# CLEAN TECHNOLOGY FUND

**ADMINISTERED BY THE**
**INTERNATIONAL BANK FOR RECONSTRUCTION**
**AND DEVELOPMENT**
**AS TRUSTEE**

**WORLD BANK REFERENCE**
**TF069011**

**SPECIAL PURPOSE FINANCIAL STATEMENTS**
**December 31, 2010**

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**SPECIAL PURPOSE STATEMENTS OF FINANCIAL POSITION**
*Expressed in U.S. dollars*


| | Note | December 31, 2010 | December 31, 2009 RESTATED (See Note 9) |
|---|---|---|---|
| **Assets** | | | |
| Share of cash and investments in the Pool | 5 | $ 1,821,049,035 | $ 190,527,916 |
| Contributions receivable | 3 | 402,147,737 | 688,627,459 |
| **Total assets** | | **$ 2,223,196,772** | **$ 879,155,375** |
| **Liabilities and Net Trust Fund Resources** | | | |
| **Liabilities** | | | |
| Project liabilities | 6 | $ 805,562,500 | $ 367,590,000 |
| MDB fees payable | 6 | 3,564,800 | 2,839,000 |
| Loans payable | 8 | 886,685,050 | - |
| Loan interest payable | | 572,650 | - |
| **Total liabilities** | | 1,696,385,000 | 370,429,000 |
| **Net Trust Fund Resources** | | 526,811,772 | 508,726,375 |
| **Total liabilities and Net Trust Fund Resources** | | **$ 2,223,196,772** | **$ 879,155,375** |

The Notes to the Special Purpose Financial Statements are an integral part of these statements.

## SPECIAL PURPOSE STATEMENTS OF ACTIVITIES

*Expressed in U.S. dollars*



| | Note | Year ended December 31, 2010 | February 25, 2009 (date of inception) to December 31, 2009 RESTATED (See Note 9) |
|---|---|---|---|
| **Revenues** | | | |
| Contributions | 3 | $ 300,000,000 | $ 263,048,055 |
| Transfer from other trust funds | 3 | 350,000,000 | 548,933,000 |
| Net investment income | 4 | 6,050,550 | 893,942 |
| **Total revenues** | | **656,050,550** | **812,874,997** |
| **Expenses** | | | |
| Project expense | 6 | 636,403,000 | 387,840,000 |
| MDB fees expense | 6 | 5,702,800 | 2,839,000 |
| Administrative budget expense | 7 | 8,210,249 | 6,492,481 |
| Interest expense | | 2,917,338 | - |
| **Total expenses** | | **653,233,387** | **397,171,481** |
| Foreign currency exchange gain | | 15,268,234 | 93,022,859 |
| Change in Net Trust Fund Resources | | 18,085,397 | 508,726,375 |
| Net Trust Fund Resources, beginning of the year (restated, see Note 9) | | 508,726,375 | - |
| **Net Trust Fund Resources, end of the year** | | **$ 526,811,772** | **508,726,375** |

The Notes to the Special Purpose Financial Statements are an integral part of these statements.

## SPECIAL PURPOSE STATEMENTS OF CASH FLOWS

*Expressed in U.S. dollars*



| | Year ended December 31, 2010 | February 25, 2009 (date of inception) to December 31, 2009 RESTATED (See Note 9) |
|---|---|---|
| **Cash flows from operating activities:** | | |
| Change in Net Trust Fund Resources | $ 18,085,397 | $ 508,726,375 |
| Adjustments to reconcile change in Net Trust Fund Resources to net cash provided by operating activities: | | |
| Decrease (increase) in contributions receivable | 286,479,722 | (688,627,459) |
| Increase in project liabilities | 437,972,500 | 367,590,000 |
| Increase in MDB fees payable | 725,800 | 2,839,000 |
| Increase in loan interest payable | 572,650 | - |
| (Increase) in share of cash and investments in the Pool | (1,630,521,119) | (190,527,916) |
| **Net cash provided by operating activities** | **(886,685,049)** | - |
| **Cash flows from financing activities:** | | |
| Increase in loans payable | 886,685,050 | - |
| **Net cash provided by financing activities** | **886,685,050** | - |
| **Net increase in cash and cash equivalent** | - | - |
| Cash and cash equivalents, beginning of year (restated, see Note 9) | - | - |
| **Cash and cash equivalents, end of year** | **$ -** | **$ -** |

The Notes to the Special Purpose Financial Statements are an integral part of these statements.

## Note 1 - Organization

In July 2008, the World Bank Executive Directors approved the creation of the Climate Investment Funds (CIF) Program. The CIF Program is designed to help developing countries in their efforts to mitigate rises in greenhouse gas emissions and to adapt to climate change.

The CIF Program is jointly implemented by the African Development Bank (AfDB), Asian Development Bank (ADB), European Bank for Reconstruction and Development (EBRD), Inter-American Development Bank (IADB) and, the World Bank, which for the purpose of the CIF program comprised the International Bank for Reconstruction and Development (IBRD), and the International Finance Corporation (IFC).

The CIF Program consists of two trust funds: the Clean Technology Fund (CTF), and the Strategic Climate Fund (SCF). Each of the multilateral development banks (MDBs) listed above administers funds and implements projects related to the CTF and SCF.

The CTF finances scaled-up demonstration, deployment, and transfer of low-carbon technologies for significant greenhouse gas reductions. The focus is on piloting investment in countries or regions with opportunities for large greenhouse gas abatement.

The SCF finances targeted programs in developing countries to pilot new climate or sectoral approaches with scaling-up potential.

The CTF is governed by the CTF Trust Fund Committee which oversees the operations and activities of the CTF. The CTF Trust Fund Committee is composed of contributor and recipient representatives, together with representatives from the World Bank, and other MDBs. The World Bank and MDB representatives are non-decision making members. Decisions are made by consensus of the contributor and recipient representative members of the CTF Trust Fund Committee.

In order to facilitate the collaboration, coordination and information exchange among the MDBs, a Committee comprising representatives of the MDBs, including the World Bank, was established (the MDB Committee) and is responsible for duties such as identifying specific areas in which the MDBs may harmonize their climate change programs, reviewing recommendations proposed by the Administrative Unit on program criteria for approval by the CTF Trust Fund Committee, and serving as a forum to ensure effective operational coordination among the MDBs.

Note 1 - Organization *(continued)*

The Administrative Unit supports the work of the CIF Program, including the CTF, and also supports the CTF Trust Fund Committee and other bodies of the CIF Program. The Administrative Unit is housed in the Washington, DC offices of the World Bank and comprises a team of professional and administrative staff. The Administrative Unit's responsibilities include the preparation of documentation for review by the CTF Trust Fund Committee, the formulation of recommendations on program criteria and priorities, and the preparation of the annual consolidated report on the CTF's activities, performance, status of implementation, in addition to managing relationships amongst various bodies.

IBRD serves both as a Trustee and as an Implementing Entity (IE) for the CIF Program. In its capacity as the Trustee of the CTF, IBRD established the CTF Trustee Trust Fund (the Trust Fund) on February 25, 2009 (date of inception, hereinafter referred to as "Inception"), to receive contributions from contributors. The Trust Fund holds the assets of the CTF, pursuant to the terms of the contribution agreements/arrangements entered into with the contributors. In accordance with the decisions taken by the CTF Trust Fund Committee, or the MDB Committee where relevant, and the terms of the contribution agreements/arrangements, the Trustee makes commitments and transfers the CTF resources, in the manner agreed with the MDBs. In addition, in its capacity as an IE of the CTF, IBRD has established a separate trust fund to receive funds from the CTF Trustee trust fund.

These special purpose financial statements report solely upon the activities of the CTF under administration by IBRD as Trustee. Separate financial statements are prepared for (i) the SCF trust fund under administration by IBRD as Trustee, (ii) the CTF trust fund under administration by IBRD as IE, and (iii) the SCF trust fund under administration by IBRD as IE. In addition, these special purpose financial statements do not include any activities undertaken by other MDBs as IEs to the CTF and SCF as they are reported separately.

Note 2 - Significant accounting policies

*Basis of Special Purpose Presentation* – The Trust Fund's financial statements for the period from Inception to December 31, 2009 were originally prepared under the modified cash basis of accounting. However, in order to provide more information and better reflect the operations of the Trust Fund, the financial statements for the fiscal year ended December 31, 2010 and subsequent periods are and will be prepared under the special purpose basis of accounting as defined below. The financial statements for the period from Inception to December 31, 2009 have been restated to conform with the current year presentation.

These accompanying special purpose financial statements have been prepared for the specific purpose of reflecting the sources and applications of contributions received from contributors and net Trust Fund resources, and are not intended to be a presentation in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP) or International Financial Reporting Standards (IFRS). Certain information, however, pertaining to the fair value of financial instruments held in the pooled cash and investments is presented in accordance with the relevant U.S. GAAP requirements 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 measurements 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 5 provides further details on the fair value measurement of the pooled cash and investments.

These special purpose financial statements have been prepared solely for the information and use of the CTF Trust Fund Committee, IBRD as the Trustee of the Trust Fund, and the contributors to the Trust Fund, and are not intended to be and should not be used by anyone other than these specified parties.

*Basis of Accounting* **–** The Trust Fund's special purpose financial statements are prepared on the accrual basis of accounting, with the exception of (i) Administrative budget expenses, (ii) net investment income earned by the MDBs on funds received from the CTF Trustee, and (iii) reflows and returns of CTF funds disbursed by MDBs, all of which are accounted for on a cash basis. The specific accounting policies are as described below:

Note 2 - Significant accounting policies *(continued)*

*Share of cash and investments in the Pool* – Amounts paid into the Trust Fund, but not yet disbursed, are managed by IBRD, which maintains an investment portfolio (the Pool) for all of the trust funds administered by IBRD, IFC, the International Development Association, the Multilateral Investment Guarantee Agency, and the International Centre for Settlement of Investment Disputes (collectively, the "World Bank Group"). IBRD maintains all trust fund assets separate and apart from the funds of the World Bank Group. The Pool is divided into sub-portfolios to which allocations are made based on fund specific investment horizons, risk tolerances and/or other eligibility requirements for trust funds with common characteristics as determined by IBRD in accordance with the respective trust fund agreements. Generally, the Pool is invested in cash and liquid financial instruments such as time deposits, money market instruments, 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 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, for which gains/losses are included in net investment income. The share in pooled cash and investments represents the Trust Fund's allocated share of the Pool's fair value at the end of the reporting period.

*Contributions and contributions receivable* – The Trust Fund holds all paid in contributions, and the Trustee manages them in accordance with the Contribution Agreements/Arrangements with the Contributors and based on the funding decisions made by the CTF Trust Fund Committee.

Contributors may make contributions in the form of (i) a grant contribution, (ii) a capital contribution, or (iii) with the consent of all contributors to the Trust Fund and the Trustee, a loan contribution.

A grant contribution to the CTF may be used to finance grants, concessional loans and other financial products, such as guarantees. Capital contributions to the CTF may be used to finance concessional loans and other financial products, such as guarantees, but not grants. Loan contributions to the CTF may be used to finance concessional loans and other financial products, such as guarantees, on terms no more concessional than the contributions. The term "capital contribution" defines the

Note 2 - Significant accounting policies *(continued)*

permitted use pursuant to the contribution agreements/arrangements, i.e., grant and loan contributions, and does not mean that share capital or equity instruments have been issued to contributors in return for capital contributions received.

Upon termination of the Trust Fund, any remaining unallocated funds, including related reflows and returns of other funds, and investment income, if any, held by the Trust Fund will be returned to contributors on a pro-rata basis, to be calculated using specific measurements which differ for grant contributors and capital contributors as defined in the relevant contribution agreements/arrangements.

Unconditional grant and capital contributions are recorded as revenue in the statement of activities upon execution of a contribution agreement/arrangement between a contributor and the Trustee. Contributions receivable are reported at nominal value, net of an allowance for doubtful receivables, if any. Contributions receivable are individually assessed for impairment at each date of the statement of financial position.

Loan contributions may be used to finance loans and other financial products, such as guarantees, on terms no more concessional than the terms of the loan contributions. Loan contributors provide loans to the CTF at a rate of 0.75% interest per annum, with a 20 year maturity and a 10 year grace period on principal repayment. Contributors that have made loan contributions to the Trust Fund will receive repayments based on the agreed loan terms.

*Project expense and liabilities* – The CTF Trust Fund Committee approves project funding to be disbursed by the Trust Fund to MDBs to fund CTF projects. Project expenses and liabilities to the MDBs are recognized upon the CTF Trust Fund Committee's approval, as this is when the Trust Fund becomes obligated to fund the project. Project liabilities are payable to the MDBs upon their request. Project liabilities may be denominated in either U.S. dollars or euro.

*MDB fees expense and MDB fees payable* – In accordance with financial procedures agreements between the Trustee and the MDBs, fees are paid to the MDBs to cover their expenses associated with the project cycle management of CTF projects. The Trust Fund recognizes MDB fee expenses and MDB fees payable upon approval by the CTF Trust Fund Committee. MDB fees are paid to the MDBs upon their request.

Note 2 - Significant accounting policies *(continued)*

*Administrative budget expense* – The CTF Trust Fund Committee, on an annual basis, approves the budget for administrative services to be paid by the Trust Fund. The administrative budgets primarily cover the costs incurred by the Trustee, the Administrative Unit and the MDBs for the performance of their administrative services and other activities in support of the CTF. Once approved, administrative budget amounts pertaining to the Trustee, the Administrative Unit and the MDBs are paid upon their request. The administrative budget is recorded as an expense of the Trust Fund when cash is transferred.

*Net investment income earned by the MDBs on CTF funds* – In accordance with financial procedures agreements between the Trustee and the respective MDBs, net investment income earned on undisbursed CTF funds held by the MDBs shall be returned to the Trustee TF upon the Trustee's request. This investment income is included in net investment income on a cash basis when it is received from the MDBs. Investment income earned on undisbursed CTF funds held by the World Bank is recognized directly in the Trust Fund.

*Returns/reflows of CTF funds disbursed by MDBs* – In accordance with financial procedure agreements between the Trustee and the MDBs, payments of principal, interest or other reflows of funds from CTF loans and other financial products are reported and remitted by the MDB to the Trustee. These amounts are reflected in the Trust Fund on a cash basis when they are received from the MDBs.

*Translation of currencies* – The Trust Fund financial statements are presented in U.S. dollars, which is the Trust Fund's functional and presentation currency. Transactions in currencies other than the U.S. dollar are reported at the market rates of exchange in effect on the date of the transaction. At the end of each reporting period, assets and liabilities that are not denominated in U.S. dollars are revalued at the market rate of exchange prevailing at the end of the respective reporting period. Any adjustment resulting from currency exchange rate changes is recognized as foreign currency exchange gain/loss.

*Use of estimates* – The preparation of the special purpose financial statements requires management to make estimates and assumptions based upon information available as at the date of the special purpose financial statements. Actual results could differ from these estimates.

Note 3 – Contributions, contributions receivable and transfers from other trust funds

The amounts pledged by contributors and received by the Trust Fund for the period from Inception to December 31, 2010, are as follows:

| Contributors | Type | Currency | Pledged Amounts | Paid in Cash | Contributions Receivable |
|---|---|---|---|---|---|
| Australia | Grant | Australian dollars | 100,000,000 | 100,000,000 | - |
| France | Loan | Euro | 203,000,000 | 203,000,000 | - |
| Germany | Loan | U.S. dollars | 615,000,000 | 615,000,000 | - |
| Japan | Grant | Japanese Yen | 32,429,250,000 | 27,796,500,000 | 4,632,750,000 |
| Spain | Capital | Euro | 80,000,000 | 50,000,000 | 30,000,000 |
| Sweden | Grant | Swedish kronor | 600,000,000 | 500,000,000 | 100,000,000 |
| United Kingdom | Capital | Pounds sterling | 385,000,000 | 198,150,000 | 186,850,000 |
| United States | Grant | U.S. dollars | 300,000,000 | 300,000,000 | - |

The contribution of £385,000,000 made by the United Kingdom was received as a transfer from the SCF to the CTF pursuant to the contribution agreement between the IBRD as Trustee to the SCF and the CTF and the United Kingdom of Great Britain and Northern Ireland, which authorized the transfer to the CTF.

The contribution of ¥32,429,250,000 made by Japan was received as a transfer from the SCF to the CTF pursuant to the contribution agreement between the IBRD as Trustee to the SCF and the CTF and the Government of Japan, which authorized the transfer to the CTF.

Grant and capital contributions and contributions receivables, in U.S. dollar equivalent, are presented below. The loan contributions summary is in Note 8.

| Contributing Participants | Contributions for the year ended December 31, 2010 | Contributions from Inception to December 31, 2009 (restated, see Note 9) | Contributions Receivable at December 31, 2010 | Contributions Receivable at December 31, 2009 (restated, see Note 9) |
|---|---|---|---|---|
| Australia | $ - | $ 80,430,000 | $ - | $ 44,975,000 |
| Japan | 350,000,000 | - | 56,944,871 | - |
| Spain | - | 112,588,000 | 40,150,500 | 71,990,000 |
| Sweden | - | 70,030,055 | 14,911,686 | 42,102,309 |
| United Kingdom | - | 548,933,000 | 290,140,680 | 529,560,150 |
| United States | 300,000,000 | - | - | - |
| **Total Contributions/Receivables** | $ 650,000,000 | $ 811,981,055 | $ 402,147,737 | $ 688,627,459 |

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 $6,050,550 and $893,942 was credited to the Trust Fund during the fiscal years ended December 31, 2010 and from Inception to December 31, 2009 respectively, based on its share of the cash and investment in the Pool.

Note 5 - 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 traded and are reported at fair value. All investment decisions are made and performance monitored at the Pool level. The disclosure on fair value measurement and fair value hierarchy is therefore at the Pool level. The cash and investments in the Pool are disclosed in the special purpose financial statement at the Pool level.

***Fair Value Measurements***

IBRD has an established and documented process for determining fair values. Fair value is based upon quoted market prices for the same or similar securities, where available. Financial instruments for which quoted market prices are not readily available are valued based on discounted cash flow models. These models primarily use market-based or independently-sourced market parameters such as yield curves, interest rates, volatilities, foreign exchange rates and credit curves and may incorporate unobservable inputs. Selection of these inputs 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.

Note 5 - Fair value of financial instruments (continued)

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. When 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*

Time deposits and money market securities, unless quoted prices are available, 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 mortgage-backed securities TBAs. 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.

***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.

Note 5 - Fair value of financial instruments (continued)

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 December 31, 2010 and December 31, 2009, the Pool does not have any financial instruments measured at fair value on a non-recurring basis.

The following tables present the Pool's fair value hierarchy for financial instruments measured at fair value on a recurring basis as of December 31, 2010 and December 31, 2009. Payables and receivables associated with the investment activities and cash are not included in the fair value hierarchy table and their carrying amounts approximate their fair values. The Trust Fund's share of the Pool's financial instruments may hold varying proportions among the three levels.

*In millions of U.S. dollars*

| | *Fair Value Measurements on a Recurring Basis as of December 31, 2010* | | | |
|---|---|---|---|---|
| | *Level 1* | *Level 2* | *Level 3* | *Total* |
| Government and agency obligations | $ 4,271 | $ 7,706 | $ - | $ 11,977 |
| Time deposits and money market securities | 525 | 9,245 | - | 9,770 |
| Asset-backed securities | - | 3,035 | 8 | 3,043 |
| Securities purchased under resale agreements and securities sold under repurchase agreements | (115) | (52) | - | (167) |
| Derivatives, net | - | (128) | - | (128) |
| **Total of financial instruments in the Pool at fair value** | $ 4,681 | $ 19,86 | $ 8 | $ 24,495 |

Note 5 - Fair value of financial instruments (continued)

*In millions of U.S. dollars*

| | Fair Value Measurements on a Recurring Basis as of December 31, 2009 | | | |
|---|---|---|---|---|
| | *Level 1* | *Level 2* | *Level 3* | *Total* |
| Government and agency obligations | $ 4,586 | $ 6,040 | $ - | $ 10,626 |
| Time deposits and money market securities | 591 | 6,941 | - | 7,532 |
| Asset-backed securities [1] | - | 3,398 | 86 | 3,484 |
| Securities purchased under resale agreements and securities sold under repurchase agreements, net | (212) | - | - | (212) |
| Derivatives, net | - | 58 | - | 58 |
| **Total of financial instruments in the Pool at fair value** | $ 4,965 | $ 16,437 | $ 86 | $ 21,488 |

[1]Certain reclassifications of the prior year's information have been made to conform to the current year's presentation. Specifically, purchases and sales of mortgage-backed securities TBAs have been reclassified out of asset-backed securities into derivatives as well as payables and receivables in the Pool. The effect of the TBAs reclassification were a $331 million decrease in asset-backed securities, a $5 million decrease in derivatives, net, and a $336 million increase 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 December 31, 2009.

In the Pool, the carrying value of securities pledged as collateral under repurchases agreements as of December 31, 2010 and December 31, 2009, was $317 million and $212 million, respectively. Under resale agreements, IBRD received securities as collateral with a fair value of $150 million as of December 31, 2010, and nil as of December 31, 2009. During the fiscal years ended December 31, 2010 and December 31, 2009, neither transfers between levels nor securities in Level 3 were significant. Therefore, no further disclosures on them are included.

*Financial risks related to the Pool*

The Trust Fund is exposed to credit risk on its share in the cash and investments in the Pool. The Trustee limits investments to those with minimum credit ratings in the U.S. markets or equivalent as follows:

- Time deposits and money market securities - issued or guaranteed by financial institutions whose senior debt securities are rated at least A-.
- 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-.

Note 5 - Fair value of financial instruments (continued)

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

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

The Trust Fund's share of the cash and investments in the Pool, which was allocated based on the specific investment horizons, risk tolerances and other eligibility requirements pursuant to the agreements, has a fair value of $1,821,049,035 and $190,527,916 as of December 31, 2010 and December 31, 2009, respectively.

As of December 31, 2010, the Trust Fund's share in the Pool is invested in a sub-portfolio, of which approximately 67% (49% as of December 31, 2009) of the securities are rated at least AA and 100% (97% as of December 31, 2009) of the securities are rated at least A+. As of December 31, 2010, this Pool sub-portfolio is invested in the following types of instruments: 42% (56% as of December 31, 2009) in time deposits and money market securities, 47% (44% as of December 31, 2009) in government and agency obligations, and 11% (nil as of December 31, 2009) in asset-backed securities.

Note 6 – Project expense and project liabilities, and MDB fees expense and MDB fees payable

Project expense and liabilities and MDB fees expense and payable are as follows:

*Expressed in U.S. dollars*

| | | For the year ended December 31, 2010 | | Inception to December 31, 2009 (restated, See Note 9) |
|---|---|---|---|---|
| **Project expense** | | | | |
| AfDB | $ | 50,075,000 | $ | - |
| EBRD | | 77,353,000 | | - |
| IADB | | 5,930,000 | | 51,540,000 |
| IBRD/IE | | 325,000,000 | | 300,000,000 |
| IFC | | 178,045,000 | | 36,300,000 |
| **Total** | $ | **636,403,000** | $ | **387,840,000** |
| | | | | |
| **MDB fees expense** | | | | |
| AfDB | $ | 975,000 | $ | - |
| EBRD | | 1,202,800 | | - |
| IADB | | 180,000 | | 1,837,000 |
| IFC | | 3,345,000 | | 1,002,000 |
| **Total** | $ | **5,702,800** | $ | **2,839,000** |

Note 6 – Project expense and project liabilities, and MDB fees expense and MDB fees payable *(continued)*

*Expressed in U.S. dollars*

| | | As of December 31, 2010 | | As as December 31, 2009 (restated, see Note 9) |
|---|---|---|---|---|
| **Project liabilities** | | | | |
| AfDB | $ | 50,075,000 | $ | - |
| EBRD | | 33,767,000 | | - |
| IADB | | 27,275,500 | | 51,540,000 |
| IBRD/IE | | 516,000,000 | | 279,750,000 |
| IFC | | 178,445,000 | | 36,300,000 |
| **Total** | $ | **805,562,500** | **$** | **367,590,000** |
| | | | | |
| **MDB fees payable** | | | | |
| AfDB | $ | 975,000 | $ | - |
| EBRD | | 352,800 | | - |
| IADB | | 1,517,000 | | 1,837,000 |
| IFC | | 720,000 | | 1,002,000 |
| **Total** | $ | **3,564,800** | $ | **2,839,000** |

Note 7 – Administrative budget expense

Administrative budget expenses are as follows:

*Expressed in U.S. dollars*

| **Administrative budget expense** | | **For the year ended December 31, 2010** | | **Inception to December 31, 2009 (restated, See Note 9)** |
|---|---|---|---|---|
| ADB | $ | 627,066 | $ | - |
| EBRD | | 1,161,545 | | - |
| IADB | | 829,067 | | - |
| IBRD/IE | | 457,831 | | 1,812,021 |
| IFC | | 1,848,522 | | - |
| IBRD/Trustee | | 996,676 | | 1,676,844 |
| IBRD/Administrative Unit | | 2,289,542 | | 3,003,616 |
| **Total** | $ | **8,210,249** | $ | **6,492,481** |

Note 8 – Loan Contributions

CTF has received funds in the form of loans from Contributors during the year ended December 31, 2010 as summarized below. The interest rate on the loans is three-fourths of one percent (3/4%) per annum and is payable semi-annually. Principal repayment at a rate of 5% of the loan amount will be made semi-annually for ten years after a ten year grace period.

| Donor | Date received | Currency | Amount | | U.S. dollar equivalent |
|---|---|---|---|---|---|
| Germany | 6/1/2010 | U.S. dollar | 615,000,000 | $ | 615,000,000 |
| France | 12/1/2010 | Euro | 203,000,000 | | 271,685,050 |
| **Total** | | | | $ | 886,685,050 |

Note 9 – Reporting basis

As described in Note 2, during the fiscal year ended December 31, 2010, the Trustee recommended to the CTF Trust Fund Committee that the December 31, 2010 statements be converted to the special purpose basis of accounting. This recommendation was approved by the CTF Trust Fund Committee.

In addition, the statement of receipts, disbursements and fund balance for the period from Inception to December 31, 2009 was previously prepared under a modified cash basis of accounting (2009 modified cash basis statement); due primarily to the fact that few transactions had taken place.

In order to conform to the current year presentation, the balances and activity for the period from Inception to December 31, 2009 have been restated to reflect the special purpose basis of accounting, as described in Note 2.

Note 10 – Subsequent Events

Management has evaluated subsequent events through September 28, 2011. There were no subsequent events that required adjustment or disclosure.