



December 31, 2013 and 2012

# 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](http://www.worldbank.org)

**Strategic Climate Fund**  
**Special Purpose Financial Statements**

**December 31, 2013 and 2012**

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# SPECIAL PURPOSE STATEMENTS OF FINANCIAL POSITION

As of December 31, 2013 and December 31, 2012

Expressed in U.S. dollars

	Note	2013	2012
<b>Assets</b>			
Share of cash and investments in the Pool	6	\$ 1,116,503,180	\$ 993,681,457
Contributions receivable	3	4,244,678	77,207,121
Promissory notes receivable	4	1,589,271,922	1,462,742,122
Loan interest receivable from other trust funds		3,077	-
<b>Total assets</b>		<b>\$ 2,710,022,857</b>	<b>\$ 2,533,630,700</b>
<b>Liabilities and Net Trust Fund Resources</b>			
<b>Liabilities</b>			
Project liabilities	7	\$ 766,891,176	\$ 371,921,920
MDB fees payable	8	5,129,700	2,192,958
Liability to other trust funds	9	946,792,436	784,946,342
<b>Total liabilities</b>		<b>\$ 1,718,813,312</b>	<b>\$ 1,159,061,220</b>
<b>Net Trust Fund Resources</b>		991,209,545	1,374,569,480
<b>Total liabilities and Net Trust Fund Resources</b>		<b>\$ 2,710,022,857</b>	<b>\$ 2,533,630,700</b>

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, 2013 and December 31, 2012

Expressed in U.S. dollars

	<u>Note</u>	<u>2013</u>	<u>2012</u>
<b>Revenues</b>			
Contributions	3	\$ 156,108,648	\$ 252,427,234
Net investment income	5	1,385,187	9,735,713
Loan Interest from SCFIA		3,077	-
<b>Total revenues</b>		<b>\$ 157,496,912</b>	<b>\$ 262,162,947</b>
<b>Expenses</b>			
Project expense	7	\$ 504,095,944	\$ 218,163,298
MDB fee expense	8	13,276,200	10,730,333
Administrative budget expense	10	11,364,617	11,619,719
<b>Total expenses</b>		<b>\$ 528,736,761</b>	<b>\$ 240,513,350</b>
Foreign currency exchange loss		(12,120,086)	(1,445,943)
Change in Net Trust Fund Resources		(383,359,935)	20,203,654
Net Trust Fund Resources, beginning of the year		1,374,569,480	1,354,365,826
<b>Net Trust Fund Resources, end of the year</b>		<b>\$ 991,209,545</b>	<b>\$ 1,374,569,480</b>

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

# SPECIAL PURPOSE STATEMENTS OF CASH FLOWS

December 31, 2013 and December 31, 2012

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

	<u>2013</u>	<u>2012</u>
<b>Cash flows from operating activities:</b>		
Change in Net Trust Fund Resources	\$ (383,359,935)	\$ 20,203,654
Adjustments to reconcile change in net trust fund resources to net cash used in operating activities:		
Unrealized foreign exchange loss/(gains)	14,441,128	(6,625,410)
Decrease in contributions receivable	72,782,267	627,826,644
Increase in promissory notes receivable	(94,482,389)	(573,638,542)
Increase in loan interest receivable	(3,077)	-
Increase in project liabilities	394,969,256	182,243,920
Increase in MDB fees payable	2,936,742	53,958
Increase/(Decrease) in liability to other trust funds	115,537,731	(230,096,199)
Decrease in provisionally allocated contributions	-	(25,487,009)
(Increase)/Decrease in share of cash and investments in the Pool	(122,821,723)	5,518,984
<b>Net cash used in operating activities</b>	<u>\$ -</u>	<u>\$ -</u>
<b>Net increase in cash and cash equivalents</b>	-	-
Cash and cash equivalents, beginning of the year	-	-
<b>Cash and cash equivalents, end of the year</b>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>
<b>Supplemental Disclosure - Unrealized Foreign Exchange loss/(Gains):</b>		
Changes in ending balances resulting from exchange rate fluctuation		
<b>Operating Activities</b>		
Contribution receivable	\$ 180,176	\$ (841,193)
Promissory notes receivable	(32,047,411)	25,849,511
Liability to other trust funds	46,308,363	(31,633,727)
<b>Total Unrealized foreign exchange loss/(gains)</b>	<u><u>\$ 14,441,128</u></u>	<u><u>\$ (6,625,410)</u></u>

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

# NOTES TO THE SPECIAL PURPOSE FINANCIAL STATEMENTS

December 31, 2013 and December 31, 2012

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

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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

# NOTES TO THE SPECIAL PURPOSE FINANCIAL STATEMENTS

December 31, 2013 and December 31, 2012

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

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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 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 World Bank 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, in addition to managing partnerships and external relations.

IBRD serves as the Trustee (the Trustee) and the World Bank serves as an Implementing Entity (IE) for the SCF. In its capacity as the Trustee, IBRD 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 made 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 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 Trust Fund under administration by the World Bank as IE) to receive SCF funds transferred by the Trustee from the Trust Fund.

# NOTES TO THE SPECIAL PURPOSE FINANCIAL STATEMENTS

December 31, 2013 and December 31, 2012

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

These special purpose financial statements report solely upon the activities of the Trust Fund. Separate special purpose financial statements are prepared for (i) the SCF trust fund under administration by the World Bank as IE, (ii) the CTF trust fund under administration by IBRD as Trustee, 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 of the SCF and CTF, 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 are not intended to be a presentation in conformity with U.S. generally accepted accounting principles (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* – As approved by the SCF Trust Fund Committee, the Trust Fund’s financial statements are prepared on 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; (ii) net investment income earned by MDBs, except the World Bank and IFC (“other MDBs), on SCF funds, which are also accounted for on a cash basis; and (iii) reflows and returns of SCF funds disbursed by MDBs, such as principal repayment, interest and other reflows are recorded by the Trust Fund when the cash is received by the MDBs from the project recipients and reported to the Trustee by the MDB. The specific accounting policies are as described in more detail 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, the International Development Association, the International Finance Corporation, the Multilateral Investment Guarantee Agency, and the International Centre for Settlement of Investment Disputes (collectively, the World Bank Group). IBRD, on behalf of the World Bank Group, maintains all trust fund assets separate and apart from the funds of the World Bank Group.



# NOTES TO THE SPECIAL PURPOSE FINANCIAL STATEMENTS

December 31, 2013 and December 31, 2012

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

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.

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 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.

*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 statements 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.

# NOTES TO THE SPECIAL PURPOSE FINANCIAL STATEMENTS

December 31, 2013 and December 31, 2012

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

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.

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

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. When contributions receivable and promissory notes receivable are overdue beyond dates specified in the contribution agreements/arrangements, the Trustee reduces the carrying value by recognizing a provision and an allowance for doubtful receivables as specified in the table below:

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

*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 as applicable. Project liabilities are paid to the MDBs upon their request in accordance with the Financial Procedures Agreements (the FPAs) between the Trustee and the MDBs.

## NOTES TO THE SPECIAL PURPOSE FINANCIAL STATEMENTS

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*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 in accordance with the FPAs.

*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 budget primarily covers the costs incurred by the Trustee, the Administrative Unit and the MDBs for the performance of their administrative services and other activities in support of the SCF. Once approved, and further 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 as IEs is credited directly in the Trust Fund on an accrual basis. Consequently, net investment income comprises the investment income earned by this Trust Fund, the investment income earned by the SCF Trust Fund under administration by the World Bank as IE, and the investment income earned by the SCF Trust Fund under administration by IFC as IE. Net investment income includes realized and unrealized investment income/loss.

*Net investment income from 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. Since inception of the Trust Fund, 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 for 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, fees, and other flow of funds 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 the cash is received by the MDBs from the recipients and reported to the Trustee by the MDBs. Since inception of the Trust Fund, no returns/reflows have been received by the Trust Fund.

# NOTES TO THE SPECIAL PURPOSE FINANCIAL STATEMENTS

December 31, 2013 and December 31, 2012

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

*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. dollars are reported at the market rates of exchange in effect on the date of the transaction. At the end of each reporting period, assets and liabilities that are not denominated in U.S. dollars are revalued at the market rate of exchange prevailing at the end of the respective reporting period. Any adjustment resulting from currency exchange rate changes is recognized as foreign currency exchange gain or loss.

*Use of estimates* – The preparation of financial statements requires management to make estimates and assumptions based upon information available as of the date of the special purpose financial statements. 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.

## Note 3 – Contributions and Contributions Receivable

The contribution amounts agreed to by the contributors and received by the Trust Fund in the respective currencies for the period from Inception to December 31, 2013 are as follows:

<b>Contributor</b>	<b>Type of Contribution</b>	<b>Currency</b>	<b>Contribution Amount</b>	<b>Paid in Cash</b>	<b>Promissory Note Receivable</b>	<b>Contributions Receivable</b>
Australia	Grant	AUD	87,177,222	87,177,222	-	-
Canada	Grant	CAD	100,000,000	100,000,000	-	-
Denmark	Grant	DKK	238,000,000	215,000,000	-	23,000,000
Germany	Grant	EUR	59,450,000	59,450,000	-	-
Japan	Grant	JPY	111,186,000,000	83,389,500,000	27,796,500,000	-
Korea	Grant	KRW	6,565,000,000	6,565,000,000	-	-
The Netherlands	Grant	USD	76,083,916	46,993,007	29,090,909	-
Norway <sup>1</sup>	Grant	NOK	1,446,200,000	1,446,200,000	-	-
Sweden	Grant	SEK	385,000,000	385,000,000	-	-
Switzerland	Grant	USD	26,000,000	26,000,000	-	-
United States	Grant	USD	247,173,763	247,173,763	-	-
Spain	Grant/Capital	EUR	23,000,000	23,000,000	-	-
United Kingdom	Grant/Capital	GBP	1,399,921,760	616,025,000	783,896,760	-

<sup>1</sup>As of December 31, 2013, an additional contribution of NOK 40,000,000 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 in the special purpose financial statements, nor is it included in the above table as of December 31, 2013.

# NOTES TO THE SPECIAL PURPOSE FINANCIAL STATEMENTS

December 31, 2013 and December 31, 2012

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

Grant and capital contributions and contributions receivables are presented below:

Contributor	Type of Contribution	Contributions for the fiscal year ended December 31, 2013	Contributions for the fiscal year ended December 31, 2012	Contributions receivable at December 31, 2013	Contributions receivable at December 31, 2012
Australia	Grant	\$ 1,553,527	\$ 9,962,500	\$ -	\$ -
Denmark	Grant	-	8,284,128	4,244,678	8,305,721
Germany	Grant	-	12,256,178	-	-
Norway	Grant	63,194,552	36,537,178	-	-
Sweden	Grant	43,986,805	-	-	-
Switzerland	Grant	-	6,000,000	-	1,000,000
United States	Grant	47,373,763	74,900,000	-	-
<b>Grant Total</b>		<b>156,108,648</b>	<b>147,939,984</b>	<b>4,244,678</b>	<b>9,305,721</b>
United Kingdom	Grant/Capital	-	104,487,250	-	67,901,400
<b>Grant/Capital Total</b>		<b>\$ -</b>	<b>\$ 104,487,250</b>	<b>\$ -</b>	<b>\$ 67,901,400</b>
<b>Total Contributions/Receivables</b>		<b>\$ 156,108,648</b>	<b>\$ 252,427,234</b>	<b>\$ 4,244,678</b>	<b>\$ 77,207,121</b>

As of December 31, 2013 and December 31, 2012, no allowance has been established as none of the contributions receivable were more than 24 months past due. Outstanding contributions are expected to be received in accordance with the terms established in the respective contribution agreement/arrangement.

## Note 4 – Promissory Notes Receivable

As of December 31, 2013 and December 31, 2012, the Trust Fund held the following promissory notes:

Contributor	Promissory Notes Receivable as of December 31, 2013		Promissory Notes Receivable as of December 31, 2012	
	Currency	U.S. dollar equivalent	Currency	U.S. dollar equivalent
Japan	¥ 27,796,500,000	\$ 264,791,617	¥ 46,327,500,000	\$ 537,566,721
The Netherlands	\$ 29,090,909	29,090,909	\$ 49,090,909	49,090,909
United Kingdom	£ 783,896,760	1,295,389,396	£ 541,896,760	876,084,492
<b>Total promissory notes receivables</b>		<b>\$ 1,589,271,922</b>		<b>\$ 1,462,742,122</b>

As of December 31, 2013 and December 31, 2012, no allowance has been established as none of the promissory notes receivable were more than 24 months past due.

# NOTES TO THE SPECIAL PURPOSE FINANCIAL STATEMENTS

December 31, 2013 and December 31, 2012

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

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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/losses from sales of securities and unrealized gains/losses resulting from recording the assets held by the Pool at fair value.

## **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 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 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, 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.

# NOTES TO THE SPECIAL PURPOSE FINANCIAL STATEMENTS

December 31, 2013 and December 31, 2012

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

## *Time deposits and money market securities*

Unless quoted prices are available, time deposits and money market securities are of a short term nature and 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.

## **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 a defined level of 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).

## NOTES TO THE SPECIAL PURPOSE FINANCIAL STATEMENTS

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

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, 2013 and December 31, 2012. Payables and receivables associated with the investment activities and cash are not included in the fair value hierarchy tables 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 December 31, 2013			
	Level 1	Level 2	Level 3	Total
Government and agency obligations	\$ 4,757	\$ 10,631	\$ -	\$ 15,388
Time deposits and money market securities	738	6,905	-	7,643
Asset-backed securities	-	2,922	-	2,922
Securities purchased under resale agreements and securities sold under repurchase agreements, net	-	1,732	-	1,732
Derivatives, net	-	(219)	-	(219)
<b>Total of financial instruments in the Pool at fair value</b>	<b>\$ 5,495</b>	<b>\$ 21,971</b>	<b>\$ -</b>	<b>\$ 27,466</b>

*In millions of U.S. dollars*

	Fair Value Measurement as of December 31, 2012			
	Level 1	Level 2	Level 3	Total
Government and agency obligations	\$4,266	\$9,016	\$ -	\$13,282
Time deposits and money market securities	108	9,733	-	9,841
Asset-backed securities	-	3,000	1	3,001
Derivatives, net	-	(64)	-	(64)
<b>Total of financial instruments in the Pool at fair value</b>	<b>\$4,374</b>	<b>\$21,865</b>	<b>\$1</b>	<b>\$26,060</b>

During the fiscal years ended December 31, 2013 and December 31, 2012 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.



# NOTES TO THE SPECIAL PURPOSE FINANCIAL STATEMENTS

December 31, 2013 and December 31, 2012

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

## ***Risks Management 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 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, in managing the pool, 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, in managing the pool, has received securities as collateral with a fair value of \$2,069 million and nil as of December 31, 2013 and December 31, 2012, respectively, and is permitted to sell or repledge these securities. No securities were sold or repledged as of December 31, 2013 and December 31, 2012. As of December 31, 2013 and December 31, 2012, the carrying amount of securities pledged as collateral under repurchase agreements was \$332 million and nil, respectively.

## NOTES TO THE SPECIAL PURPOSE FINANCIAL STATEMENTS

December 31, 2013 and December 31, 2012

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

The following is a summary of the collateral received by IBRD, on behalf of the World Bank Group, in relation to derivatives as of December 31, 2013 and December 31, 2012:

*In millions of U.S. dollars*

	2013	2012
Collateral received at fair value	\$ 1.4	\$ 0.3
Collateral permitted to be repledged	1.4	0.3
Amount of collateral repledged	-	-
Collateral paid at carrying value	-	0.2

### ***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 requirements, has a fair value of \$1,116,503,180 and \$993,681,457 as of December 31, 2013 and December 31, 2012, respectively.

The following table presents investment holdings in the sub-portfolio in terms of the counterparty credit risk exposure and investment categories as of December 31, 2013 and December 31, 2012.

<b>Counterparty credit ratings</b>	<b>2013</b>	<b>2012</b>
AA or greater	87%	68%
A- or greater	97%	98%
BBB+ or greater	100%	100%
<b>Types of financial instruments</b>		
Government and agency obligations	71%	61%
Time deposits and money market securities	7%	22%
Asset-backed securities	24%	17%
Securities purchased under resale agreements and securities sold under repurchase agreements, net	-1%	-
Derivatives, net	-1%	-
<b>Total</b>	<b>100%</b>	<b>100%</b>

# NOTES TO THE SPECIAL PURPOSE FINANCIAL STATEMENTS

December 31, 2013 and December 31, 2012

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

## Note 7 – Project Expense and Project Liabilities

Project expenses and project liabilities are as follows:

### Project expenses

<u>Implementing Entity</u>	<u>For the fiscal year ended December 31, 2013</u>	<u>For the fiscal year ended December 31, 2012</u>
ADB	\$ 127,577,166	\$ 65,725,000
AfDB	82,950,000	72,020,000
EBRD	11,000,000	-
IADB	23,381,997	16,215,000
IBRD/IDA	242,586,781	52,490,798
IFC	16,600,000	10,785,000
	<u>504,095,944</u>	<u>217,235,798</u>
Independent Evaluation of the SCF	-	927,500
<b>Total</b>	<b><u>\$ 504,095,944</u></b>	<b><u>\$ 218,163,298</u></b>

### Project liabilities

<u>Implementing Entity</u>	<u>As of December 31, 2013</u>	<u>As of December 31, 2012</u>
ADB	\$ 202,872,524	\$ 85,452,000
AfDB	171,750,000	98,250,000
EBRD	11,000,000	-
IADB	11,717,000	16,150,000
IBRD/IDA	347,930,433	162,819,920
IFC	21,621,219	9,250,000
<b>Total</b>	<b><u>\$ 766,891,176</u></b>	<b><u>\$ 371,921,920</u></b>

# NOTES TO THE SPECIAL PURPOSE FINANCIAL STATEMENTS

December 31, 2013 and December 31, 2012

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

<u>Implementing Entity</u>	<u>For the fiscal year ended December 31, 2013</u>	<u>For the fiscal year ended December 31, 2012</u>
ADB	\$ 1,667,700	\$ 2,495,333
AfDB	1,590,000	1,613,500
EBRD	175,000	-
IADB	1,443,000	700,000
IBRD/IDA	8,000,500	5,521,500
IFC	400,000	400,000
<b>Total</b>	<b>\$ 13,276,200</b>	<b>\$ 10,730,333</b>

### MDB fees payable

<u>Implementing Entity</u>	<u>As of December 31, 2013</u>	<u>As of December 31, 2012</u>
ADB	\$ 796,200	\$ 779,458
AfDB	2,328,500	1,413,500
EBRD	175,000	-
IADB	750,000	-
IBRD	1,080,000	-
<b>Total</b>	<b>\$ 5,129,700</b>	<b>\$ 2,192,958</b>

# NOTES TO THE SPECIAL PURPOSE FINANCIAL STATEMENTS

December 31, 2013 and December 31, 2012

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

## Note 9 – Liability to Other Trust Funds

The reconciliation of changes in the liability to other trust funds from December 31, 2012 to December 31, 2013 expressed in transactional currency and the U.S. dollar equivalent, by contributor, are as follows:

Liability to other trust funds	Liability in transactional currency as of December 31, 2012	Liability in USD equivalent as of December 31, 2012	Increase in liabilities during the fiscal year ended December 31, 2013	Transfers during the fiscal year ended December 31, 2013	Liability in transactional currency as of December 31, 2013	Liability in USD equivalent as of December 31, 2013
<b>United Kingdom</b>						
CTF	£ 237,067,760	\$ 383,267,447	£ 200,000,000	-	£ 437,067,760	\$ 722,254,473
Congo Basin Fund (CBF)	15,700,000	25,382,190	-	-	£ 15,700,000	25,944,250
Sub-total	£ 252,767,760	\$ 408,649,637	£ 200,000,000	-	£ 452,767,760	\$ 748,198,723
<b>Japan</b>						
CTF	¥ 32,429,250,000	\$ 376,296,705	-	¥ 11,581,875,000	¥ 20,847,375,000	\$ 198,593,713
<b>Total liabilities to other trust funds</b>		<b>\$ 784,946,342</b>				<b>\$ 946,792,436</b>

## Note 10 – Administrative Budget Expense

The administrative budget expense is as follows:

Implementing Entity	For the fiscal year ended December 31, 2013	For the fiscal year ended December 31, 2012
ADB	\$ 951,133	\$ 927,885
AfDB	1,128,322	752,600
EBRD	191,157	190,229
IADB	788,800	1,169,780
IBRD/IDA as administrative unit	2,978,478	2,628,506
IBRD/IDA as IE	3,055,847	4,694,700
IBRD as Trustee	2,301,355	533,863
IFC	(30,475)	722,156
<b>Total</b>	<b>\$ 11,364,617</b>	<b>\$ 11,619,719</b>

# NOTES TO THE SPECIAL PURPOSE FINANCIAL STATEMENTS

December 31, 2013 and December 31, 2012

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

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## **Note 11 – Subsequent Events**

On April 14, 2014, Australia withdrew from further engagement with the Climate Investment Funds both as a contributor and member of the CIF Trust Fund Committees. This follows a review of Australia's strategic and budgetary priorities across the Australian aid program. However, Australia will continue to keep the right to receive its proportionate residual resources upon completion of the CIF programs in 2030.

Subsequent events have been evaluated through May 30, 2014, which is the date the special purpose financial statements were authorized to be issued by IBRD's management, in its capacity as the Trustee, and the Trustee has determined that there are no other items to disclose.