustee uses a parametric/analytical approach calculation using the covariance matrix 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 3 year period of weekly historical data for the calculation of VAR amount. The absolute VAR of the Trust Fund's share of the portfolio over a twelve month horizon at a 95% confidence level is estimated to be $15 million at June 30, 2012 (2011: $47.23 million). 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 Fund's Share 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 denominated in currencies other than the U.S. dollar. Cash contributions received in other currencies are converted into U.S. dollars on receipts. 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 absolute average movement in the previous three annual reporting periods.

	As of June 30, 2012		As of June 30, 2011	
Currency	3 year average % Change	Amount $ Thousands	3 year average % Change	Amount $ Thousands
Australian Dollar	12.7	$ 12,681	16.2	$ 20,983
Canadian Dollar	7.6	1	9.8	259
Danish Kroner	14.2	4,817	13.3	7,765
Euro	14.4	82,456	13.4	126,321
Japanese Yen	6.9	40,113	10.0	69,915
Mexican Peso	8.5	363	-	-
New Zealand Dollar	10.4	814	14.0	1,552
Norwegian Kroner	10.4	6,144	13.9	10,761
Pakistan Rupees	4.8	38	32.4	467
Pounds Sterling	6.0	18,867	10.7	41,600
South African Rand	11.2	350	5.9	338
Special Drawing Rights	5.9	1,054	5.7	1,166
Swedish Kronor	10.9	13,168	14.2	25,274
Swiss Franc	13.3	18,335	11.3	22,404
		$ 199,201		**$ 328,806**

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, 2012 is equivalent to $5,728 million the gross value of the assets before deducting the discount on IoC Receivables and allowance for uncollectible receivables (2011: $6,160 million). The Trustee does not hold any collateral or credit enhancements except for the repurchase agreements, resale agreements and derivatives as described below.

The Trustee identifies concentrations of credit risk mainly based 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 IBRD, on behalf of the World Bank Group, limits investments to those financial instruments with minimum credit ratings at the time of purchase in the U.S. markets or equivalent as follows:

All amounts expressed in U.S. dollars unless otherwise noted

- 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-;
- Time deposits and money market securities - issued or guaranteed by financial institutions whose senior debt securities are rated at least A-;
- Asset-backed securities - minimum rating must be AAA; and
- Derivatives - counterparties must have a minimum rating of A+.

IBRD, on behalf of the World Bank Group, may require collateral in the form of cash or other approved liquid securities from individual counterparties in connection with resale agreements as well as derivatives. This collateral serves to mitigate IBRD's exposure to credit risk. The risk is also mitigated through the application of eligibility criteria and volume limits for transactions with individual counterparties and through the use of mark-to-market collateral arrangements for derivatives.

Under resale agreements, IBRD, on behalf of the World Bank Group, has received securities as collateral with a fair value of $75 million and nil as of June 30, 2012 and June 30, 2011, respectively and is permitted to sell or repledge these securities. No securities have been sold or repledged as of June 30, 2012. As of June 30, 2012 and June 30, 2011, the carrying amount of securities pledged as collateral under repurchase agreements was $45 million and $751 million, respectively.

The fair value of collateral received related to derivatives was $128 million and $1 million as of June 30, 2012 and June 30, 2011, respectively, and IBRD, on behalf of the World Bank Group, is permitted to repledge the entire amount. As of June 30, 2012, and June 30, 2011, no collateral received related to derivatives has been repledged. The carrying amount of collateral paid to the counterparties was nil and $0.9 million as of June 30, 2012 and June 30, 2011, respectively.

The Trust Fund's share of investment holdings by the counterparty credit risk exposure as of June 30, 2012 and June 30, 2011 is as follows:

Counterparty credit ratings	June 30, 2012	June 30, 2011
AA- or greater	95%	89%
A- or greater	100%	100%

In addition, the Trust Fund is subject to the credit risk of Contributing Participants through unqualified IoC receivables and promissory demand notes provided to the Trustee. The Trustee assesses the collectability of receivables as described in Note 12. The main Contributing Participants are the U.S., Japan, Germany, France and United Kingdom.

All amounts expressed in U.S. dollars unless otherwise noted

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 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 re-measured 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, 2012	June 30, 2011
Gross IoC Receivables Due Within 1 Year	$ 534,204,403	$ 591,824,415
Gross IoC Receivables Due Beyond 1 Year	495,219,204	1,072,028,260
Gross IoC Receivables	1,029,423,607	1,663,852,675
Less Unamortized Discount	(11,795,443)	(27,108,612)
Less Allowance for Receivables	(1,820,413)	(1,919,858)
Net IoC Receivables	**$ 1,015,807,751**	**$ 1,634,824,205**

All amounts expressed in U.S. dollars unless otherwise noted

Contributions and IoC receivables as of and for the years ended June 30, 2012 and 2011 are presented below.

Contributing Participants	Contributions for the Year Ended June 30, 2012	Contributions for the Year Ended June 30, 2011	IoC Receivable as of June 30, 2012	IoC Receivable as of June 30, 2011
Australia	$ -	$ 95,246,321	$ 53,458,125	$ 84,360,938
Austria	-	59,075,818	26,796,465	46,249,223
Belgium	22,922,800	35,380,800	-	-
Canada	55,750,725	78,712,412	-	-
China	-	13,445,841	6,890,000	10,335,000
Czech Republic	-	6,411,405	-	-
Denmark	-	70,425,613	33,846,102	58,220,772
Egypt	-	-	807,297	851,404
Finland	19,880,250	19,051,133	-	-
France	-	275,658,373	85,509,659	191,011,460
Germany	-	434,038,048	218,271,675	376,724,888
India	-	8,607,606	4,500,000	6,750,000
Ireland	-	7,018,749	3,574,120	6,168,011
Italy	25,511,728	-	-	-
Japan	-	597,419,694	304,334,928	451,082,364
Korea	-	7,269,910	3,560,000	5,110,000
Luxembourg	-	5,751,014	2,792,871	4,820,342
Mexico	8,718,551	-	4,247,729	-
Netherlands	27,077,213	27,892,441	-	-
New Zealand	-	6,663,072	3,958,824	6,148,416
Nigeria	-	-	1,013,116	1,068,468
Norway	-	68,746,247	35,506,044	39,599,106
Russian Federation	9,619,515	-	5,000,000	-
Slovenia	-	6,360,197	3,019,320	5,211,180
South Africa	-	6,457,541	3,128,261	5,688,187
Spain	-	17,937,495	-	-
Sweden	-	147,063,052	-	-
Switzerland	-	141,375,959	65,377,571	112,326,919
United Kingdom	-	326,170,493	163,831,500	252,126,000
United States	89,820,000	89,817,390	-	-
Total Contributions	**$ 259,300,782**	**$ 2,551,996,623**	**$ 1,029,423,607**	**$ 1,663,852,675**
Less Unamortized Discount			(11,795,443)	(27,108,612)
Less Allowance for Receivables			(1,820,413)	(1,919,858)
Net IoC Receivable			**$ 1,015,807,751**	**$ 1,634,824,205**

All amounts expressed in U.S. dollars unless otherwise noted

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 reported as assets or contribution income of the Trust Fund until they become unconditional. The following table shows the outstanding qualified IoCs as of June 30, 2012 and as of June 30, 2011.

	June 30, 2012	June 30, 2011
GEF-2		
United States	$ 134,967,364	$ 134,967,364
GEF-3		
United States	16,149,280	28,059,280
GEF-5		
Canada	80,289,049	141,636,938
Finland	34,344,765	61,231,365
Netherlands	47,302,680	84,428,354
Spain	18,392,691	21,163,181
United States	395,360,000	485,180,000
	575,689,185	793,639,838
Total	**$ 726,805,829**	**$ 956,666,482**

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 contributions to the relevant replenishment (5% of the total contributions under GEF-5) has not unqualified its IoC in accordance with the schedule set out in the Replenishment Resolution ("Pro-rata right"). 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% for GEF-2, GEF-3, GEF-4 and 5% for GEF-5.

As of June 30, 2012 and 2011, the Trust Fund has $287,376,084 and $271,352,641, respectively, of contributions with restrictions imposed on Paid In Contributions as described above.

All amounts expressed in U.S. dollars unless otherwise noted

As of June 30, 2012, 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 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 $194,718,785 as of June 30, 2012 ($199,128,899 as of June 30, 2011).

Similarly, as of June 30, 2012, 3.76% of the U.S. contribution to the GEF-3 is 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 3.76%; Germany 3.76%; and Japan 3.76%. The deferred commitment resulting from exercising the Pro-rata right for the GEF-3 amounted to $41,806,856 as of June 30, 2012 ($72,223,742 as of June 30, 2011).

As of June 30, 2012, 68.76% of the U.S. contribution to the GEF-5 remains qualified. As a result, France has exercised its right to defer 18.76% of commitment of its contributions to the GEF-5. The deferred commitment resulting from exercising the Pro-rata right for the GEF-5 is $50,850,443 as of June 30, 2012.

Accordingly, as of June 30, 2012 and 2011, the total amounts of Paid In Contributions for 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.

Contributing Participant	June 30, 2012	June 30, 2011
GEF-2		
France	$ 41,364,734	$ 47,595,611
Japan	153,354,051	151,533,288
	194,718,785	**199,128,899**
GEF-3		
France	7,739,111	13,458,984
Germany	11,030,000	19,180,000
Japan	23,037,745	39,584,758
	41,806,856	**72,223,742**
GEF-5		
France	50,850,443	-
	50,850,443	**-**
Total Temporarily Restricted Contributions	**$ 287,376,084**	**$ 271,352,641**

All amounts expressed in U.S. dollars unless otherwise noted

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 of June 30, 2012 and 2011, the balances of promissory demand notes and similar obligations are as detailed in the table below.

Contributing Participants	As of June 30, 2012	As of June 30, 2011
Austria	$ 13,088,752	$ 20,701,431
Australia	46,235,678	44,783,994
Canada	-	2,626,545
Cote d'Ivoire	14,838,133	15,648,704
Germany	259,413,905	249,540,880
Japan	279,815,715	250,926,645
Luxembourg	3,089,488	4,474,920
Netherlands	27,284,238	30,000,841
New Zealand	3,890,981	4,906,849
Norway	23,536,831	37,765,049
Pakistan	795,697	1,695,767
Portugal	1,614,078	3,353,973
Slovenia	1,449,274	799,048
Sweden	120,559,394	171,701,102
Switzerland	72,385,159	85,635,553
Turkey	1,305,093	2,528,711
United Kingdom	148,409,494	136,573,853
United States	-	160,200,000
Subtotal	1,017,711,910	1,223,863,864
Less Allowance for receivables	(14,838,133)	(15,900,088)
Net Promissory Demand Notes	**$ 1,002,873,777**	**$ 1,207,963,776**

All amounts expressed in U.S. dollars unless otherwise noted

Note 12: Allowance for Receivables

When promissory notes receivable and IoCs receivable are overdue beyond dates specified in the installment schedules, the Trustee reduces the carrying value by recognizing a provision and an allowance for doubtful receivables as specified in the following table:

Period in arrears	Provision percentage
24 months	50%
36 months	75%
48 months	100%

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

	Allowance for IoC Receivbles *For the years ended*	
	June 30, 2012	**June 30, 2011**
Opening Allowance	$ 1,919,858	$ 7,498,673
Gross Income Statement Provision	-	-
(Recovery of) Amounts Collected	(99,445)	(5,578,815)
Closing Balance	**$ 1,820,413**	**$ 1,919,858**

	Allowance for Promissory Demand Notes *For the years ended*	
	June 30, 2012	**June 30, 2011**
Opening Allowance	$ 15,900,088	$ 22,802,248
Gross Income Statement Provision	-	3,109,043
(Recovery of) Amounts Collected	(1,061,955)	-
Release of Allowance for Receivables	-	(10,011,203)
Closing Balance	**$ 14,838,133**	**$ 15,900,088**

All amounts expressed in U.S. dollars unless otherwise noted

Note 13: Grants and Fees

For the fiscal years ended June 30, 2012 and 2011, grant and fee expenses are as follows:

	For the years ended	
	June 30, 2012	**June 30, 2011**
Grants		
ADB	$ 8,864,211	$ 43,480,456
AfDB	415,200	-
EBRD	11,650,460	21,515,850
FAO	11,930,046	34,117,261
GEFSec	594,667	3,000,000
IADB	13,999,271	31,889,501
IBRD/IA	95,500,234	110,825,763
IFAD	6,525,566	5,215,673
UNDP	191,820,853	327,104,165
UNEP	65,058,510	93,509,102
UNIDO	46,552,971	68,632,669
Sub-total	**452,911,989**	**739,290,440**
Fees		
ADB	709,091	4,481,545
AfDB	-	-
EBRD	1,162,941	2,151,585
FAO	1,191,901	3,421,726
GEFSec	-	-
IADB	1,904,974	3,190,740
IBRD/IA	11,672,574	11,398,200
IFAD	877,557	562,000
UNDP	14,879,018	23,806,009
UNEP	6,505,538	9,321,039
UNIDO	4,646,302	6,899,391
Sub-total	**43,549,896**	**65,232,235**
Total	**$ 496,461,885**	**$ 804,522,675**

All amounts expressed in U.S. dollars unless otherwise noted

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, 2012 and 2011, the IAs/EAs had earned a total of $3,255,129 and $3,974,396 respectively. As of June 30, 2012 and 2011, a total of $3,709,232 and $4,354,448 respectively, was receivable from the IAs and EAs. Investment income receivable from the IAs and EAs are payable to the Trustee upon 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.

Funds 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, 2012				Liability as of June 30, 2012	
Transfers to:	**Grants**	**Fees**	**Administrative Budget**	**Total**	**Grants**	**Fees**
IBRD as IA	$ 267,569,502	$ 18,504,234	N/A	$ 286,073,736	$ 966,959,856	$ 1,205,645
IBRD as Trustee	N/A	N/A	$ 2,929,000	2,929,000	N/A	N/A
	$ 267,569,502	**$ 18,504,234**	**$ 2,929,000**	**$ 289,002,736**	**$ 966,959,856**	**$ 1,205,645**

	As of and for the year ended June 30, 2011				Liability as of June 30, 2011	
Transfers to:	**Grants**	**Fees**	**Administrative Budget**	**Total**	**Grants**	**Fees**
IBRD as IA	$ 205,700,000	$ 10,212,059	N/A	$ 215,912,059	$ 1,139,029,124	$ 8,037,305
IBRD as Trustee	N/A	N/A	$ 2,553,000	2,553,000	N/A	N/A
	$ 205,700,000	**$ 10,212,059**	**$ 2,553,000**	**$ 218,465,059**	**$ 1,139,029,124**	**$ 8,037,305**

In accordance with the Instrument and decisions of the Council, IBRD also provides administrative support to the Secretariat and the Evaluation Office. Accordingly, 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.

All amounts expressed in U.S. dollars unless otherwise noted

For the years ended and as of	Administrative Budget Transferred	Administrative Budget Liabilities
June 30, 2012	$ 23,265,000	$ 766,704
June 30, 2011	$ 26,249,153	$ 870,204

Note 16: Subsequent Events

Management has evaluated subsequent events through December 05, 2012, the date these financial statements were available to be issued and there are no subsequent events that would require adjustment to or disclosure in the financial statements.

Note 17: Approval of Financial Statements

The financial statements were authorized for issue on December 05, 2012 by IBRD's management, in its capacity as Trustee.