

**STRATEGIC CLIMATE FUND**  
**ADMINISTERED BY THE**  
**INTERNATIONAL BANK FOR RECONSTRUCTION**  
**AND DEVELOPMENT**  
**AS TRUSTEE**  
**WORLD BANK REFERENCE**  
**TF069012**  
**SPECIAL PURPOSE FINANCIAL STATEMENTS**  
**December 31, 2010**

**THE WORLD BANK GROUP**  
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Controller's Vice Presidency  
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**STRATEGIC CLIMATE FUND****Administered by the International Bank for Reconstruction and Development as Trustee****STATEMENTS OF FINANCIAL POSITION***Expressed in U.S. dollars***Page 1**

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			December 31, 2009 RESTATED (see Note 10)
	Notes	December 31, 2010	
<b>Assets</b>			
Share of cash and investments in the Pool	6	\$ 530,123,598	\$ 161,636,371
Contributions receivable	3	970,445,022	899,586,666
Promissory notes receivable	4	905,440,260	338,303,105
<b>Total assets</b>		<b>\$ 2,406,008,880</b>	<b>\$ 1,399,526,142</b>
<b>Liabilities and Net Trust Fund Resources</b>			
<b>Liabilities</b>			
Project liabilities	7	\$ 982,000	\$ -
Liability to other trust funds	8	419,290,751	610,532,650
Provisionally allocated contributions	8	911,117,940	202,431,250
<b>Total liabilities</b>		<b>1,331,390,691</b>	<b>812,963,900</b>
<b>Net Trust Fund Resources</b>		<b>1,074,618,189</b>	<b>586,562,242</b>
<b>Total Liabilities and Net Trust Fund Resources</b>		<b>\$ 2,406,008,880</b>	<b>\$ 1,399,526,142</b>

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

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**STRATEGIC CLIMATE FUND****Administered by the International Bank for Reconstruction and Development as Trustee****STATEMENTS OF ACTIVITIES***Expressed in U.S. dollars***Page 2**

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		Year ended December 31, 2010	March 2, 2009 (date of inception) to December 31, 2009 RESTATED (see Note 10)
	Notes		
<b>Revenues</b>			
Contributions	3	\$ 527,648,416	\$ 544,136,815
Net investment income	5	2,742,261	1,199,337
<b>Total revenues</b>		<b>\$ 530,390,677</b>	<b>\$ 545,336,152</b>
<b>Expenses</b>			
Project expense	7	12,320,440	-
Administrative budget expense	9	15,135,636	6,301,035
<b>Total expenses</b>		<b>\$ 27,456,076</b>	<b>\$ 6,301,035</b>
Foreign currency exchange (loss)/gain		(14,878,654)	47,527,125
Change in Net Trust Fund Resources		488,055,947	586,562,242
Net Trust Fund Resources, beginning of the year (restated, see Note 10)		586,562,242	-
<b>Net Trust Fund Resources, end of the year</b>		<b>\$ 1,074,618,189</b>	<b>\$ 586,562,242</b>

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

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**STRATEGIC CLIMATE FUND****Administered by the International Bank for Reconstruction and Development as Trustee****STATEMENTS OF CASH FLOW***Expressed in U.S. dollars***Page 3**

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	Year ended December 31, 2010	March 2, 2009 (date of inception) to December 31, 2009 RESTATED (see Note 10)
<b>Cash flows from operating activities:</b>		
Net increase in trust fund resources	\$ 488,055,947	\$ 586,562,242
Adjustments to reconcile change in net assets to net cash used in operating activities:		
(Increase) in contribution receivable	(70,858,356)	(899,586,666)
(Increase) in promissory notes receivable	(567,137,155)	(338,303,105)
Increase in project liability	982,000	-
(Decrease)/Increase in liabilities to other trust funds	(191,241,899)	610,532,650
Increase in provisionally allocated contributions	708,686,690	202,431,250
(Increase) in share of cash and investments in the Pool	(368,487,227)	(161,636,371)
<b>Net cash used in operating activities</b>	<b>(488,055,947)</b>	<b>(586,562,242)</b>
<b>Net increase in cash and cash equivalent</b>		
Cash and cash equivalent, beginning of the year (restated, see Note 10)	-	-
<b>Cash and cash equivalent, end of the year</b>	<b>\$ -</b>	<b>\$ -</b>

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



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**STRATEGIC CLIMATE FUND**

**Administered by the International Bank for Reconstruction and Development as Trustee**

**Notes to the Special Purpose Financial Statements**

**December 31, 2010 and December 31, 2009 (restated, see Note 10)**

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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 provide interim scaled-up funding 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 (IDB) and, the World Bank, which for purposes 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 Strategic Climate Fund (SCF) and the Clean Technology Fund (CTF). Each of the multilateral development banks (MDBs) listed above administers funds and implements projects related to the SCF and CTF.

The SCF finances targeted programs in developing countries to pilot new climate or sectoral approaches with scaling-up potential. Three programs have been established under the SCF: the Pilot Program for Climate Resilience (PPCR), the Forest Investment Program (FIP), and the Program on Scaling-Up Renewable Energy in Low Income Countries (SREP).

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

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**STRATEGIC CLIMATE FUND****Administered by the International Bank for Reconstruction and Development as Trustee****Notes to the Special Purpose Financial Statements****December 31, 2010 and December 31, 2009 (restated, see Note 10)****Page 5**

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Note 1 – Organization (continued)

SCF Sub-Committees for the three programs have been established by the SCF Trust Fund Committee. Each SCF Sub-Committee is responsible for duties such as approving programming priorities, operational criteria and financing modalities for the SCF Programs, securing SCF Program financing for programs and projects, and preparing periodic reports to the SCF Trust Fund Committee on the operations of the SCF Programs.

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 SCF Trust Fund Committee or SCF Sub-Committees, and serving as a forum to ensure effective operational coordination among the MDBs.

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

IBRD serves both as Trustee and as an Implementing Entity (IE) for the CIF Program. In its capacity as the Trustee, IBRD established the SCF Trustee trust fund (the Trust Fund) on March 2, 2009 (date of inception hereinafter referred to as Inception), to receive contributions from contributors. The Trust Fund holds the assets of the SCF, pursuant to the terms of the contribution agreements/arrangements entered into with the contributors. In accordance with the decisions taken by the SCF Trust Fund Committees, the SCF Sub-Committees, or the MDB Committee where relevant, and terms of contribution agreements/arrangements, the Trustee makes commitments and transfers of the SCF resources, in the manner agreed with the MDBs. In addition, in its capacity as an IE of the SCF, IBRD has established separate trust funds to receive funds from the SCF Trustee trust fund.



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**STRATEGIC CLIMATE FUND****Administered by the International Bank for Reconstruction and Development as Trustee****Notes to the Special Purpose Financial Statements****December 31, 2010 and December 31, 2009 (restated, see Note 10)****Page 6**

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Note 1 – Organization (continued)

These special purpose financial statements report solely upon the activities of the Trust Fund. Separate financial statements are prepared for (i) the CTF trust fund under administration by IBRD as Trustee, (ii) the SCF trust fund under administration by IBRD as IE, and (iii) the CTF 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 SCF as they are reported separately.

Note 2 - Significant accounting policies

*Basis of Special Purpose Presentation* – The Trust Fund’s financial statements for the fiscal period from Inception to December 31, 2009 were originally prepared under the modified cash basis of accounting (see Note 10). However, in order to provide more information and better reflect the operations of the Trust Fund, these 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 statement for the period from Inception to December 31, 2009 has been restated to conform to the current year’s 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. 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 6 provides further details on the fair value measurement of the pooled cash and investments.

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**STRATEGIC CLIMATE FUND****Administered by the International Bank for Reconstruction and Development as Trustee****Notes to the Special Purpose Financial Statements****December 31, 2010 and December 31, 2009 (restated, see Note 10)****Page 7**

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Note 2 - Significant accounting policies (continued)

These special purpose financial statements have been prepared solely for the information and use of the SCF 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 expense, (ii) net investment income earned by the MDBs on the funds received from the SCF Trustee, and (iii) reflows and returns from MDBs of unused SCF funds, all of which are accounted for on a cash basis. The specific accounting policies are as described below.

*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.

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 allocated share of the Pool’s fair value at the end of the reporting period.



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**STRATEGIC CLIMATE FUND****Administered by the International Bank for Reconstruction and Development as Trustee****Notes to the Special Purpose Financial Statements****December 31, 2010 and December 31, 2009 (restated, see Note 10)****Page 8**

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Note 2 - Significant accounting policies (continued)

*Contributions, contributions receivable and promissory note receivable* – The Trust Fund accepts contributions in accordance with the SCF standard provisions and the agreements/arrangements entered into between the Trustee and the contributors. Pursuant to the contribution agreements/arrangements, when making a contribution to the SCF, the contributor may allocate its contribution into any of three categories. The categories and accounting treatments under special purpose basis of accounting are described below:

- 1) *Contributions allocated to the SCF:* upon effectiveness of the contribution agreements/arrangements, contributions are recorded as revenue in the statement of activities and a contribution receivable in the special purpose statement of financial position;
- 2) *Contributions allocated to other trust funds:* upon effectiveness of the contribution agreements/arrangements, a liability to other trust funds is recorded at the same time that the contribution receivable is recognized in the statement of financial position;
- 3) *Unallocated contribution or provisionally allocated contributions:* upon effectiveness of the contribution agreements/arrangements, a contribution receivable is recognized and a provisionally allocated contribution liability is recorded in the statement of financial position.

Contributors may make contributions in the form of (i) a grant contribution or (ii) a capital contribution. Grant contributions may be used for any purpose under the contribution agreements/arrangements. Capital contributions to the SCF may be used for any purpose, except that no more than ten percent (10%) of the contribution shall be used for financing grants. The term “Capital contribution” defines the permitted use of funds vis-à-vis “Grant contribution”, and does not mean that share capital or equity instruments have been issued to contributors in return for contributions received.

Contributors satisfy their obligations under the contribution agreements/arrangements through the payment of cash or by deposit of promissory notes. Promissory notes are non-negotiable and non-interest bearing demand obligations. Contributors satisfy their obligations under the promissory notes by making cash payments in accordance with an indicative, non-binding encashment schedule, individually agreed with contributors. Promissory notes receivable and contributions receivable are reported at nominal value, net of an allowance for doubtful receivables, if any. Promissory notes receivable and

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Note 2 - Significant accounting policies (continued)

contribution receivable are individually assessed for impairment at each date of the statement of special purpose financial position.

Upon termination of the SCF Trust Fund, any remaining unallocated funds, including related refunds/reflows of other funds, and net investment income, if any, held by the SCF Trust Fund are to 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.

*Project expense and liability* – The SCF Sub-Committees and the MDB Committee, as applicable, approve project funding to be transferred by the Trust Fund to the MDBs to fund SCF projects. Project expenses and the related liabilities to the MDBs are recognized upon the Sub-Committee's or MDB 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.

*MDB fee expense and MDB fee payable* – In accordance with financial procedure agreements between the Trustee and the MDBs, fees are paid to the MDBs to cover their expenses associated with the project cycle management of SCF projects. The Trust Fund recognizes MDB fee expenses and MDB fee payable upon the Sub-Committees' and the MDB Committee's approval, as applicable. The MDB fees are paid to the MDBs upon their request.

*Administrative budget expense* – The SCF 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 administration, supervision, and oversight in support of the SCF. Once approved, administrative budget amounts pertaining to the Trustee, the Administrative Unit, and the MDBs are paid to them upon their request. The administrative budget is recorded as an expense of the Trust Fund when cash is transferred.

*Net investment income earned on SCF funds* – In accordance with financial procedures agreements between the Trustee and the respective MDBs, net investment income earned on undisbursed SCF project and administrative budget funds held by the MDBs shall be returned to the Trust Fund upon the



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**STRATEGIC CLIMATE FUND****Administered by the International Bank for Reconstruction and Development as Trustee****Notes to the Special Purpose Financial Statements****December 31, 2010 and December 31, 2009 (restated, see Note 10)****Page 10**

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Note 2 - Significant accounting policies (continued)

Trustee's request. This investment income is included in net investment income on a cash basis in the period received from the MDBs.

*Translation of currencies* – The Trust Fund's special purpose 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 liability 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 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.



**STRATEGIC CLIMATE FUND****Administered by the International Bank for Reconstruction and Development as Trustee****Notes to the Special Purpose Financial Statements****December 31, 2010 and December 31, 2009 (restated, see Note 10)****Page 11****Note 3 – Contributions and contributions receivable**

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

Contributor	Type of Contribution	Currency	Pledged Amount	Inception to December 31, 2010 (restated, see Note 10)	At December 31, 2010	
				Paid in Cash	Promissory Notes Receivable	Contributions Receivable
Australia	Grant	AUD	50,000,000	47,555,141		2,444,859
Canada	Grant	CAD	100,000,000	100,000,000		
Denmark	Grant	DKK	191,000,000	191,000,000		
Germany	Grant	EUR	50,000,000	15,000,000		35,000,000
Korea	Grant	KRW	3,690,000,000	3,690,000,000		
Norway <sup>1</sup>	Grant	NOK	411,200,000	411,200,000		
Spain	Grant/Capital	EUR	23,000,000	23,000,000		
Switzerland	Grant	USD	20,000,000	10,000,000		10,000,000
USA	Grant	USD	75,000,000	75,000,000		
Japan	Grant	JPY	111,186,000,000	27,796,500,000	9,265,500,000	74,124,000,000
Netherlands	Grant	USD	76,083,916	6,993,007	69,090,909	
United Kingdom	Capital	GBP	800,000,000	334,737,500	465,262,500	

<sup>1</sup>At December 31, 2010, NOK 95,000,000 of the contribution from the Kingdom of Norway is conditional upon its parliament's approval. Conditional contributions are recorded as revenue when the conditionality is fully satisfied. Therefore, no receivable has been recorded at December 31, 2010.

**STRATEGIC CLIMATE FUND****Administered by the International Bank for Reconstruction and Development as Trustee****Notes to the Special Purpose Financial Statements****December 31, 2010 and December 31, 2009 (restated, see Note 10)****Page 12****Note 3 – Contributions and contributions receivable (continued)**

Contributions and contributions receivable as of and for the year ended December 31, 2010 and as of and for the period from Inception to December 31, 2009, respectively, are presented below:

<b>Contributor</b>	<b>Contributions for the year ended December 31, 2010</b>	<b>Contributions from Inception to December 31, 2009 (restated, see Note 10)</b>	<b>Contributions receivable as of December 31, 2010</b>	<b>Contributions receivable as of December 31, 2009 (restated, see Note 10)</b>
Australia	\$ -	\$ 40,257,500	\$ 2,484,832	\$ 12,649,081
Canada	-	78,777,375	-	-
Denmark	23,528,533	12,884,810	-	-
Germany	-	73,820,000	46,842,250	67,670,600
Japan	50,000,000	-	911,117,940	-
Korea	3,168,750	-	-	-
Netherlands	76,083,916	-	-	-
Norway	52,161,167	17,592,130	-	9,541,985
Spain	30,649,800	-	-	-
Switzerland	20,000,000	-	10,000,000	-
United Kingdom	197,056,250	320,805,000	-	809,725,000
United States	75,000,000	-	-	-
<b>Total</b>	<b>\$ 527,648,416</b>	<b>\$ 544,136,815</b>	<b>\$ 970,445,022</b>	<b>\$ 899,586,666</b>

As of December 31, 2010 and December 31, 2009 (restated, see Note 10), none of the contributions receivable were assessed to be uncollectible and no allowance has been established.

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**STRATEGIC CLIMATE FUND****Administered by the International Bank for Reconstruction and Development as Trustee****Notes to the Special Purpose Financial Statements****December 31, 2010 and December 31, 2009 (restated, see Note 10)****Page 13**

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Note 4 – Promissory notes receivable

As of December 31, 2010 and 2009, the Trust Fund was holding the following promissory notes:

Contributor	December 31, 2010		December 31, 2009 (restated, see Note 10)	
	Currency	USD	Currency	USD
Japan	¥ 9,265,500,000	\$ 113,889,741	¥ -	\$ -
Netherlands	\$ 69,090,909	69,090,909	\$ -	-
United Kingdom	£ 465,262,500	722,459,610	£ 208,900,000	338,303,105
Total promissory notes receivable		\$ 905,440,260		\$ 338,303,105

Note 5 – Net investment income

Net investment income consists of the Trust Fund's allocated share of the following: interest income earned by the Pool, realized gains/losses from sales of securities and unrealized gains/losses resulting from recording the assets held by the Pool at fair value. Net investment income in the amount of \$2,742,261 and \$1,199,337 was credited to the Trust Fund for the fiscal year ended December 31, 2010 and for the period from Inception to December 31, 2009, respectively, based on its share of cash and investments in the Pool.

Note 6 - 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.



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**STRATEGIC CLIMATE FUND****Administered by the International Bank for Reconstruction and Development as Trustee****Notes to the Special Purpose Financial Statements****December 31, 2010 and December 31, 2009 (restated, see Note 10)****Page 14**

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Note 6 - Fair value of financial instruments (continued)***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.

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

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**STRATEGIC CLIMATE FUND****Administered by the International Bank for Reconstruction and Development as Trustee****Notes to the Special Purpose Financial Statements****December 31, 2010 and December 31, 2009 (restated, see Note 10)****Page 15**

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Note 6 - Fair value of financial instruments (continued)

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 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



**STRATEGIC CLIMATE FUND****Administered by the International Bank for Reconstruction and Development as Trustee****Notes to the Special Purpose Financial Statements****December 31, 2010 and December 31, 2009 (restated, see Note 10)****Page 16**Note 6 - Fair value of financial instruments (continued)

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*

	<i>Fair Value Measurements on a Recurring Basis as of December 31, 2010</i>			
	<i>Level 1</i>	<i>Level 2</i>	<i>Level 3</i>	<i>Total</i>
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)
<b>Total of financial instruments in the Pool at fair value</b>	<b>\$ 4,681</b>	<b>\$ 19,806</b>	<b>\$ 8</b>	<b>\$ 24,495</b>

*In millions of U.S. dollars*

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

<sup>1</sup>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.



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Note 6 - Fair value of financial instruments (continued)

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-.
- 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 \$530,123,598 and \$161,636,371 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 46% (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: 70% (56% as of December 31,

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Note 6 - Fair value of financial instruments (continued)

2009) in time deposits and money market securities, 25% (44% as of December 31, 2009) in government and agency obligations, and 5% (nil as of December 31, 2009) in asset-backed securities.

Note 7 – Project expense and project liabilities

Project expenses and project liabilities are as follows:

**Project expense**

<u>Agency</u>		<u>For the year ended December 31, 2010</u>		<u>Inception to December 31, 2009 (restated, see Note 10)</u>
ADB	\$	1,950,000	\$	-
IADB		507,000		-
IBRD		9,563,440		-
EBRD		300,000		-
Total	\$	<u>12,320,440</u>	\$	<u>-</u>

**Project liability**

<u>Agency</u>		<u>As of December 31, 2010</u>		<u>As of December 31, 2009 (restated, see Note 10)</u>
ADB	\$	225,000	\$	-
IADB		507,000		-
IBRD		250,000		-
Total	\$	<u>982,000</u>	\$	<u>-</u>

**STRATEGIC CLIMATE FUND****Administered by the International Bank for Reconstruction and Development as Trustee****Notes to the Special Purpose Financial Statements****December 31, 2010 and December 31, 2009 (restated, see Note 10)****Page 19****Note 8 – Liability to other trust funds and provisionally allocated contributions**

As of December 31, 2010 and December 31, 2009 (restated, see Note 10) the reconciliation of changes in liability to other trust funds expressed in transactional currency and the U.S. dollar equivalent were as follows:

<b>Liability to other trust funds</b>	<b>Liability in transactional currency at December 31, 2009 (restated, see Note 10)</b>	<b>Increase to liabilities during the year ended December 31, 2010</b>	<b>Transfers out during the year ended December 31, 2010</b>	<b>Liability in transactional currency at December 31, 2010</b>	<b>Liability in USD equivalent at December 31, 2010</b>
<b>United Kingdom</b>					
Clean Technology Fund (CTF)	£ 327,000,000	-	£ (140,150,000)	£ 186,850,000	\$ 290,140,680
Readiness Fund <sup>1</sup>	3,500,000	-	(3,500,000)	-	-
Carbon Fund <sup>2</sup>	11,500,000	-	-	11,500,000	17,857,200
Congo Basin Fund (the CBF)	35,000,000	-	-	35,000,000	54,348,000
Sub-total	£ 377,000,000	-	£ (143,650,000)	£ 233,350,000	\$ 362,345,880
<b>Japan</b>					
CTF	¥ -	¥ 32,429,250,000	¥ (27,796,500,000)	¥ 4,632,750,000	\$ 56,944,871
<b>Total liability to other trust funds</b>					<b>\$ 419,290,751</b>

<sup>1</sup>Refers to the Readiness Fund of the Forest Carbon Partnership Facility (the FCPF), administered by IBRD as Trustee.

<sup>2</sup>Refers to the Carbon Fund of the FCPF, administered by IBRD as Trustee.



**STRATEGIC CLIMATE FUND****Administered by the International Bank for Reconstruction and Development as Trustee****Notes to the Special Purpose Financial Statements****December 31, 2010 and December 31, 2009 (restated, see Note 10)****Page 20****Note 8 – Liability to other trust funds and provisionally allocated contributions (continued)**

		Liability at Inception (restated, see Note 10)	Increase to liabilities during the year ended December 31, 2009 (restated, see Note 10)	Transfers out during the year ended December 31, 2009 (restated, see Note 10)	Liability in transactional currency at December 31, 2009 (restated, see Note 10)	Liability in USD equivalent at December 31, 2009 (restated, see Note 10)
<b>Liability to other trust funds</b>						
<b>United Kingdom</b>						
CTF	£	-	£ 385,000,000	£ (58,000,000)	£ 327,000,000	\$ 529,560,150
Readiness Fund		-	3,500,000	-	3,500,000	5,668,075
Carbon Fund		-	11,500,000	-	11,500,000	18,623,675
CBF		-	50,000,000	(15,000,000)	35,000,000	56,680,750
<b>Total liability to other trust funds</b>	£	-	£ 450,000,000	£ (73,000,000)	£ 377,000,000	\$ 610,532,650

As of December 31, 2010 and 2009 (restated, see Note 10), the Trust Fund has the following provisionally allocated contributions:

		Provisional allocation at December 31, 2009 (restated, see Note 10)	New provisional allocation during the year ended December 31, 2010	Allocation confirmed in fiscal year 2010	Allocation to be confirmed as of December 31, 2010	Total in USD equivalent as of December 31, 2010
<b>Provisionally allocated contributions</b>						
<b>United Kingdom</b>	£	125,000,000	£ -	£ 125,000,000	£ -	\$ -
Japan	¥	-	¥ 74,124,000,000	¥ -	¥ 74,124,000,000	911,117,940
<b>Total provisionally allocated contributions</b>						\$ 911,117,940

**STRATEGIC CLIMATE FUND****Administered by the International Bank for Reconstruction and Development as Trustee****Notes to the Special Purpose Financial Statements****December 31, 2010 and December 31, 2009 (restated, see Note 10)****Page 21**Note 8 – Liability to other trust funds and provisionally allocated contributions (continued)

<u>Provisionally allocated contributions</u>	<u>Provisional allocation at Inception (restated, see Note 10)</u>	<u>Allocation confirmed in the period ended December 31, 2009 (restated, see Note 10)</u>	<u>Allocation to be confirmed as of December 31, 2009 (restated, see Note 10)</u>	<u>Total in USD equivalent at December 31, 2009 (restated, see Note 10)</u>
United Kingdom	£ 125,000,000	£ -	£ 125,000,000	\$ 202,431,250
<b>Total provisionally allocated contributions</b>				<b>\$ 202,431,250</b>

The UK confirmed its provisional allocation of £125 million on November 24, 2010 by allocating £75 million of its contribution to the FIP and £50 million to the SREP, respectively, which were then reflected as revenue for the year ended December 31, 2010.

Note 9 – Administrative budget expense

The administrative budget expenses are as follows:

<u>Administrative budget expenses</u>	<u>For the year ended December 31, 2010</u>	<u>Inception to December 31, 2009 (restated, see Note 10)</u>
ADB	\$ 1,560,050	\$ -
EBRD	427,731	-
IBRD/Administrative unit	5,687,511	5,335,305
IBRD/ IE	5,292,269	-
IBRD/ Trustee	991,576	965,730
IFC	1,176,499	-
<b>Total</b>	<b>\$ 15,135,636</b>	<b>\$ 6,301,035</b>

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**STRATEGIC CLIMATE FUND****Administered by the International Bank for Reconstruction and Development as Trustee****Notes to the Special Purpose Financial Statements****December 31, 2010 and December 31, 2009 (restated, see Note 10)****Page 22**

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Note 10 – Reporting Basis

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

In addition, the statement of receipts, disbursements and fund balance for the period from Inception to December 31, 2009 were 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 11 – Subsequent events

On April 13, 2011, Japan confirmed its provisionally allocated contribution in the original arrangement, effective on March 26, 2010.

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