



December 31, 2011

CGIAR Fund

World Bank Reference: TF069018

**Independent Auditor's Report and Statement of Receipts,
Disbursements and Fund Balance**

Administered by the International Bank for Reconstruction and Development as
Trustee

The World Bank Group

Trust Funds Division, Client Services Department

Controller's Vice Presidency

www.worldbank.org



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

Independent Auditors' Report

International Bank for Reconstruction and Development
as Trustee of the CGIAR Fund - TF069018

We have audited the accompanying statement of receipts, disbursements and fund balance (the Statement) of the CGIAR Fund – TF069018 administered by the International Bank for Reconstruction and Development (the Trustee) for the period from December 1, 2010 (date of inception) to December 31, 2011. The Statement is the responsibility of the Trustee'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 Trustee'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 Trustee'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 CGIAR Fund – TF069018 for the period from December 1, 2010 to December 31, 2011 on the basis of accounting described in Note 2.

KPMG LLP

May 30, 2012

STATEMENT OF RECEIPTS, DISBURSEMENTS AND FUND BALANCE

Expressed in U.S. dollars

| | | December 1, 2010 (date of inception) to December 31, 2011 |
|-----------------------------------------------------------------------------|-------|-----------------------------------------------------------------|
| | Notes | |
| Contributions | 3 | \$ 379,049,585 |
| Net investment income | 4 | 265,238 |
| Total receipts | | <u>379,314,823</u> |
| Project disbursements | 5 | 245,951,611 |
| Administrative budget disbursements, net | 6 | 9,323,700 |
| Total disbursements | | <u>255,275,311</u> |
| Excess of receipts over disbursements before foreign currency adjustment | | 124,039,512 |
| Foreign currency adjustment | 2 | <u>(703,672)</u> |
| Excess of receipts over disbursements after foreign currency adjustment | | 123,335,840 |
| Fund Balance: | | |
| Beginning of period | | - |
| End of period | | <u>\$ 123,335,840</u> |
| Fund balance consists of: | | |
| Trust Fund's share of the cash and investments in the Pool | 7 | <u>\$ 123,335,840</u> |

The accompanying notes are an integral part of the Statement of Receipts, Disbursements and Fund Balance.

NOTES TO THE STATEMENT OF RECEIPTS, DISBURSEMENTS AND FUND BALANCE

December 31, 2011

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

Note 1 - Organization

The CGIAR is a global partnership, established in 1971 among organizations engaged in scientific research and other research related activities in the fields of agriculture, forestry, fisheries and natural resources and their funders, with the vision of reducing poverty and hunger, improving human health and nutrition and enhancing ecosystem resilience.

The funders include developing and industrialized country governments, foundations, and international and regional organizations. The research itself is carried out by the 15 independent member centers (CGIAR Centers) of the Consortium of International Agricultural Research Centers (Consortium), in close collaboration with hundreds of partner organizations, including national and regional research institutes, civil society organizations, academia, and the private sector.

The CGIAR Fund (Trust Fund) is a multi donor trust fund, administered by the International Bank for Reconstruction and Development (IBRD) as Trustee. The Trust Fund is governed by the Fund Council, which is a representative body of the Trust Fund donors and other stakeholders and is the decision-making body of the Trust Fund. A fund office, located within IBRD but distinct from IBRD's role as Trustee (the Fund Office), provides support to the Fund Council and liaises with other CGIAR participants.

The Trustee established the Trust Fund on December 1, 2010 (hereinafter referred to as Inception), to hold funds and then disburse them for programs and other activities approved by the Fund Council, upon appropriate disbursement requests from the Consortium, or under the instructions of the donor, as applicable. The Trustee also manages the investment of the Trust Fund's assets, and provides accounting and financial reporting services for the Trust Fund.

The Trustee has no fiduciary responsibility subsequent to transferring funds to the recipient.

The Statement of Receipts, Disbursements and Fund Balance (the Statement) reports solely upon the receipts, disbursements and fund balance of the Trust Fund, and does not include the activities or financial position of the Fund Council, the Fund Office, Consortium or any of the recipients.

Note 2 - Significant accounting policies

The Statement has been prepared on the cash receipts and disbursements basis of accounting, modified to record the Trust Fund's share of the pooled cash and investments at fair value (modified cash basis of accounting). Accordingly, net investment income includes realized and unrealized investment income/loss.

NOTES TO THE STATEMENT OF RECEIPTS, DISBURSEMENTS AND FUND BALANCE

December 31, 2011

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

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), therefore the Statement is not intended to be a presentation in conformity with U.S. GAAP or 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 this Trust Fund, certain transactions are reported in the Statement 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 contributions not credited to the Trust Fund at the period end 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 the Trustee to be ineligible in accordance with the respective donor agreement (the Agreement).

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 IBRD, the International Development Association, the International Finance Corporation, 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 Agreement. 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 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 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.

NOTES TO THE STATEMENT OF RECEIPTS, DISBURSEMENTS AND FUND BALANCE

December 31, 2011

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

This Statement is presented in U.S. dollars, which is the Trust Fund's functional and presentation currency. Transactions in currencies other than U.S. dollars are reported at the market rates of exchange in effect on the date of the transaction. At the end of each reporting period, fund balances that are not denominated in U.S. dollars are revalued at the market rate of exchange prevailing at the end of the respective reporting period. Any adjustment resulting from currency exchange rate changes is recognized as foreign currency adjustment.

The preparation of the Statement requires management to make estimates and assumptions based upon information available as of the date of the 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.

NOTES TO THE STATEMENT OF RECEIPTS, DISBURSEMENTS AND FUND BALANCE

December 31, 2011

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

Note 3 - Contributions

Contributions are received by the Trust Fund in various currencies and converted into U.S. dollars by IBRD as Trustee, upon the receipt of both the funds and the signed and countersigned contribution agreement.

The amounts committed by the donors as of December 31, 2011 and received by the Trust Fund during the period from Inception to December 31, 2011 are as follows:

| Donor | | Amounts committed | Inception to December 31, 2011 | |
|---------------------------------|-----|----------------------|-----------------------------------|----------------------------|
| | | | Amounts received | Amounts received in USD |
| United Kingdom | GBP | 55,250,000 | 55,250,000 | \$ 88,246,488 |
| United Kingdom | USD | 15,340,627 | 15,340,627 | 15,340,627 |
| IBRD | USD | 100,000,000 | 100,000,000 | 100,000,000 |
| United States | USD | 33,575,540 | 33,575,540 | 33,575,540 |
| Sweden | SEK | 226,500,000 | 226,500,000 | 33,320,417 |
| Bill & Melinda Gates Foundation | USD | 31,918,941 | 31,418,941 | 31,418,941 |
| Norway | NOK | 110,000,000 | 110,000,000 | 20,311,692 |
| Switzerland | CHF | 14,000,000 | 14,000,000 | 15,618,899 |
| Russian Federation | USD | 15,000,000 | 8,500,000 | 8,500,000 |
| Netherlands | EUR | 4,000,000 | 4,000,000 | 5,359,400 |
| Netherlands | USD | 2,500,000 | 2,500,000 | 2,500,000 |
| Australia | AUD | 6,509,880 | 6,509,880 | 6,831,794 |
| Denmark | DKK | 30,000,000 | 30,000,000 | 5,545,953 |
| Ireland | EUR | 1,752,500 | 1,752,500 | 2,602,988 |
| New Zealand | NZD | 2,500,000 | 2,500,000 | 2,054,250 |
| Italy | EUR | 1,397,205 | 1,397,205 | 1,936,360 |
| France | EUR | 1,300,000 | 1,300,000 | 1,754,160 |
| Canada | CAD | 3,000,000 | 1,500,000 | 1,487,136 |
| Luxembourg | EUR | 2,600,000 | 600,000 | 827,730 |
| Portugal | EUR | 450,000 | 450,000 | 645,813 |
| Spain | USD | 500,000 | 500,000 | 500,000 |
| Turkey | USD | 500,000 | 500,000 | 500,000 |
| Nigeria | USD | 386,397 | 171,397 | 171,397 |
| Finland | EUR | 3,000,000 | - | - |
| Morocco | USD | 500,000 | - | - |
| Korea | USD | 290,000 | - | - |
| Spain | EUR | 240,000 | - | - |
| Total | | | | \$379,049,585 |

NOTES TO THE STATEMENT OF RECEIPTS, DISBURSEMENTS AND FUND BALANCE

December 31, 2011

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

Note 4 - 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 of \$265,238 was credited to the Trust Fund during the period from Inception to December 31, 2011 based on its share of the cash and investments in the Pool.

Note 5 – Project disbursements

The Trust Fund made project disbursements totaling \$245,951,611 during the period from Inception to December 31, 2011. This amount represents payments made by IBRD as Trustee, from the Trust Fund to the CGIAR Centers as follows:

| CGIAR Center | Inception to December 31, 2011 |
|------------------------------------------------------------------|-------------------------------------------|
| International Plant Genetic Resources Institute | \$ 96,690,720 |
| International Center for Tropical Agriculture | 36,963,149 |
| International Rice Research Institute | 35,879,003 |
| International Maize and Wheat Improvement Center | 19,583,479 |
| Center for International Forestry Research | 11,789,380 |
| International Institute of Tropical Agriculture | 10,635,034 |
| International Crops Research Institute for the Semi-arid Tropics | 9,477,851 |
| International Center for Living Aquatic Resources Management | 5,234,583 |
| International Food Policy Research Institute | 5,040,475 |
| International Potato Center | 4,889,767 |
| International Livestock Research Institute | 3,290,080 |
| International Water Management Institute | 2,580,966 |
| International Center for Agricultural Research in the Dry Areas | 2,385,580 |
| International Center for Research in Agroforestry | 763,149 |
| West Africa Rice Development Association | 748,395 |
| Total | \$245,951,611 |

NOTES TO THE STATEMENT OF RECEIPTS, DISBURSEMENTS AND FUND BALANCE

December 31, 2011

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

Note 6 - Administrative budget disbursements, net

Upon approval by the Fund Council, administrative budget funds are transferred to the Trustee and the Fund Office as reimbursement for the fees, costs and expenses incurred by the Trustee and the Fund Office in connection with performing their functions on behalf of the Trust Fund under their respective terms and conditions. Transfers to the Fund Office included \$640,300 of approved budget for the Fund Council Chair. Any adjustments to the approved amount based on actual year end expenses are recorded in the Trust Fund when received. There were no adjustments recorded during the period from Inception to December 31, 2011.

The Trust Fund transferred administrative budget in the amount of \$9,323,700 during the period from Inception to December 31, 2011 as follows:

| | <u>Inception to December 31, 2011</u> |
|--------------|-------------------------------------------|
| Fund Office | \$8,440,300 |
| Trustee | 883,400 |
| Total | <u>\$9,323,700</u> |

Note 7 - 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 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 and money market securities, asset-backed

NOTES TO THE STATEMENT OF RECEIPTS, DISBURSEMENTS AND FUND BALANCE

December 31, 2011

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

securities, securities purchased under resale agreements and securities sold under repurchase agreements, and derivatives.

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

Government and agency obligations and asset-backed securities

Where available, quoted market prices are used to determine the fair value of government and agency obligations and asset-backed securities. For securities for which quoted market prices are not readily available, fair values are determined using model-based valuation techniques, either internally-generated or vendor-supplied, that include the standard discounted cash flow method using market observable inputs such as yield curves, credit spreads, prepayment speeds, foreign exchange rates, and funding spreads.

Time deposits and money market securities

Unless quoted prices are available, time deposits and money market securities are reported at face value, which approximates fair value.

Securities purchased under resale agreements and securities sold under repurchase agreements

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

Derivative contracts

Derivative contracts include currency forward contracts, currency swaps, interest rate swaps, and contracts to purchase or sell TBA securities. Derivatives are valued using model based valuation techniques which include the standard discounted cash flow method with market observable inputs such as yield curves, foreign exchange rates, basis spreads and funding spreads.

Fair Value Hierarchy

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

NOTES TO THE STATEMENT OF RECEIPTS, DISBURSEMENTS AND FUND BALANCE

December 31, 2011

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

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 December 31, 2011, the Pool does not have any financial instruments measured at fair value on a non-recurring basis.

The following tables present the Pool's fair value hierarchy for financial instruments measured at fair value on a recurring basis as of December 31, 2011. Payables and receivables associated with the investment activities and cash are not included in the fair value hierarchy tables and their carrying amounts approximate their fair values. The Trust Fund's share of the Pool's financial instruments may comprise varying proportions among the three levels.

In millions of U.S. dollars

| | Fair Value Measurement on a Recurring Basis as of December 31, 2011 | | | |
|---------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------|-----------------|----------------|-----------------|
| | Level 1 | Level 2 | Level 3 | Total |
| Government and agency obligations | \$5,268 | \$8,318 | \$ - | \$13,586 |
| Time deposits and money market securities | 849 | 7,374 | - | 8,223 |
| Asset-backed securities | - | 3,610 | 1 | 3,611 |
| Securities purchased under resale agreements and securities sold under repurchase agreements, net | - | (4) | - | (4) |
| Derivatives, net | - | 161 | - | 161 |
| Total of financial instruments in the Pool at fair value | \$6,117 | \$19,459 | \$1 | \$25,577 |

In the Pool, the carrying value of securities pledged as collateral under repurchase agreements as of December 31, 2011 was \$4 million. Under resale agreements, IBRD, on behalf of the World Bank Group, has received securities as collateral with a fair value of nil as of December 31, 2011. During the period ended December 31,

NOTES TO THE STATEMENT OF RECEIPTS, DISBURSEMENTS AND FUND BALANCE

December 31, 2011

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

2011, neither transfers between levels nor changes in the fair value of Level 3 securities were significant. Therefore, no further disclosures on these items are included.

Financial risks related to the Pool

The Trust Fund is exposed to credit risk on its share in 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 \$123,335,840 as of December 31, 2011.

NOTES TO THE STATEMENT OF RECEIPTS, DISBURSEMENTS AND FUND BALANCE

December 31, 2011

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

The following tables present investment holdings in the sub-portfolio in terms of the counterparty credit risk exposure and investment categories as of December 31, 2011:

| Counterparty credit ratings | As of December 31, 2011 |
|---------------------------------------------------------------------------------------------------|--------------------------------|
| AA or greater | 32% |
| A- or greater | 100% |
| Types of financial instruments | |
| Government and agency obligations | 13% |
| Time deposits and money market securities | 87% |
| Asset-backed securities | - |
| Securities purchased under resale agreements and securities sold under repurchase agreements, net | - |
| Derivatives, net | - |
| Total | 100% |

Note 8 - Subsequent events

Management has evaluated subsequent events through May 30, 2012, the date the Statement was available to be issued and there are no subsequent events that would require adjustment to or disclosure in this Statement.