



December 31, 2011 and 2010

Strategic Climate Fund

Administered by the International Bank for Reconstruction and Development as
Trustee

World Bank Reference: TF069012

Special Purpose Financial Statements

The World Bank Group

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

www.worldbank.org

Strategic Climate Fund
Special Purpose Financial Statements

December 31, 2011 and 2010

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SPECIAL PURPOSE STATEMENTS OF FINANCIAL POSITION

December 31, 2011 and December 31, 2010

Expressed in U.S. dollars

	<u>Notes</u>	<u>2011</u>	<u>2010</u>
Assets			
Share of cash and investments in the Pool	6	\$ 999,200,441	\$ 530,123,598
Contributions receivable	3	704,192,572	970,445,022
Promissory notes receivable	4	914,953,091	905,440,260
Total assets		\$ 2,618,346,104	\$ 2,406,008,880
Liabilities and Net Trust Fund Resources			
Liabilities			
Project liabilities	7	\$ 189,678,000	\$ 982,000
MDB fees payable	8	2,139,000	-
Liability to other trust funds	9	1,046,676,269	419,290,751
Provisionally allocated contributions	9	25,487,009	911,117,940
Total liabilities		\$ 1,263,980,278	\$ 1,331,390,691
Net Trust Fund Resources		1,354,365,826	1,074,618,189
Total Liabilities and Net Trust Fund Resources		\$ 2,618,346,104	\$ 2,406,008,880

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

SPECIAL PURPOSE STATEMENTS OF ACTIVITIES

For the fiscal years ended December 31, 2011 and December 31, 2010

Expressed in U.S. dollars

	<u>Notes</u>	<u>2011</u>	<u>2010</u>
Revenues			
Contributions	3	\$ 506,351,205	\$ 527,648,416
Net investment income	5	6,783,789	2,742,261
Total revenues		\$ 513,134,994	\$ 530,390,677
Expenses			
Project expense	7	\$ 209,143,672	\$ 12,320,440
MDB fee expense	8	18,589,825	-
Administrative budget expense	10	17,285,338	15,135,636
Total expenses		\$ 245,018,835	\$ 27,456,076
Foreign currency exchange gain (loss)		11,631,478	(14,878,654)
Change in Net Trust Fund Resources		279,747,637	488,055,947
Net Trust Fund Resources, beginning of the year		1,074,618,189	586,562,242
Net Trust Fund Resources, end of the year		\$ 1,354,365,826	\$ 1,074,618,189

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

SPECIAL PURPOSE STATEMENTS OF CASH FLOWS

For the fiscal years ended December 31, 2011 and December 31, 2010

Expressed in U.S. dollars

	<u>2011</u>	<u>2010</u>
Cash flows from operating activities:		
Change in Net Trust Fund Resources	\$ 279,747,637	\$ 488,055,947
Adjustments to reconcile change in net trust fund resources to net cash used in operating activities:		
Unrealized foreign exchange gains	(3,541,460)	(15,702,364)
Decrease in contributions receivable	307,546,074	36,994,515
Increase in promissory notes receivable	(16,722,868)	(556,777,628)
Increase in project liabilities	188,696,000	982,000
Increase in MDB fees payable	2,139,000	-
Increase (Decrease) in liability to other trust funds	596,759,281	(182,633,993)
(Decrease) Increase in provisionally allocated contributions	(885,546,821)	597,568,750
Increase in share of cash and investments in the Pool	(469,076,843)	(368,487,227)
Net cash used in operating activities	<u>\$ -</u>	<u>\$ -</u>
Net increase in cash and cash equivalents		
Cash and cash equivalents, beginning of the year	-	-
Cash and cash equivalents, end of the year	<u>\$ -</u>	<u>\$ -</u>
Supplemental Disclosure		
(Increase) Decrease in ending balances resulting from exchange rate fluctuation		
Operating Activities		
Contribution receivable	\$ (41,293,624)	\$ (107,852,872)
Promissory notes receivable	7,210,037	(10,359,526)
Liability to other trust funds	30,626,237	(8,607,906)
Provisionally allocated contributions	(84,110)	111,117,940
Unrealized foreign exchange gains	<u>\$ (3,541,460)</u>	<u>\$ (15,702,364)</u>

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

NOTES TO THE SPECIAL PURPOSE FINANCIAL STATEMENTS

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Note 1 - Organization

In July 2008, the Executive Directors of the World Bank, herein defined as the International Bank for Reconstruction and Development (IBRD) and the International Development Association (IDA), approved the creation of the Climate Investment Funds (CIF). The CIF 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 is jointly implemented by the following multilateral development banks (MDBs): African Development Bank (AfDB); Asian Development Bank (ADB); European Bank for Reconstruction and Development (EBRD); Inter-American Development Bank (IADB); International Finance Corporation (IFC); and the World Bank.

The CIF consists of two trust funds: the Strategic Climate Fund (SCF) and the Clean Technology Fund (CTF). IBRD serves as Trustee and administrator for both. Each of the MDBs listed above implements projects related to the SCF and CTF and administers funds transferred to it by the Trustee.

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.

SCF Sub-Committees for each of 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 CIF 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

NOTES TO THE SPECIAL PURPOSE FINANCIAL STATEMENTS

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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 respective 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, including the SCF, and also supports the SCF Trust Fund Committee and other bodies of the CIF. 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 and the SCF Sub-Committees, 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 partnerships and external relations.

The World Bank serves both as Trustee and as an Implementing Entity (IE) for the CIF. In its capacity as the Trustee, the World Bank established a trust fund (World Bank Reference TF069012) for the SCF under administration by IBRD as Trustee (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 subject to the availability of applicable resources in the Trust Fund and the 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, the World Bank established a separate trust fund (i.e. SCF under administration by the World Bank as IE) to receive funds from the Trust Fund.

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

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generally accepted in the United States of America (U.S. GAAP) or International Financial Reporting Standards (IFRS).

These special purpose financial statements have been prepared solely for the information and use of the SCF Trust Fund Committee, SCF Sub-committees, 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 Trustee approved the special purpose 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, which are accounted for on a cash basis; and (ii) net investment income earned by the other MDBs on funds received from the SCF Trustee, which are also accounted for on a cash basis. Reflows and returns of SCF funds disbursed by MDBs, such as principal repayment, interest and other reflows are accrued when the cash is received by the MDBs from the project recipients. 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, IDA, the Multilateral Investment Guarantee Agency, and the International Centre for Settlement of Investment Disputes (collectively, the “World Bank Group”). IBRD, on behalf of the World Bank Group maintains all trust fund assets separate and apart from the funds of the World Bank Group. The Pool is divided into sub-portfolios to which allocations are made based on fund specific investment horizons, risk tolerances and/or other eligibility requirements for trust funds with common characteristics as determined by IBRD on behalf of the World Bank Group. These sub-portfolios may hold all or a portion of the instruments held by the Pool.

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 contract to purchase or sell mortgage-backed securities to-be-announced (TBAs). Payables and receivables associated with the investment activities are also included in the Pool.

The Pool is a trading portfolio and is reported at fair value with gains and losses included in net investment income. The share in pooled cash and investments represents the Trust Fund’s allocated share of the Pool’s

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fair value at the end of the reporting period and is not deemed to be equivalent to cash for the purpose of the special purpose statement of cash flows.

Contributions, contributions receivable and promissory notes receivable – The Trust Fund accepts contributions in accordance with the SCF standard provisions and the contribution 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 one of three categories. The categories and accounting treatments under the 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 special purpose statements 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 special purpose statements 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 special purpose statements 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” and “grant contribution” define the permitted use of funds pursuant to the contribution agreements/arrangements, such that “capital contribution” 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 with their respective central banks. 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 contribution receivable are individually assessed for collectability at each date of the statement of special purpose financial position. When contribution receivable and promissory notes receivable are overdue beyond

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dates specified in the contribution agreements/arrangements, unless otherwise separately agreed between the contributor and the Trustee, the Trustee reduces the carrying value by recognizing a provision and an allowance for doubtful receivables as specified in the table below:

Contributions Receivable and Promissory Notes Receivable	
Period in arrears	Allowance percentage
24 months	50%
36 months	100%

Upon termination of the Trust Fund, any remaining unallocated funds, including related refunds/reflows of other funds, and net investment income, if any, held by the 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 project liabilities – 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 project liabilities to the MDBs are recognized upon the SCF Sub-Committees’ or MDB Committee’s approval. Project liabilities are paid to the MDBs upon their request in accordance with the financial procedure agreements between the Trustee and the MDBs (the FPAs).

MDB fee expense and MDB fees payable – In accordance with the FPAs, project administration 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 fees payable upon the SCF Sub-Committees’ or the MDB Committee’s approval. The 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, and allocated by the MDB committee in the case of country programming budgets, administrative budget amounts pertaining to the Trustee, the Administrative Unit, and the MDBs are paid upon their request. The administrative budget expense is reported on a cash basis.

Net investment income – Investment income earned on SCF funds held by the World Bank and IFC is credited directly in the Trust Fund on an accrual basis. Net investment income includes realized and unrealized investment income/loss.

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Net Investment income from the other MDBs – In accordance with the FPAs, net investment income earned on SCF project funds held by the other MDBs shall be returned to the Trust Fund upon the Trustee’s request. Net investment income from the other MDBs is recorded on a cash basis. No investment income earned by the other MDBs has been received.

Returns/reflows of SCF funds disbursed by the MDBs – Upon transfer of funds to MDBs through project expense, MDBs may disburse SCF funds to project recipients in the form of loans or other financial products, such as guarantees. In accordance with the FPAs, repayments of principal, interest or other fees from MDB loans and other financial products issued using SCF funds are reported and remitted by the MDB to the Trustee. These amounts are reflected in the Trust Fund when they are received by 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 or 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. The main area in which management makes estimates and assumptions in determining the amounts to be recorded is the fair value of the financial instruments.

Change in Accounting Policy – During the year, the accounting policy for recording returns/reflows of SCF funds disbursed by MDBs was changed from cash basis when received by the Trust Fund to accrual basis when the cash is received by the MDBs. The purpose of the change was to report in the special purpose financial statements the returns/reflows received by the MDBs but not yet transferred to the Trust Fund. This change has been applied retrospectively, which resulted in zero impact to the special purpose financial statements as of December 31, 2010. As of December 31, 2011, there have not been any returns/reflows received by the MDBs.

In addition, the presentation of the special purpose statements of cash flow was changed to separately present unrealized gains and losses arising from changes in foreign currency exchange rates. This change had no impact on net cash used in operating activities. In prior years, unrealized gains and losses arising from changes in foreign currency exchange rates were presented net as changes in the associated assets and

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

liabilities within operating activities. This change has been applied retrospectively in the special purpose statements of cash flows. For the fiscal year ended December 31, 2010, the unrealized foreign exchange gains separately presented amounts to \$15,702,364.

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December 31, 2011 and December 31, 2010

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

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, 2011 are as follows:

Contributor	Type of Contribution	Currency	Contribution Amount	Paid in Cash	as of December 31, 2011	
					Promissory Note Receivable	Contributions Receivable
Australia	Grant	AUD	75,500,000	75,500,000	-	-
Canada	Grant	CAD	100,000,000	100,000,000	-	-
Denmark	Grant	DKK	191,000,000	191,000,000	-	-
Germany	Grant	EUR	50,000,000	30,000,000	-	20,000,000
Korea	Grant	KRW	6,565,000,000	6,565,000,000	-	-
Norway ¹	Grant	NOK	856,200,000	856,200,000	-	-
Spain	Grant/Capital	EUR	23,000,000	23,000,000	-	-
Sweden	Grant	SEK	100,000,000	100,000,000	-	-
Switzerland	Grant	USD	20,000,000	20,000,000	-	-
USA	Grant	USD	124,900,000	124,900,000	-	-
Japan	Grant	JPY	111,186,000,000	46,327,500,000	27,796,500,000	37,062,000,000
The Netherlands	Grant	USD	76,083,916	6,993,007	69,090,909	-
United Kingdom	Grant/Capital	GBP	1,059,921,760	616,025,000	314,896,760	129,000,000

¹As of December 31, 2011, an additional contribution of NOK 220,000,000 from the Kingdom of Norway is conditional upon its parliament's approval. Conditional contributions are only recognized as revenue when the conditionality is fully satisfied. Therefore, no revenue or receivable has been recorded as of December 31, 2011, and it was not included in the above table.

NOTES TO THE SPECIAL PURPOSE FINANCIAL STATEMENTS

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

Contributions and contributions receivable as of and for the year ended December 31, 2011 and December 31, 2010, respectively, are presented below:

Contributor	Contributions for the fiscal year ended December 31, 2011	Contributions for the fiscal year ended December 31, 2010	Contributions receivable as of December 31, 2011	Contributions receivable as of December 31, 2010
Australia	\$ 26,636,025	\$ -	\$ -	\$ 2,484,832
Denmark	-	23,528,533	-	-
Germany	-	-	25,875,000	46,842,250
Japan	165,327,425	50,000,000	478,960,972	911,117,940
Korea	2,561,704	3,168,750	-	-
Norway	75,346,573	52,161,167	-	-
Spain	-	30,649,800	-	-
Sweden	14,824,478	-	-	-
Switzerland	-	20,000,000	-	10,000,000
The Netherlands	-	76,083,916	-	-
United Kingdom	171,755,000	197,056,250	199,356,600	-
United States	49,900,000	75,000,000	-	-
Total				
Contributions/Receivable	\$ 506,351,205	\$ 527,648,416	\$ 704,192,572	\$ 970,445,022

As of December 31, 2011 and December 31, 2010, none of the contributions receivable were assessed to be uncollectible, and therefore, no allowance has been established. Outstanding contributions are expected to be received in accordance with the terms established in the respective contribution agreement.

Note 4 – Promissory Notes Receivable

As of December 31, 2011 and 2010, the Trust Fund held the following promissory notes:

Contributor	Promissory Notes Receivable as of December 31, 2011		Promissory Notes Receivable as of December 31, 2010	
	Currency	USD	Currency	USD
Japan	¥ 27,796,500,000	\$ 359,220,729	¥ 9,265,500,000	\$ 113,889,741
The Netherlands	\$ 69,090,909	69,090,909	\$ 69,090,909	69,090,909
United Kingdom	£ 314,896,760	486,641,453	£ 465,262,500	722,459,610
Total promissory notes receivables		\$ 914,953,091		\$ 905,440,260

As of December 31, 2011 and December 31, 2010, none of the promissory notes receivable was assessed to be uncollectible, and therefore, no allowance has been established.

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Note 5 – Net Investment Income

Net investment income consists of the World Bank and IFC SCF trust funds' allocated share of the following: interest income earned by the Pool, realized gains and losses from sales of securities and unrealized gains and losses resulting from recording the assets held by the Pool at fair value. Net investment income in the amount of \$6,783,789 and \$2,742,261 was credited to the Trust Fund for the fiscal year ended December 31, 2011 and December 31, 2010, respectively.

Note 6 - Fair Value of Financial Instruments

The Trust Fund's share in the pool is not traded in any market; however, the underlying assets within the Pool are 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 fair value amount of the Trust Fund's share of the cash and investments in the Pool at the end of each reporting period is also disclosed.

Fair Value Measurements

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

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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 contracts to purchase or sell 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.
- 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).

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As of December 31, 2011 and December 31, 2010, the Pool does not have any financial instruments measured at fair value on a non-recurring basis.

The following tables present the Pool's fair value hierarchy for financial instruments measured at fair value on a recurring basis as of December 31, 2011 and December 31, 2010. 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 Measurement on a Recurring Basis as of December 31, 2011			
	Level 1	Level 2	Level 3	Total
Government and agency obligations	\$5,268	\$8,318	\$-	\$13,586
Time deposits and money market securities	849	7,374	-	8,223
Asset-backed securities	-	3,610	1	3,611
Securities purchased under resale agreements and securities sold under repurchase agreements, net	-	(4)	-	(4)
Derivatives, net	-	161	-	161
Total of financial instruments in the Pool at fair value	\$6,117	\$19,459	\$1	\$25,577

In millions of U.S. dollars

	Fair Value Measurement 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, net	(115)	(52)	-	(167)
Derivatives, net	-	(128)	-	(128)
Total of financial instruments in the Pool at fair value	\$4,681	\$19,806	\$8	\$24,495

In the Pool, the carrying value of securities pledged as collateral under repurchase agreements as of December 31, 2011 and December 31, 2010 was \$4 million and \$317 million, respectively. Under resale agreements,

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IBRD, on behalf of the World Bank Group, has received securities as collateral with a fair value of nil and \$150 million as of December 31, 2011 and December 31, 2010, respectively. During the fiscal years ended December 31, 2011 and December 31, 2010, neither transfers between levels nor changes in the fair value of Level 3 securities were significant. Therefore, no further disclosures on these items are included.

Financial risks related to the Pool

The Trust Fund is exposed to credit risk on its share in the cash and investments in the Pool. IBRD, on behalf of the World Bank Group, limits investments to those financial instruments with minimum credit ratings in the U.S. markets or equivalent as follows:

- Government and agency obligations - issued or unconditionally guaranteed by government agencies rated at least AA- if denominated in a currency other than the home currency of the issuer, otherwise no rating is required. Obligations issued by an agency or instrumentality of a government, a multilateral organization or any other official entity require a minimum credit rating of AA-;
- Time deposits and money market securities - issued or guaranteed by financial institutions whose senior debt securities are rated at least A-;
- Asset-backed securities - minimum rating must be AAA; and
- Derivatives - counterparties must have a minimum rating of A+.

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

The Trust Fund's share of the cash and investments in the Pool, which was allocated to a sub-portfolio based on specific investment horizons, risk tolerances and other eligibility, has a fair value of \$999,200,441 and \$530,123,598 as of December 31, 2011 and December 31, 2010, respectively. The following tables present investment holdings in the sub-portfolio in terms of the counterparty credit risk exposure and investment categories as of December 31, 2011 and December 31, 2010.

NOTES TO THE SPECIAL PURPOSE FINANCIAL STATEMENTS

December 31, 2011 and December 31, 2010

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

Counterparty credit ratings	2011	2010
AA or greater	60%	46%
A- or greater	100%	100%
Types of financial instruments		
Government and agency obligations	45%	25%
Time deposits and money market securities	44%	70%
Asset-backed securities	11%	5%
Securities purchased under resale agreements and securities sold under repurchase agreements, net	-	-
Derivatives, net	-	-
Total	100%	100%

Note 7 – Project Expense and Project Liabilities

Project expenses and project liabilities are as follows:

Project expenses		
For the fiscal year ended December 31		
Agency	2011	2010
ADB	\$ 31,088,000	\$ 1,950,000
AFDB	27,480,000	-
EBRD	-	300,000
IADB	3,164,772	507,000
IBRD/IDA	146,525,900	9,563,440
IFC	885,000	-
Total	\$ 209,143,672	\$ 12,320,440

Projects liabilities		
As of December 31		
Agency	2011	2010
ADB	\$ 24,163,000	\$ 225,000
AFDB	27,030,000	-
IADB	2,300,000	507,000
IBRD/IDA	135,700,000	250,000
IFC	485,000	-
Total	\$ 189,678,000	\$ 982,000

NOTES TO THE SPECIAL PURPOSE FINANCIAL STATEMENTS

December 31, 2011 and December 31, 2010

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

Note 8 – MDB Fee Expense and MDB Fees Payable

Fee expenses and fee liabilities are as follows:

MDB fee expenses

Agency	For the fiscal year ended December 31	
	2011	2010
ADB	\$ 4,793,825	\$ -
AFDB	2,403,500	-
EBRD	175,000	-
IADB	1,564,000	-
IBRD/IDA	9,653,500	-
Total	\$ 18,589,825	\$ -

MDB fees payable

Agency	As of December 31	
	2011	2010
AFDB	\$ 575,000	\$ -
IADB	1,564,000	-
Total	\$ 2,139,000	\$ -

NOTES TO THE SPECIAL PURPOSE FINANCIAL STATEMENTS

December 31, 2011 and December 31, 2010

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

Note 9 – Liability to Other Trust Funds and Provisionally Allocated Contributions

The reconciliation of changes in the liability to other trust funds from December 31, 2010 to December 31, 2011 expressed in transactional currency and the U.S. dollar equivalent by contributor are as follows:

<u>Liability to other trust funds</u>	<u>Liability in transactional currency as of December 31, 2010</u>	<u>Increase in liabilities during the fiscal year ended December 31, 2011</u>	<u>Transfers during the fiscal year ended December 31, 2011</u>	<u>Liability in transactional currency as of December 31, 2011</u>	<u>Liability in USD equivalent as of December 31, 2011</u>
United Kingdom					
CTF	£ 186,850,000	£ 133,429,584	-£ 84,844,000	£ 235,435,584	\$ 363,842,152
Readiness Fund ¹	-	-	-	-	-
Carbon Fund ²	11,500,000	-	(11,500,000)	-	-
Congo Basin Fund (CBF)	35,000,000	-	(19,300,000)	15,700,000	24,262,780
Sub-total	£ 233,350,000	£ 133,429,584	-£ 115,644,000	£ 251,135,584	\$ 388,104,932
Japan					
CTF	¥ 4,632,750,000	¥ 60,225,750,000	-¥13,898,250,000	¥ 50,960,250,000	\$ 658,571,337
Total liabilities to other trust funds					\$ 1,046,676,269

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

² Refers to the Carbon Fund of the FCPF, administered by IBRD as Trustee.

NOTES TO THE SPECIAL PURPOSE FINANCIAL STATEMENTS

December 31, 2011 and December 31, 2010

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

As of December 31, 2011 and 2010, the following contributions are provisionally allocated:

Contributor	Provisional allocation as of December 31, 2010	New provisional allocation during the fiscal year ended December 31, 2011	Allocation confirmed in fiscal year 2011	Provisional allocation as of December 31, 2011	Total in USD equivalent as of December 31, 2011
United Kingdom	£ -	£ 16,492,176	£ -	£ 16,492,176	\$ 25,487,009
Japan	¥ 74,124,000,000	¥ -	¥ 74,124,000,000	¥ -	-
Total provisionally allocated contributions					\$ 25,487,009

Note 10 – Administrative Budget Expense

The administrative budget expenses are as follows:

Agency	For the fiscal year ended December 31	
	2011	2010
ADB	\$ 1,187,116	\$ 1,560,050
AFDB	2,553,300	-
EBRD	147,650	427,731
IADB	2,277,143	-
IBRD/IDA as administrative unit	5,960,800	5,687,511
IBRD/IDA as IE	3,039,991	5,292,269
IBRD as Trustee	752,485	991,576
IFC	1,366,853	1,176,499
Total	\$ 17,285,338	\$ 15,135,636

Note 11 – Subsequent Events

Management has evaluated subsequent events through June 7, 2012, the date the special purpose financial statements were available to be issued. There were no subsequent events that required adjustment or disclosure.