

**June 30, 2011**

**International Bank for Reconstruction and Development  
(IBRD) as an Implementing Agency (IA) of the Global  
Environment Facility Trust Fund  
World Bank Reference: TF050551**

**Financial Statement and Independent Auditors' Report**

Administered by IBRD as an IA

**The World Bank Group**

Trust Funds Division, Client Services Department

Controller's Vice Presidency

[www.worldbank.org](http://www.worldbank.org)



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

## **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 (the Statement) 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, 2011. The Statement is the responsibility of the Implementing Agency's management. Our responsibility is to express an opinion on the 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 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 Statement, assessing the accounting principles used and significant estimates made by the Implementing Agency's management, as well as evaluating the overall presentation of the Statement. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 2, the 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 statement of receipts, disbursements and fund balance 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, 2011 on the basis of accounting described in Note 2.

As described in Note 13, 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, 2011 was not audited by us and, accordingly, we do not express an opinion on it.

**KPMG LLP**

December 20, 2011

# STATEMENT OF RECEIPTS, DISBURSEMENTS AND FUND BALANCE

Expressed in U.S. dollars

	Notes	For the fiscal year ended June 30, 2011	March 14, 1991 (date of inception) to June 30, 2011 (Unaudited, see Note 13)
<b>Receipts:</b>			
Transfers in from GEF Trust Fund for:			
Projects	10	\$205,700,000	\$2,613,752,918
Project implementation fees	6	10,212,059	309,489,324
Corporate budget	7	-	134,954,441
Project grant for EBRD	8	-	9,907,650
Project implementation fee for EBRD	8	-	942,000
Net investment income	3	150,244	22,158,835
Return of funds from special deposit account	9	64,586	4,907,084
Repayment of disbursements with repayment provisions	10	7,546,697	12,350,763
Reimbursement of ineligible expenditures	11	-	2,577,517
Other receipts	12	29,822	1,348,441
<b>Total receipts</b>		<u>223,703,408</u>	<u>3,112,388,973</u>
<b>Disbursements:</b>			
Project disbursements	5, 10	204,556,996	2,570,877,798
Project implementation fees	6	22,252,229	321,078,039
Corporate budget disbursements	7	-	134,057,210
Project grant transfer to EBRD	8	-	9,907,650
Project implementation fee transfer to EBRD	8	-	942,000
Returned to GEF Trust Fund:			
Unutilized corporate budget		-	897,231
Implementation fee on cancelled project		-	173,520
Other receipts	12	-	1,177,365
Repayment of disbursements with repayment provisions	10	-	4,804,066
Reimbursement of ineligible expenditures	11	-	2,420,000
<b>Total disbursements</b>		<u>226,809,225</u>	<u>3,046,334,879</u>
Excess of (disbursements over receipts)/receipts over disbursements		(3,105,817)	66,054,094
<b>Fund balance:</b>			
Beginning of period		<u>69,159,911</u>	-
End of period		<u>\$ 66,054,094</u>	<u>\$ 66,054,094</u>
Fund balance consists of:			
Trust Fund's share of the cash and investments in the Pool	4	66,054,094	66,054,094
Guarantees committed	10	<u>(21,680,000)</u>	<u>(21,680,000)</u>
Fund balance net of Guarantees		<u>\$ 44,374,094</u>	<u>\$ 44,374,094</u>

The accompanying notes are an integral part of this financial statement

# NOTES TO FINANCIAL STATEMENT

June 30, 2011

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

## **Note 1 - Organization and operation of the Global Environment Facility**

The Global Environment Facility (GEF) was formally established in 1994 by the Instrument for the Establishment of the Restructured Global Environment Facility (the Instrument). GEF provides grants and concessional financing to eligible countries in order to achieve global environmental benefits in six focal areas specified in the Instrument and its amendments, including: climate change, biological diversity, international waters, ozone layer depletion, persistent organic pollutants and land degradation.

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, started on March 16, 1995. On that date, the Global Environment Trust Fund (GET) (a funding mechanism for the GEF, established on March 14, 1991 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.

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 are accountable to the GEF 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 GEF Council within their respective areas of competence. The Instrument also assigns other responsibilities to the Secretariat of the GEF (the Secretariat) and the Trustee of the GEF Trust Fund. This financial statement reports only the receipts, disbursements and fund balance for the activities related to IBRD as an Implementing Agency (IA) of the GEF Trust Fund (the Trust Fund). A separate financial statement is prepared for the GEF 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 and the GEF Trust Fund represent only part of GEF.

# NOTES TO FINANCIAL STATEMENT

June 30, 2011

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

The Trust Fund's activities are partly executed by IBRD as an IA and partly by recipient agencies (the Agencies or Beneficiaries) that are external and unrelated to IBRD as an IA and who are responsible for the execution of funds disbursed as grants, loans and guarantees by IBRD as an IA. As part of their executing activities, IBRD as an IA and the Agencies prepare terms of reference, procure goods and services from suppliers and make payments for activities they have executed. In addition, the Agencies submit progress reports and audited financial reports to IBRD as an IA for the activities that they have executed.

## **Note 2 - Significant accounting policies**

This financial statement has been prepared on the cash receipts and disbursements basis of accounting, modified to record the share in the 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 directly to the GEF Trust Fund. This financial statement is presented in U.S. dollars, which is the Trust Fund's functional and presentation currency.

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 reported when collected (i.e., when credited to the Trust Fund) rather than when pledged/earned, and disbursements are reported when paid (i.e., when debited to the Trust Fund) rather than when incurred.

In accordance with the modified cash basis of accounting, as described above, and with the policies adopted for the administration of the 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 IBRD as an IA, to be ineligible in accordance with the relevant agreements.

## NOTES TO FINANCIAL STATEMENT

June 30, 2011

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

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

U.S. GAAP defines fair value, establishes a consistent measurement framework and 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. Note 4 provides further details on the fair value measurement of the pooled cash and investments.

Amounts paid into the Trust Fund, but not yet disbursed, are managed by IBRD, which maintains an investment portfolio (the Pool) for all of trust funds administered by IBRD, the International Development Association, the International Finance Corporation (IFC), the Multilateral Investment Guarantee Agency, and the International Centre for Settlement of Investment Disputes (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, in accordance with the trust fund agreements. These sub-portfolios may hold all or a portion of the instruments held by the Pool.

Generally, the Pool includes liquid financial instruments such as time deposits, money market securities, government and agency obligations, and asset-backed securities. 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, currency swaps, interest rate swaps, and contracts to purchase and sell mortgage-backed securities To-be-announced (TBAs). Payables and receivables associated with the investment activities are also included in the Pool, as the Pool is accounted for under the accrual basis pursuant to U.S. GAAP.

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

# NOTES TO FINANCIAL STATEMENT

June 30, 2011

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

Certain reclassifications of the prior fiscal year's information on mortgage-backed securities TBA have been made to conform to the current year's presentation.

Disbursements for activities executed by IBRD as an IA, on behalf of the Trust Fund, are made from IBRD's resources (see Notes 5, 6 and 7). These disbursements are reimbursed by the Trust Fund to IBRD on a regular basis. To the extent that disbursements are made in currencies other than U.S. dollar, IBRD may be reimbursed a different amount due to the difference in exchange rates on various dates. Transaction gains or losses on disbursements, if any, are borne by IBRD.

The preparation of this financial statement requires management to make estimates and assumptions based upon information available as at the date of this financial statement. Actual results could differ from these estimates. Areas in which management makes estimates and assumptions in determining the amounts to be recorded include fair value of financial instruments.

## **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 sales of securities, and unrealized gains/losses resulting from recording the assets held by the Pool at fair value. Net investment income in the amount of \$150,244 and \$22,158,835 (Unaudited, see Note 13) was credited to the Trust Fund during the fiscal year ended June 30, 2011 and for the period from Inception to June 30, 2011, respectively, based on its share of the cash and investments in the Pool (also refer Note 2).

## **Note 4 - Fair value of financial instruments**

As discussed in Note 2, 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 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 of the cash and investments in the Pool at the end of each reporting period is also disclosed.

# NOTES TO FINANCIAL STATEMENT

June 30, 2011

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

## *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 and 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 the standard discounted cash flow method with market observable inputs such as yield curves, foreign exchange rates, basis spreads and funding spreads.



# NOTES TO FINANCIAL STATEMENT

June 30, 2011

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

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## ***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 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, 2011 and June 30, 2010, 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, 2011 and June 30, 2010. 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.

## NOTES TO FINANCIAL STATEMENT

June 30, 2011

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

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)
<b>Total of financial instruments in the Pool at fair value</b>	<b>\$4,697</b>	<b>\$19,853</b>	<b>\$7</b>	<b>\$24,557</b>

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 <sup>1</sup>	-	3,075	2	3,077
Securities purchased under resale agreements and securities sold under repurchase agreements, net	(303)	(13)	-	(316)
Derivatives, net <sup>1</sup>	-	(53)	-	(53)
<b>Total of financial instruments in the Pool at fair value</b>	<b>\$5,264</b>	<b>\$16,668</b>	<b>\$2</b>	<b>\$21,934</b>

<sup>1</sup>Certain reclassifications of the prior year's information have been made to conform to the current year's presentation. Specifically, contracts to purchase or sell mortgage-backed securities TBA have been reclassified out of asset-backed securities into derivatives as well as payables and receivables in the Pool. The effect of the mortgage-backed securities TBA reclassification was a \$689 million decrease in asset-backed securities, a \$6 million increase in derivatives, net, and a \$683 million decrease in net payables for investments purchased. Therefore, the reclassifications had no impact on the net asset value of the Pool for the fiscal year ended June 30, 2010.

In the Pool, the carrying values of securities pledged as collateral under repurchase agreements as of June 30, 2011 and June 30, 2010 was \$751 million and \$316 million, respectively. Under resale agreements, IBRD, on behalf of the World Bank Group, has not received any securities as collateral as of June 30, 2011 and June 30, 2010. During the fiscal years ended June 30, 2011 and June 30, 2010, neither transfers between levels nor changes in fair value of Level 3 securities were significant. Therefore, no further disclosures on these items are included.

# NOTES TO FINANCIAL STATEMENT

June 30, 2011

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

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

The Trust Fund is exposed to credit risk on its share of the cash and investments in the Pool. IBRD, on behalf of the World Bank Group, limits investments to those financial instruments with minimum credit ratings in the U.S markets or equivalent as follows:

- 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+.

## **Trust Fund's Share of the Cash and Investments in the Pool**

The Trust Fund's share of 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 pursuant to the agreements, has a fair value of \$66,054,094 as of June 30, 2011 (\$69,159,911 as of June 30, 2010).

The following tables present investment holdings in the sub-portfolio in terms of the counterparty credit risk exposure and investment categories as of June 30, 2011 and June 30, 2010.

<b>Counterparty credit ratings</b>	<b>As of June 30, 2011</b>	<b>As of June 30, 2010</b>
AA or greater	55%	64%
A+ or greater	100%	100%

  

<b>Types of financial instruments</b>	<b>As of June 30, 2011</b>	<b>As of June 30, 2010</b>
Government and agency obligations	60%	60%
Time deposits and money market securities	40%	40%
<b>Total</b>	<b>100%</b>	<b>100%</b>

# NOTES TO FINANCIAL STATEMENT

June 30, 2011

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

## Note 5 - Project disbursements

The Trust Fund provides grants for projects that achieve global environmental benefits in the focal areas. Grants up to a maximum of \$1 million are provided for Medium-sized Projects and over \$1 million for Full-sized Projects, as defined in 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 (IFC Earth Fund) 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 disbursed \$204,556,996 during the fiscal year ended June 30, 2011, the details of which are provided below.

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Particulars	For the fiscal year ended
	June 30, 2011
Full Sized Projects <sup>1</sup>	\$192,626,274
Medium Sized Projects	3,914,847
Project Preparation Grant	1,740,870
Development Marketplace	1,029,182
IFC Earth Fund	5,222,938
Other Projects <sup>2</sup>	22,885
<b>Total</b>	<b>\$204,556,996</b>

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<sup>1</sup> Includes ineligible expenses reimbursed to the Trust Fund in the amount of \$259,000, relating to the Madagascar Third Environment Program Support Project.

<sup>2</sup> Primarily relates to the Country Dialogue Workshop Project, which is a joint project of UNDP, UNEP and IBRD as an IA in cooperation with the Secretariat.

A disaggregation of amounts disbursed for the period from Inception to June 30, 2011, is not practicably determinable and therefore not presented. As discussed in Note 2, IBRD is reimbursed on a regular basis for disbursements made from its resources in executing activities of the Trust Fund as an IA. Project disbursements include amounts for direct staff costs, related benefits and overheads totaling \$1,485,713 for the fiscal year ended June 30, 2011. This amount was paid to IBRD for its estimates of costs incurred for executing activities as an IA, consistent with the purpose of the Trust Fund in accordance with the administration agreements.

# NOTES TO FINANCIAL STATEMENT

June 30, 2011

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

## **Note 6 - Project implementation fees**

On an ongoing basis, the GEF Trust Fund, based upon appropriate approval for allocations, provides funds to the Trust Fund as fees, to reimburse for 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). Instead, the GEF Trust Fund provides additional project implementation fees to the Trust Fund in order to reimburse for corporate administrative expenses. These expenses include administration expenses (administrative, accounting, financial reporting, and treasury services performed by IBRD) reimbursed to IBRD and central program coordination expenses (policy support, portfolio management, reporting, outreach and knowledge sharing, and support to the GEF Evaluation Office).

As discussed in Note 2, IBRD is reimbursed on a regular basis for disbursements made from its resources for executing activities of the Trust Fund as an IA. Project implementation fees include amounts for direct staff costs, related benefits and overheads totaling \$21,761,384 for the fiscal year ended June 30, 2011 and \$297,798,874 (See Note 13 for a discussion of how the cumulative amount was audited) for the period from July 1, 2001 to June 30, 2011. These amounts were paid to IBRD for its estimates of costs incurred for executing activities as an IA, 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.

# NOTES TO FINANCIAL STATEMENT

June 30, 2011

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

## **Note 7 - Corporate budget**

Until June 30, 2007, in accordance with the Instrument, and as approved annually by the GEF Council, the GEF Trust Fund provided corporate budget funds in order to reimburse administrative expenses incurred by IBRD in the performance of corporate functions as an IA. As discussed in Note 2, IBRD was reimbursed on a regular basis for disbursements made from its resources for executing activities of the Trust Fund as an IA. Corporate budget disbursements of \$134,057,210 (Unaudited, see Note 13) for the period from Inception to June 30, 2007 included amounts for direct staff costs, related benefits and overhead totaling to \$18,736,739 (Unaudited, see Note 13) for the period from July 1, 2001 to June 30, 2007. This amount was paid to IBRD for its estimates of costs incurred for executing activities as an IA, 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 IAs 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) as an Executing Agency (EA) 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 through the IAs of the GEF, of which IBRD is one.

Pursuant to an agreement between IBRD as an IA and EBRD as an EA, a grant of \$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 \$942,000 (Unaudited, see Note 13) for certain costs of preparation, supervision, and report preparation of this GEF grant activity were made available to EBRD by the Trust Fund. During the fiscal year ended June 30, 2004, the Trust Fund received these funds from the GEF Trust Fund and transferred them to EBRD.

## **NOTES TO FINANCIAL STATEMENT**

June 30, 2011

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

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### **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 are received by the Trust Fund after the project has been closed, these amounts are recorded as receipts by the Trust Fund. The Trust Fund has received refunds from SAs in the amount of \$64,586 and \$4,907,084 (Unaudited, see Note 13) for the fiscal year ended June 30, 2011, and for the period from Inception to June 30, 2011, respectively.

### **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 the form of loans with repayment provisions and guarantees, on terms approved by the GEF Council. The GEF Council has authorized a program of GEF operations on terms other than grants, with terms approved on a project-by-project basis by the GEF Council. IBRD as an IA for GEF, and IFC acting as executing agency operating under special arrangements with IBRD as an IA, implement and execute programs of these operations with repayment provisions. The repayment provisions under these operations are contingent in nature. In accordance with the modified cash basis of accounting, amounts advanced for these operations are reported as Project disbursements.

The amount of \$2,613,752,918 (Unaudited, see Note 13) transferred in from the GEF Trust Fund for projects, for the period from Inception to June 30, 2011, includes funds in the amount of \$52,582,000 (Unaudited, see Note 13) for active loans as of June 30, 2011, and funds in the amount of \$40,126,597 (Unaudited, see Note 13) for active guarantees as of June 30, 2011.

Project disbursements of \$2,570,877,798 (Unaudited, see Note 13), for the period from Inception to June 30, 2011, include amounts advanced as loans totaling to \$23,393,419 (Unaudited, see Note 13).

## NOTES TO FINANCIAL STATEMENT

June 30, 2011

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

Also included in Project disbursements, for the period from Inception to June 30, 2011 is an amount of \$18,446,597 (Unaudited, see Note 13) advanced as guarantees. These funds are held in the Beneficiary's bank account and will be used if a guarantee is invoked. In addition, funds relating to guarantees committed, in the amount of \$21,680,000 are held in the Trust Fund and will be disbursed from the Trust Fund if the guarantees are invoked.

Repayment of disbursements with repayment provisions were in the amount of \$7,546,697 for the fiscal year ended June 30, 2011 and \$12,350,763 for the period from Inception to June 30, 2011, the details of which are provided below:

<b>Repayment of disbursements with repayment provisions</b>	<b>Loan / Guarantee</b>	<b>For the fiscal year ended June 30, 2011</b>	<b>For the period from Inception through June 30, 2011 (Unaudited, see Note 13)</b>
Photovoltaic Market Transformation Initiative (PVMTI) Project	Guarantee	\$7,546,697	\$ 7,546,697
Thailand - Building Chillers Replacement Project	Loan	-	1,412,059
IFC Small and Medium Scale Enterprise Project	Loan	-	3,392,007
<b>Total</b>		<b>\$7,546,697</b>	<b>\$12,350,763</b>



## NOTES TO FINANCIAL STATEMENT

June 30, 2011

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

### Note 11 - Reimbursement of ineligible expenditures

IBRD as an IA, 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 an IA. As a result of these reviews, ineligible expenditures disbursed by the Trust Fund have been identified and reimbursed to the Trust Fund as detailed below:

Ineligible expenses	For the period from Inception through June 30, 2010 (Unaudited, see Note 13)	For the fiscal year ended June 30, 2011	For the period from Inception through June 30, 2011 (Unaudited, see Note 13)
Identified	\$2,577,517 <sup>1</sup>	\$29,314	\$2,606,831
Reimbursed	<u>2,577,517</u>	<u>-</u>	<u>2,577,517</u>
Balance <sup>2</sup>	<u>-</u>	<u>\$29,314</u>	<u>\$ 29,314</u>

<sup>1</sup> Amount excludes ineligible expenses in the amount of ZAR 237,297 (approximately \$31,650), relating to Richtersveld Community Biodiversity Conservation Project, of which an amount of \$8,818 was reimbursed by the recipient to the Trust Fund during the fiscal year ended June 30, 2010. The balance amounting to \$22,295 was unrecoverable and was not pursued further for reimbursement based on GEF CEO's approval, and accordingly, was reduced from the ineligible expenses identified for the period from inception through June 30, 2010.

<sup>2</sup> Comprises \$3,131 relating to Burundi Agricultural Rehabilitation and Sustainable Land Management Project and \$26,183 relating to Nicaragua-Honduras Corazon Trans-Boundary Biosphere Reserve project. These amounts are in the process of being reimbursed by the recipients to the Trust Fund.

### Note 12 - Other receipts

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

### 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 of the 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, 2011 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 labeled "Unaudited".

## **NOTES TO FINANCIAL STATEMENT**

**June 30, 2011**

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

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### **Note 14 - Subsequent events**

Management has evaluated subsequent events through December 20, 2011, the date this financial statement was available to be issued and there are no subsequent events that would require adjustment to or disclosure in this financial statement.