



June 30, 2011 and 2010

# **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](http://www.worldbank.org)



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## Independent Auditors' Report

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

We have audited the accompanying statements of financial position of the Global Environment Facility Trust Fund ("Trust Fund"), as administered by the International Bank for Reconstruction and Development as Trustee, as of June 30, 2011 and 2010, 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 Environment Facility Trust Fund as of June 30, 2011 and 2010, 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**

October 3, 2012

# STATEMENTS OF FINANCIAL POSITION

Expressed in U.S. dollars unless otherwise noted

		<u>June 30, 2011</u>	<u>June 30, 2010</u>
	<b>Note</b>		
<b>Assets</b>			
Share of Cash and Investments in the Pool	6, 7	\$ 3,262,940,418	\$ 3,038,939,460
Promissory Demand Notes, Net	6, 7, 11, 12	1,207,963,776	945,369,650
Investment Income Receivable from Agencies	14	4,354,448	2,973,473
Advances to Agencies		4,148,749	2,415,969
IoC Receivables, Net	6, 7, 8, 12	<u>1,634,824,205</u>	<u>6,972,401</u>
<b>Total Assets</b>		<b><u>6,114,231,596</u></b>	<b><u>3,996,670,953</u></b>
<b>Liabilities</b>			
Grant Liabilities	15		
IBRD/IA		1,139,029,124	1,233,903,362
UNDP		747,138,254	670,034,089
UNEP		221,674,067	168,164,965
EAs		<u>292,596,345</u>	<u>176,580,310</u>
Total Grant Liabilities		2,400,437,790	2,248,682,726
Fee Liabilities	15		
IBRD/IA		8,037,305	6,851,164
UNDP		2,514,861	3,012,288
UNEP		178,836	496,740
EAs		<u>15,029,214</u>	<u>6,509,184</u>
Total Fee Liabilities		25,760,216	16,869,376
Administrative Budget Liabilities to the Secretariat	15	870,204	-
<b>Total Liabilities</b>		<b><u>2,427,068,210</u></b>	<b><u>2,265,552,102</u></b>
<b>Net Trust Resources (Partially Restricted)</b>	10	<b>3,687,163,386</b>	<b>1,731,118,851</b>
<b>Total liabilities and net trust resources (partially restricted)</b>		<b><u>\$6,114,231,596</u></b>	<b><u>\$3,996,670,953</u></b>

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	
		<u>June 30, 2011</u>	<u>June 30, 2010</u>
<b>Income</b>			
Contributions	8, 9, 10	\$ 2,551,996,623	\$ 142,447,084
Amortization of Discount on IoC Receivables	8	10,589,914	7,660,299
Investment Income from Share of Cash and Investments in the Pool		55,382,666	106,787,421
Investment Income Earned on GEF Grant Funds	14	<u>3,974,396</u>	<u>2,904,289</u>
<b>Total Income</b>		<b><u>2,621,943,599</u></b>	<b><u>259,799,093</u></b>
<b>Expenses</b>			
Grant Expenses	13, 15	739,290,440	747,151,589
Fee Expenses	13, 15	65,232,235	54,694,044
Administrative Budget	15		
UNEP (STAP)		2,156,939	1,929,635
Secretariat and Evaluation Office		42,523,430	20,033,413
IBRD/Trustee		<u>2,864,202</u>	<u>3,140,000</u>
Total Administrative Budget		47,544,571	25,103,048
(Recovery of) Doubtful IoC Receivables and Promissory Demand Notes	12	(2,469,772)	(1,259,761)
Audit Fees for Implementing Agencies		-	26,886
<b>Total Expenses</b>		<b><u>849,597,474</u></b>	<b><u>825,715,806</u></b>
Foreign Exchange Gains (Losses)		<u>183,698,410</u>	<u>(786,797)</u>
<b>Net Increase/ (Decrease) in Net Trust Resources</b>		<b><u>\$1,956,044,535</u></b>	<b><u>\$(566,703,510)</u></b>

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, 2011	June 30, 2010
<b>Cash Flows from Operating Activities:</b>		
Net Increase/ (Decrease) in Net Trust Resources	\$ 1,956,044,535	\$ (566,703,510)
Adjustments to reconcile net increase in net trust resources to net cash provided by operating activities:		
Foreign Exchange (Gains) Losses	(183,698,410)	786,797
Amortization of Discount on IoC Receivables	(10,589,914)	(7,660,299)
Provision for/ (Recovery of) Doubtful IoC Receivables and Promissory Demand Notes	3,109,043	(1,259,761)
Changes in Assets and Liabilities		
Increase in Share of Cash and Investments in the Pool	(224,000,958)	(136,598,858)
Decrease/ (Increase) in IoC Receivables	(1,535,373,270)	336,889,056
Increase in Promissory Demand Notes	(163,893,379)	101,392,464
Increase in Grant and Fee Liabilities	160,645,904	270,193,296
Increase/ (Decrease) in Administrative Budget Liabilities	870,204	(842,898)
(Increase)/ Decrease in Investment Income Receivable from Agencies	(1,380,975)	5,401,298
Increase in Advances to Agencies	(1,732,780)	(1,597,585)
<b>Net Cash Flows (Used in) Provided by Operating Activities</b>	<b>(1,956,044,535)</b>	<b>566,703,510</b>
<b>Net Increase in Cash</b>	-	-
Cash and Cash Equivalents, Beginning of Year	-	-
<b>Cash and Cash Equivalents, End of Year</b>	<b>\$ -</b>	<b>\$ -</b>

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*

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	For the Years Ended	
	<u>June 30, 2011</u>	<u>June 30, 2010</u>
Net Trust Resources (Partially Restricted), Beginning of Year	\$ 1,731,118,851	\$ 2,297,822,361
Net Increase (Decrease) in Net Trust Resources	<u>1,956,044,535</u>	<u>(566,703,510)</u>
<b>Net Trust Resources (Partially Restricted), End of Year</b>	<b><u><u>\$3,687,163,386</u></u></b>	<b><u><u>\$1,731,118,851</u></u></b>

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

# NOTES TO THE FINANCIAL STATEMENTS

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

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## **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 financial organization, provides funding to eligible countries for incremental costs of measures to achieve global environmental benefits in six focal areas specified in the Instrument, as amended: biological diversity, climate change, international waters, land degradation (primarily desertification and deforestation), ozone layer depletion, and persistent organic pollutants (POPs). Incremental costs of such other activities under Agenda 21 (the action plan of the 1992 United Nations Conference on Environment and Development) as agreed by the GEF Council (the "Council") are eligible for funding 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, 2011, 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

# NOTES TO THE FINANCIAL STATEMENTS

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

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 such 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)



# NOTES TO THE FINANCIAL STATEMENTS

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

- 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, 2011 and 2010. 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 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

## NOTES TO THE FINANCIAL STATEMENTS

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

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and liabilities that are not denominated in U.S. dollars are revalued at the market rate of exchange prevailing at the end of the periods. Any adjustment resulting from currency exchange rate changes affecting monetary items is recognized as foreign currency exchange gains/losses.

*Contributions and IoC Receivables* – The Trust Fund receives its funding primarily from contributions, arising in the course of ordinary activities, provided by the participants contributing to the Trust Fund (“Contributing Participants”). Contributing Participants provide IoCs as a means of indicating their commitment to contribute to the Trust Fund. The IoCs can be qualified or unqualified. A qualified IoC 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.

# NOTES TO THE FINANCIAL STATEMENTS

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

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

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

*Administrative Budget* – In accordance with the Instrument, the Council may approve administrative budgets of the IAs, EAs, STAP, Secretariat and Evaluation Office for reasonable administrative expenses incurred in the performance of their respective functions. In addition, the Trustee is reimbursed annually from the resources of the Trust Fund for the reasonable expenses 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 IA's in order for them to execute GEF projects. These IAs will not immediately disburse these funds, due to the nature of the projects. Furthermore, the IAs will earn interest income on these funds while being held, pending their disbursement. The IAs are required, by virtue of financial procedure agreements ("FPA"s) between the IAs and the GEF Trustee, to report and remit this income to the GEF Trust Fund.

*Share in 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 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.

# NOTES TO THE FINANCIAL STATEMENTS

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

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

## ***Accounting and Reporting Developments***

In October 2010, the IASB issued amendments to IFRS 7 *Financial Instruments: Disclosures*, which are applicable for annual periods beginning on or after July 1, 2011 (FY12). The amendments center on the improvement of disclosure requirements relating to transfers of financial assets that would help financial statement users improve their understanding of financial asset transfer transactions (e.g., securitizations). These amendments are not expected to have material impact upon the Trust Fund's financial reporting.

In November 2009, the IASB issued IFRS 9 *Financial Instruments* as the first step in its project to replace IAS 39 *Financial Instruments: Recognition and Measurement*.

# NOTES TO THE FINANCIAL STATEMENTS

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

IFRS 9 introduces new requirements for classifying and measuring financial assets. In October 2010, the IASB reissued IFRS 9, incorporating new requirements on accounting for financial liabilities, and carrying over from IAS 39 the requirements for derecognition of financial assets and financial liabilities. IAS 39 is mandatorily effective for annual periods beginning on or after January 1, 2013 (FY14) and IFRS 9 is mandatorily effective for annual periods beginning on or after January 1, 2015 (FY16). The standard is not expected to have material impact on the Trust Fund's financial reporting.

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

## **Note 6: Fair Value of Financial Instruments**

The 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,

# NOTES TO THE FINANCIAL STATEMENTS

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

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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 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

## NOTES TO THE FINANCIAL STATEMENTS

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

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.

<b>In Millions of U.S. dollars</b>				
<b>Fair Value Measurements on a Recurring Basis</b>				
<b>as of June 30, 2011</b>				
	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
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	-	(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>

<b>In Millions of U.S. dollars</b>				
<b>Fair Value Measurements on a Recurring Basis</b>				
<b>as of June 30, 2010</b>				
	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
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	(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 changes to the presentation of the prior year's information have been made to conform to the current year's presentation. Specifically, contracts to purchase or sell TBAs which were previously presented as asset-backed securities are now presented as derivatives as well as net payables for investments purchased and receivables in the Pool. The effect of the change in presentation was a \$689 million decrease in asset-backed securities, a \$6 million increase in derivatives and a \$683 million decrease in net payables for investments purchased. Therefore, the change in presentation had no impact on fair value of the Pool for the fiscal year ended June 30, 2010.

## NOTES TO THE FINANCIAL STATEMENTS

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

During the fiscal years ended June 30, 2011 and June 30, 2010, neither transfers between levels nor changes in the fair value of Level 3 were significant. Therefore, no further disclosures on these items are included.

*IoC receivables* - The initial recognition of the fair value of IoC receivables are estimated using a discounted cash flow method. The present value of each cash flow is computed using an estimated discount rate, based upon estimated donor specific risk free interest rates. Subsequent to initial recognition, IoC receivables are measured at amortized cost, using the effective interest rate method. As of June 30, 2011, the carrying value of the IoC receivables is a reasonable estimation of its fair value.

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

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

### ***Risk Management 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+.

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.



# NOTES TO THE FINANCIAL STATEMENTS

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

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. As of June 30, 2011 and June 30, 2010, the carrying amount of securities pledged as collateral under repurchase agreements was \$751 million and \$316 million, respectively.

The fair value of collateral received related to derivatives was \$1 million and \$4.5 million as of June 30, 2011 and June 30, 2010, and IBRD, on behalf of the World Bank Group, is permitted to repledge the entire amount. As of June 30, 2011, and June 30, 2010, no collateral received related to derivatives has been repledged. The carrying amount of collateral paid to the counterparties was \$0.9 million and nil as of June 30, 2011 and June 30, 2010, respectively.

## ***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 \$3,262,940,418 and \$3,038,939,460 as of June 30, 2011 and June 30, 2010, respectively.

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>June 30, 2011</b>	<b>June 30, 2010</b>
AA- or greater	89%	97%
A- or greater	100%	100%

  

<b>Types of financial instruments</b>	<b>June 30, 2011</b>	<b>June 30, 2010</b>
Government and agency obligations	48%	65%
Time deposits and money market securities	29%	9%
Asset-backed securities	23%	26%
<b>Total</b>	<b>100%</b>	<b>100%</b>

## **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

## NOTES TO THE FINANCIAL STATEMENTS

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

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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 at June 30, 2011 is estimated to be \$47.23 million (2010: \$57.50 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 Funds 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 when they are denominated in currencies other than the U.S. dollar. Cash contributions received in other currencies are converted into U.S. dollars on receipt. Commitments for grants, fees and administrative budgets, are denominated in U.S. dollars.

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

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

## NOTES TO THE FINANCIAL STATEMENTS

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

Currency	As at June 30, 2011		As at June 30, 2010	
	3 year average % Change	Amount \$ Thousands	3 year average % Change	Amount \$ Thousands
Australian Dollar	16.2	\$ 20,983	11.5	\$ 3,742
Canadian Dollar	9.8	259	8.3	2,876
Danish Kroner	13.3	7,765	13.0	0
Euro	13.4	126,321	13.2	7,028
Japanese Yen	10.0	69,915	12.1	23,418
Norwegian Kroner	13.9	10,761	12.4	2,714
New Zealand Dollar	14.0	1,552	7.7	272
Pakistan Rupees	32.4	467	35.9	1,470
Pounds Sterling	10.7	41,600	8.6	8,400
Swedish Kronor	14.2	25,274	11.3	7,782
Special Drawing Rights	5.7	1,166	5.6	1,550
South African Rand	5.9	338	5.1	-
Swiss Franc	11.3	22,404	8.6	5,069
		<b>\$328,806</b>		<b>\$64,321</b>

**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, 2011 is equivalent to \$6,160 million the gross value of the assets before deducting the discount on IoC Receivables and allowance for uncollectible receivables (2010: \$4,026 million). The Trustee does not hold any collateral or credit enhancements except for the repurchase agreements, resale agreements and derivatives described in Note 6.

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 the Trustee has policies that limit the amount of credit exposure to any individual issuer.

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 collectibility of receivables as described in Note 12. The main Contributing Participants are the U.S., Japan, Germany, France and United Kingdom.

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

## NOTES TO THE FINANCIAL STATEMENTS

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

### 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:

	<u>June 30, 2011</u>	<u>June 30, 2010</u>
Gross IoC Receivables Due Within 1 Year	\$ 591,824,415	\$ 14,522,001
Gross IoC Receivables Due Beyond 1 Year	<u>1,072,028,260</u>	<u>-</u>
<b>Gross IoC Receivables</b>	1,663,852,675	14,522,001
Less Unamortized Discount	(27,108,612)	(50,927)
Less Allowance for Receivables	(1,919,858)	(7,498,673)
<b>Net IoC Receivables</b>	<u><u>\$ 1,634,824,205</u></u>	<u><u>\$ 6,972,401</u></u>

# NOTES TO THE FINANCIAL STATEMENTS

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

Contributions and IoC receivables as of and for the years ended June 30, 2011 and 2010 are presented below.

Contributing Participants	Contributions for the Year Ended June 30, 2011	Contributions for the Year Ended June 30, 2010	IoC Receivable at June 30, 2011	IoC Receivable at June 30, 2010
Argentina	\$ -	\$ -	\$ -	\$ 2,275,237
Australia	95,246,321	-	84,360,938	-
Austria	59,075,818	-	46,249,223	-
Belgium	35,380,800	-	-	-
Brazil	-	6,013,867	-	2,930,839
Canada	78,712,412	36,031,128	-	-
China	13,445,841	-	10,335,000	-
Czech Republic	6,411,405	-	-	-
Denmark	70,425,613	-	58,220,772	-
Egypt	-	-	851,404	786,736
Finland	19,051,133	-	-	-
France	275,658,373	-	191,011,460	-
Germany	434,038,048	-	376,724,888	-
India	8,607,606	-	6,750,000	-
Ireland	7,018,749	-	6,168,011	-
Japan	597,419,694	-	451,082,364	-
Korea	7,269,910	-	5,110,000	-
Luxembourg	5,751,014	-	4,820,342	-
Netherlands	27,892,441	-	-	-
New Zealand	6,663,072	-	6,148,416	-
Nigeria	-	-	1,068,468	4,436,701
Norway	68,746,247	9,962,997	39,599,106	-
Pakistan	-	3,939,092	-	4,092,488
Slovenia	6,360,197	-	5,211,180	-
South Africa	6,457,541	-	5,688,187	-
Spain	17,937,495	-	-	-
Sweden	147,063,052	-	-	-
Switzerland	141,375,959	-	112,326,919	-
United Kingdom	326,170,493	-	252,126,000	-
United States	89,817,390	86,500,000	-	-
<b>Total Contributions</b>	<b>\$ 2,551,996,623</b>	<b>\$ 142,447,084</b>	<b>\$ 1,663,852,675</b>	<b>\$ 14,522,001</b>
Less Unamortized Discount			(27,108,612)	(50,927)
Less Allowance for Receivables			(1,919,858)	(7,498,673)
<b>Net IoC Receivable</b>			<b>\$ 1,634,824,205</b>	<b>\$ 6,972,401</b>

## NOTES TO THE FINANCIAL STATEMENTS

*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 qualified and still outstanding IoCs as of June 30, 2011 and as of June 30, 2010.

	<u>June 30, 2011</u>	<u>June 30, 2010</u>
<b>GEF-2</b>		
United States	\$ 134,967,364	\$ 134,967,364
<b>GEF-3</b>		
United States	28,059,280	28,059,280
<b>GEF-5</b>		
Canada	141,636,938	-
Finland	61,231,365	-
Netherlands	84,428,354	-
Spain	21,163,181	-
United States	485,180,000	-
	<u>793,639,838</u>	<u>-</u>
<b>Total</b>	<u><u>\$ 956,666,482</u></u>	<u><u>\$ 163,026,644</u></u>

### 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% and 5% for GEF-5.

As of June 30, 2011 and 2010, the Trust Fund has \$271,352,641 and \$246,322,536, respectively, of contributions with restrictions imposed on Paid In Contributions as described above.

As of June 30, 2011, 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

## NOTES TO THE FINANCIAL STATEMENTS

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

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 \$199,128,899 as of June 30, 2011 (\$177,793,342 as of June 30, 2010).

Similarly, as of June 30, 2011, 6.53% of the U.S. contribution to the GEF-3 remains qualified. As a result, three Contributing Participants, France, Germany, and Japan have exercised the Pro-rata Right to defer commitment of their contributions to the GEF-3 corresponding to the qualified portion of the U.S. contribution: France 6.53%; Germany 6.53%; and Japan 6.53%. The deferred commitment resulting from exercising the Pro-rata right for the GEF-3 amounted to \$72,223,742 as of June 30, 2011 (\$68,529,194 as of June 30, 2010).

Accordingly, as of June 30, 2011 and 2010, 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.

<u>Contributing Participant</u>	<u>June 30, 2011</u>	<u>June 30, 2010</u>
<b>GEF-2</b>		
France	\$ 47,595,611	\$ 40,403,047
Japan	151,533,288	137,390,295
	<b>199,128,899</b>	<b>177,793,342</b>
<b>GEF-3</b>		
France	13,458,984	13,458,984
Germany	19,180,000	19,180,000
Japan	39,584,758	35,890,210
	<b>72,223,742</b>	<b>68,529,194</b>
<b>Total Temporarily Restricted Contributions</b>	<b>\$ 271,352,641</b>	<b>\$ 246,322,536</b>

## NOTES TO THE FINANCIAL STATEMENTS

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 at June 30, 2011 and 2010, the balance of promissory demand notes and similar obligations are as detailed in the table below.

Contributing Participants	As of June 30, 2011	As of June 30, 2010
Austria	\$ 20,701,431	\$ 8,821,555
Australia	44,783,994	32,497,978
Canada	2,626,545	34,567,548
Cote d'Ivoire	15,648,704	14,460,225
Germany	249,540,880	196,775,245
Japan	250,926,645	193,982,980
Luxembourg	4,474,920	3,801,139
Netherlands	30,000,841	34,646,016
New Zealand	4,906,849	3,521,393
Norway	37,765,049	21,896,542
Pakistan	1,695,767	1,153,542
Portugal	3,353,973	3,975,168
Slovenia	799,048	-
Sweden	171,701,102	68,580,721
Switzerland	85,635,553	59,119,785
Turkey	2,528,711	3,667,672
United Kingdom	136,573,853	97,448,669
United States	160,200,000	189,255,720
Subtotal	1,223,863,864	968,171,898
Less Allowance for receivables	(15,900,088)	(22,802,248)
<b>Net Promissory Demand Notes</b>	<b>\$ 1,207,963,776</b>	<b>\$ 945,369,650</b>



# NOTES TO THE FINANCIAL STATEMENTS

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

## Note 12: Allowance for Receivables

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

	<b>Allowance for IoC Receivables</b>	
	<i>For the years ended</i>	
	<b>June 30, 2011</b>	<b>June 30, 2010</b>
<b>Opening Allowance</b>	\$ 7,498,673	\$ 7,982,436
Gross Income Statement Provision (Recovery of) Amounts Collected	-	-
	(5,578,815)	(483,763)
<b>(Recovery of) Doubtful Receivables</b>	(5,578,815)	(483,763)
<b>Closing Balance</b>	<b>\$ 1,919,858</b>	<b>\$ 7,498,673</b>

	<b>Allowance for Promissory Demand Notes</b>	
	<i>For the years ended</i>	
	<b>June 30, 2011</b>	<b>June 30, 2010</b>
<b>Opening Allowance</b>	\$ 22,802,248	\$ 23,578,246
Gross Income Statement Provision (Recovery of) Amounts Collected	3,109,043	-
Release of allowance against Receivables	-	(775,998)
	(10,011,203)	-
<b>(Recovery of) Doubtful Promissory Demand Notes</b>	(6,902,160)	(775,998)
<b>Closing Balance</b>	<b>\$ 15,900,088</b>	<b>\$ 22,802,248</b>

When promissory notes receivable and contributions 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%

# NOTES TO THE FINANCIAL STATEMENTS

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

## Note 13: Grants and Fees

For the fiscal years ended June 30, 2011 and 2010, grants and fees expenses are as follows:

	For the year ended	
	June 30, 2011	June 30, 2010
<b>Grants</b>		
ADB	\$ 43,480,456	\$ 19,662,546
AfDB	-	4,480,000
EBRD	21,515,850	8,650,000
FAO	34,117,261	2,554,091
GEFSec	3,000,000	-
IADB	31,889,501	29,107,680
IBRD/IA	110,825,763	248,714,030
IFAD	5,215,673	6,039,815
UNDP	327,104,165	327,310,776
UNEP	93,509,102	73,632,651
UNIDO	68,632,669	27,000,000
<b>Sub-total</b>	<b>739,290,440</b>	<b>747,151,589</b>
<b>Fees</b>		
ADB	4,481,545	2,014,754
AfDB	-	18,000
EBRD	2,151,585	865,000
FAO	3,421,726	255,409
GEFSec	-	-
IADB	3,190,740	1,976,767
IBRD/IA	11,398,200	13,252,379
IFAD	562,000	196,182
UNDP	23,806,009	26,633,898
UNEP	9,321,039	6,737,655
UNIDO	6,899,391	2,744,000
<b>Sub-total</b>	<b>65,232,235</b>	<b>54,694,044</b>
<b>Total</b>	<b>\$ 804,522,675</b>	<b>\$ 801,845,633</b>

# NOTES TO THE FINANCIAL STATEMENTS

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, 2011 and 2010, the EAs/IAs had earned a total of \$3,974,396 and \$2,904,289 respectively. As of June 30, 2011 and 2010, a total of \$4,354,448 and \$2,973,473 respectively, was receivable from the EAs and IAs. Investment income receivable from the EAs and IAs 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.

Amounts transferred from the Trust Fund to IBRD as Trustee, and IBRD as IA are as follows:

Transfers to:	As of and for the year ended June 30, 2011				Liability at June 30, 2011	
	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
	<b>\$ 205,700,000</b>	<b>\$ 10,212,059</b>	<b>\$ 2,553,000</b>	<b>\$ 218,465,059</b>	<b>\$ 1,139,029,124</b>	<b>\$ 8,037,305</b>

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

# NOTES TO THE FINANCIAL STATEMENTS

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

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.

	<u>Administrative Budget Transferred</u>	<u>Administrative Budget Liabilities</u>
As of and for the year ended June 30, 2011	<u>\$ 26,249,153</u>	<u>\$ 870,204</u>
As of and for the year ended June 30, 2010	<u>\$ 23,524,500</u>	<u>\$ -</u>

## Note 16: Subsequent Events

Management has evaluated subsequent events through October 3, 2012, the date this Statement was available to be issued and there are no subsequent events that would require adjustment to or disclosure in this Statement.

## Note 17: Approval of Financial Statements

The financial statements were authorized for issue on October 3, 2012 by IBRD's management, in its capacity as Trustee.