



June 30, 2013

Global Agriculture and Food Security Program (GAFSP)

Administered by the International Bank for Reconstruction and Development as Trustee

World Bank Reference: TF069015

**Independent Auditors' Report and Statements of Receipts,
Disbursements and Fund Balance**

The World Bank Group

Trust Funds Division, Client Services Department
Controller's Vice Presidency

www.worldbank.org



KPMG LLP
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Independent Auditors' Report

International Bank for Reconstruction and Development
as Trustee of the Global Agriculture and Food Security Program– TF069015

We have audited the accompanying statement of receipts, disbursements and fund balance (the Statement) of the Global Agriculture and Food Security Program – TF069015 (the Trust Fund) under administration by the International Bank for Reconstruction and Development (the Trustee) for the period April 21, 2010 (date of inception) to June 30, 2013, and the related notes to the Statement.

Management's Responsibility for the Statement

Management is responsible for the preparation and fair presentation of the Statement in accordance with the modified cash basis of accounting described in Note 2; this includes determining that the modified cash basis of accounting is an acceptable basis for the preparation of the Statement in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the Statement that is free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the Statement. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the Statement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the Statement in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the Statement.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the Statement referred to above presents fairly, in all material respects, the receipts, disbursements and fund balance of the Trust Fund for the period April 21, 2010 to June 30, 2013, in accordance with the modified cash basis of accounting described in Note 2.



Basis of Accounting

We draw attention to Note 2 to the Statement, which describes the basis of accounting. The Statement is prepared on the modified cash basis of accounting, which is a basis of accounting other than U.S. generally accepted accounting principles or International Financial Reporting Standards. Our opinion is not modified with respect to this matter.

KPMG LLP

Washington, DC
October 31, 2013

STATEMENT OF RECEIPTS, DISBURSEMENTS AND FUND BALANCE

Expressed in U.S. dollars

	Note	April 21, 2010 (date of inception) to June 30, 2013
Contributions	3	
Australia		\$ 98,382,550
Bill and Melinda Gates Foundation		60,000,000
Canada		201,527,776
Ireland		632,850
Republic of Korea		53,852,014
Spain		94,199,000
United Kingdom		20,068,750
United States		444,165,490
Total contributions		972,828,430
Net investment income	4	4,148,288
Total receipts		976,976,718
Project disbursements	6	175,822,303
Project supervision fees	7	31,163,124
Administrative budget disbursements, net	8	9,500,474
Total disbursements		216,485,901
Excess of receipts over disbursements		760,490,817
Fund balance:		
Beginning of period		-
End of period		\$ 760,490,817
Fund balance consists of:		
Trust Fund's share of the cash and investments in the Pool	5	\$ 760,490,817

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

NOTES TO THE STATEMENT OF RECEIPTS, DISBURSEMENTS AND FUND BALANCE

June 30, 2013

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

Note 1 - Organization

The Global Agriculture and Food Security Program (GAFSP) was established as a mechanism to manage the G-20's increased support to agriculture and food security following pledges made by the G8+ at L'Aquila, Italy in July 2009, and in response to the explicit request from the G20 in Pittsburgh, PA in September 2009. GAFSP aims to improve the income and food security of poor people in developing countries through improved public and private sector investment in agriculture and rural sectors that is country owned and led; by filling existing financing gaps in ongoing bilateral and multilateral assistance.

GAFSP operates through two windows: the public sector window and the private sector window. The public sector window focuses on supporting proposals designed and led by recipient countries to increase agricultural productivity, food security, and income. The private sector window provides long and short term loans, credit guarantees, and equity to support private sector activities to improve agricultural development and food security.

A multi donor trust fund (the Trust Fund) funded by several donors (Donors) was established on April 21, 2010 (date of inception, herein after referred to as 'Inception') for the activities of the public sector window to be administered by the International Bank for Reconstruction and Development (IBRD) as Trustee. The activities of the private sector window are managed by the International Finance Corporation (IFC) and do not form part of the Trust Fund.

The Trust Fund is under the authority and oversight of an external steering committee (Steering Committee) that oversees the operations and activities of the GAFSP and acts as the decision-making body of the GAFSP. The Steering Committee is advised by an external Technical Advisory Committee (TAC) which provides technical inputs for decisions to be taken by the Steering Committee. Further, a Coordinating Unit (CU) located within the Agriculture and Rural Development Department of IBRD, but distinct from IBRD's role as Trustee, has been established to support the work of the Steering Committee and the TAC.

The Trust Fund's activities are executed by several supervising entities (the Entities), selected by the Steering Committee (refer to Note 6, for the listing of the Entities). In addition to its role as Trustee, IBRD acts as one of the Entities. The Trust Fund holds funds and then disburses them to the Entities for executing the projects as instructed by the Steering Committee. The Trustee also manages the investments of the Trust Fund balances and provides accounting and financial reporting services for the Trust Fund.

NOTES TO THE STATEMENT OF RECEIPTS, DISBURSEMENTS AND FUND BALANCE

June 30, 2013

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

This Statement of Receipts, Disbursements and Fund Balance (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 Steering Committee, TAC, CU or the Entities.

In accordance with the donor agreements (the Agreements), the Trust Fund requires an audit at the end of every fiscal year. However, due to limited financial activity during the fiscal years ended June 30, 2010, 2011, and 2012, the Steering Committee, with the consent of the Donors waived the audit requirements for those years. The current Statement is therefore prepared for the period from Inception to June 30, 2013.

Note 2 - Significant accounting policies

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

This Statement is presented in U.S. dollars, which is the Trust Fund's functional and presentation currency.

The modified cash basis of accounting is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America (U.S. GAAP) or International Financial Reporting Standards (IFRS); 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 and in Note 4, 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. For example, the following transactions may be incurred in a different period than reported: (1) contributions not credited to the Trust Fund at the period end date due to timing or other reasons, (2) repostings of disbursements in the ordinary course of business, as deemed necessary, and (3) any refunds of previous disbursements deemed by the Trustee, to be ineligible in accordance with the Agreements.

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

NOTES TO THE STATEMENT OF RECEIPTS, DISBURSEMENTS AND FUND BALANCE

June 30, 2013

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

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. An individual sub-portfolio may hold all or a portion of the types of financial 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. 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 may also include securities pledged as collateral under repurchase agreements as well as derivatives with other counterparties. The Pool may also include securities receivable from resale agreements as well as derivatives for which it has accepted collateral.

The Pool is a trading portfolio and is reported at fair value, with realized and unrealized 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.

The fund balance as of the period end is denominated in U.S. dollars. As such, there is no foreign currency translation gain or loss recorded in the Trust Fund related to the fund balance.

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

NOTES TO THE STATEMENT OF RECEIPTS, DISBURSEMENTS AND FUND BALANCE

June 30, 2013

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

Note 3 - Contributions

Contributions received by the Trust Fund in various currencies are converted into U.S. dollars by IBRD, as Trustee, upon receipt of funds and receipt of the countersigned administration agreements. Foreign currency transaction gains or losses, if any, on conversion of the contributions are borne by the Trust Fund and are reported in contributions.

The amounts committed by the Donors and received by the Trust Fund for the period from Inception to June 30, 2013, are as follows:

Donor	Amounts Committed	April 21, 2010 (Inception) to June 30, 2013		
		Amounts received	Amounts in US\$	
Australia	A\$ 100,000,000	A\$ 100,000,000	\$ 98,382,550	
Bill and Melinda Gates Foundation	US\$ 60,000,000	US\$ 60,000,000	60,000,000	
Canada	Can\$ 205,000,000	Can\$ 205,000,000	201,527,776	
Ireland	€ 500,000	€ 500,000	632,850	
Korea, Republic of	₩ 57,414,400,000	US\$ 53,852,014 *	53,852,014	
Spain	€ 70,000,000	€ 70,000,000	94,199,000	
United Kingdom	£ 12,500,000	£ 12,500,000	20,068,750	
United States	US\$ 444,165,490	US\$ 444,165,490	444,165,490	
Total			\$972,828,430	

* represents US\$ equivalent of ₩ 57,414,400,000.

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.

Note 5 - 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 of the Trust Fund's share of the cash and investments in the Pool at the end of the reporting period is also disclosed.

NOTES TO THE STATEMENT OF RECEIPTS, DISBURSEMENTS AND FUND BALANCE

June 30, 2013

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

Fair value measurements

IBRD, on behalf of the World Bank Group, has an established and documented process for determining fair value. Fair value is based upon quoted market prices for the same or similar securities, where available. Financial instruments for which quoted market prices are not readily available are valued based on discounted cash flow models. These models primarily use market-based or independently-sourced market parameters such as yield curves, interest rates, volatilities, foreign exchange rates and credit curves, and may incorporate unobservable inputs. Selection of these inputs involves judgment. The Pool may include financial instruments such as government and agency obligations, time deposits, money market securities, asset-backed securities, securities purchased under resale agreements and securities sold under repurchase agreements, and derivatives.

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

Government and agency obligations and asset-backed securities

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

Time deposits and money market securities

Time deposits and money market securities are of a short term nature and unless quoted prices are available, they 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 of a short term nature and 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.

NOTES TO THE STATEMENT OF RECEIPTS, DISBURSEMENTS AND FUND BALANCE

June 30, 2013

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

Fair value hierarchy

Financial instruments representing the pooled investments for all of the trust funds administered by the World Bank Group are recorded at fair value on a recurring basis 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 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).

The following table presents the Pool's fair value hierarchy for financial instruments measured at fair value on a recurring basis as of June 30, 2013. Payables and receivables associated with the investment activities and cash are not included in the fair value hierarchy table as 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 as of June 30, 2013			
	Level 1	Level 2	Level 3	Total
Government and agency obligations	\$5,257	\$ 9,457	\$ -	\$14,714
Time deposits and money market securities	905	6,204	-	7,109
Asset-backed securities	-	2,829	-	2,829
Securities purchased under resale agreements and securities sold under repurchase agreements, net	80	(46)	-	34
Derivatives, net	-	59	-	59
Total of financial instruments in the Pool at fair value	\$6,242	\$18,503	\$ -	\$24,745

NOTES TO THE STATEMENT OF RECEIPTS, DISBURSEMENTS AND FUND BALANCE

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

During the period from Inception to June 30, 2013, neither transfers between any levels nor changes in the fair value of Level 3 securities were significant; therefore, no further disclosures on these items are included.

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 at the time of purchase 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. Obligations issued by an agency or instrumentality of a government, a multilateral organization or any other official entity require a minimum credit rating of AA-;
- Time deposits and money market securities - issued or guaranteed by financial institutions whose senior debt securities are rated at least A-;
- Asset-backed securities - minimum rating must be AAA; and
- Derivatives - counterparties must have a minimum rating of A-.

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

Under resale agreements, IBRD, on behalf of the World Bank Group, has received securities as collateral with a fair value of \$80 million as of June 30, 2013, and is permitted to sell or repledge these securities. No securities have been sold or repledged as of June 30, 2013. As of June 30, 2013, the carrying amount of securities pledged as collateral under repurchase agreements was \$46 million.

NOTES TO THE STATEMENT OF RECEIPTS, DISBURSEMENTS AND FUND BALANCE

June 30, 2013

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

The following is a summary of the collateral received/paid by IBRD, on behalf of the World Bank Group, in relation to derivatives as of June 30, 2013.

In millions of U.S. dollars

	As of June 30, 2013
Collateral received at fair value	\$13
Collateral permitted to be repledge	13
of which, amount of collateral repledged	-
Collateral paid at carrying value	8

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 \$760,490,817 as of June 30, 2013.

The following table presents investment holdings in the sub-portfolio in terms of the counterparty credit risk exposure and investment categories as of June 30, 2013.

Counterparty credit ratings	As of June 30, 2013
AA or greater	16%
A- or greater	100%
Types of financial instruments	
Government and agency obligations	1%
Time deposits and money market securities	97%
Securities purchased under resale agreements and securities sold under repurchase agreements, net	2%
Total	100%

NOTES TO THE STATEMENT OF RECEIPTS, DISBURSEMENTS AND FUND BALANCE

June 30, 2013

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

Note 6 - Project disbursements

Project disbursements represent transfers made by IBRD as Trustee, from the Trust Fund to the Entities, for projects/programs/activities, upon approval by the Steering Committee. The transfers made to the Entities for the period from Inception to June 30, 2013, are as follows:

Entities	April 21, 2010 (Inception) to June 30, 2013
Asian Development Bank	\$ 16,160,000
African Development Bank Group	14,000,000
Food and Agriculture Organization of the United Nations	4,082,303
IBRD	116,080,000
International Fund for Agricultural Development	25,000,000
Inter-American Development Bank	500,000
Total	<u>\$175,822,303</u>

Note 7 - Project management fees

Project management fees represents transfers made by IBRD as Trustee, from the Trust Fund to the Entities, for administrative and other costs, including but not limited to, cost of project preparation, project supervision, preparation of reports, incurred by the Entities in connection with management of the projects, upon approval by the Steering Committee. The approved amounts can be requested by the Entities at any time during the phase of the projects/programs/activities. The transfers made to the Entities for the period from Inception to June 30, 2013, are as follows:

Entities	April 21, 2010 (Inception) to June 30, 2013
Asian Development Bank	\$ 684,622
African Development Bank Group	8,879,086
Food and Agriculture Organization of the United Nations	333,866
IBRD	15,156,722
International Fund for Agricultural Development	4,915,000
Inter-American Development Bank	1,193,828
Total	<u>\$31,163,124</u>

NOTES TO THE STATEMENT OF RECEIPTS, DISBURSEMENTS AND FUND BALANCE

June 30, 2013

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

Note 8 - Administrative budget disbursements, net

Upon approval by the Steering Committee, the Trust Fund transfers administrative budget to the CU, TAC, and the Trustee, towards fees and expenses incurred in connection with administrative services and other activities performed in support of the Trust Fund. The unspent funds, if any, are returned to the Trust Fund, and are recorded in the Trust Fund upon receipt. The administrative budget disbursements, net transferred for the period from Inception to June 30, 2013, is as follows:

	<u>April 21, 2010 (Inception) to June 30, 2013</u>
CU	\$5,536,263
TAC	2,620,211
Trustee	<u>1,344,000</u>
Total	<u><u>\$9,500,474</u></u>

Note 9 - Subsequent events

Management has evaluated subsequent events through October 31, 2013, 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.