

# 2012 Trust Fund *Annual Report*



**THE WORLD BANK GROUP**

Concessional Finance and Global Partnerships Vice Presidency





## Message from the Vice President

**Axel van Trotsenburg**

*Vice President*

Concessional Finance and Global Partnerships  
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Trust funds are flexible instruments that have enabled the World Bank Group to engage in a wide range of partnerships and leverage development assistance at the country, regional and global levels. They contribute to responding to a variety of development challenges in critical areas such as innovation, fragile and conflict-affected situations, crisis response, global public goods, and engagement with civil society. In this 2012 Annual Report, we share selected examples of how trust funds are filling important gaps in these areas and helping to make a difference on the ground.

The growth of the World Bank Group trust fund portfolio reflects a clear demand for tailor-made development solutions. To preserve trust funds as a flexible aid delivery tool, we need to ensure that these resources are managed effectively and transparently. For this reason, we have embarked on comprehensive reforms to ensure the strategic alignment of trust funds with Bank priorities, their integration with Bank processes, cost recovery, and oversight.

In FY12, we continued to make progress in trust fund consolidation by further reducing the number of IBRD/IDA trust funds to 720 from a peak of 780 in FY10. Donors have also been increasingly moving toward multi-donor trust funds, which now account for about 50 percent of active trust funds compared to 30 percent five years ago. To support these efforts, we have developed new approaches in close collaboration with internal and external stakeholders. For instance, we have launched portfolio reviews with a number of donors, which are serving to strengthen shared strategic objectives. We are also seeking to establish umbrella facilities (UFs) to match donor interest with Bank priorities for a more strategic use of the funds and reporting on the basis of results. To date, we have established umbrella facilities for capacity building, gender, trade, and education. We need to do more. Another area where we are intensifying our effort is fundraising coordination. In this context, we have rolled out new fundraising information tools to promote better coordination and, ultimately, more strategic decision-making within the Bank.

Importantly, we are completing a new Management Framework for Partnership Programs (PPs) and Financial Intermediary Funds (FIFs). Through its engagement in PPs, the Bank cooperates with other partners that can include donors, client countries, other international organizations, the private sector, and civil society around specific development issues. The new framework will provide a principles-based approach to guide the Bank's engagement in PPs focusing on selectivity, participation in governance and decision-making, and risk management. Because trust funds are used to finance many PPs, the framework will need to be closely coordinated with ongoing trust fund reforms.

Turning to financing outcomes in FY12, it is encouraging that donor commitment to development has been sustained, despite fiscal strains in several donor countries, with contributions to World Bank Group-administered trust funds remaining strong. As trust fund disbursements (or transfers in the case of FIFs) were also strong, funds held in trust at the end of the year were unchanged at \$29 billion. Of this amount, the FIFs continued to account for the largest share (61 percent) although they have leveled off at around \$18 billion in the past two years. IBRD/IDA trust funds accounted for 33 percent, with funds held in trust close to \$10 billion; IFC funds held in trust amounted to \$1 billion or 3 percent.

Finally, as part of our work on open data, we have continued to upgrade AidFlows ([www.aidflows.org](http://www.aidflows.org)), our public web-based tool that allows users to visualize how much development aid is provided and received around the world. Trust fund financial data is also disclosed through an open data website and mobile application (<https://finances.worldbank.org>).

I hope this 2012 Trust Fund Annual Report provides useful information on the trends and achievements of the World Bank Group trust fund portfolio.

# 2012 TRUST FUND ANNUAL REPORT

*Fiscal Year Ending June 30, 2012*

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## Photography

p.17, Dave Lawrence / World Bank - *New technology reaches the countryside. Mungun Morit, Mongolia*

p.18, Arne Hoel / World Bank - *Lucia Boki fetches water at a borehole in the village of Bilinyang, South Sudan*

p.19, Sofie Tesson /Taimani Films / World Bank - *Support to Higher Education: Faiza Momand, a second year student*

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## **CONCESSIONAL FINANCE AND GLOBAL PARTNERSHIPS VICE PRESIDENCY**

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Dollar figures throughout this report are in U.S. dollars. Unless otherwise noted, the source for all tables and figures is the Concessional Finance and Global Partnerships Vice Presidency of the World Bank.

# Abbreviations and Acronyms

A2F	Access to Finance
AMC	Advance Market Commitments
ARTF	Afghanistan Reconstruction Trust Fund
BETF	Bank-Executed Trust Fund
C4C	Connect for Climate
CCC	Communication for Climate Change
CERs	Certified Emission Reductions
CGIAR	Consultative Group on International Agricultural Research
CIF	Climate Investment Funds
DAC	Development Assistance Committee of the OECD
DRTF	Debt Relief Trust Fund
EBRD	European Bank for Reconstruction and Development
EBSM	EBRD Southern Mediterranean Financial Intermediary Trust Fund
EFA-FTI	Education for All–Fast Track Initiative
ESMAP	Energy Sector Management Assistance Program
FIF	Financial Intermediary Fund
FY	Fiscal Year
GEF	Global Environment Facility
GFA	GAVI Fund Affiliate
GFDRR	Global Facility for Disaster Reduction and Recovery
GFRP	Global Food Crisis Response Program
GPEF	Global Partnership for Education Fund
IBRD	International Bank for Reconstruction and Development
ICSID	International Centre for Settlement of Investment Disputes
IDA	International Development Association
IFC	International Finance Corporation
IFFIm	International Finance Facility for Immunisation
MDBs	Multilateral Development Banks
MDTF	Multidonor Trust Fund
MEF	Microfinance Enhancement Facility
NGO	Nongovernmental Organization
ODA	Official Development Assistance
OECD	Organisation for Economic Co-Operation and Development
PHRD	Policy and Human Resources Development
PPP	Public-Private Partnership
QBRR	Quarterly Business and Risk Reports
REDD	Reducing Emissions from Deforestation and Forest Degradation
RETF	Recipient-Executed Trust Fund
SMEs	Small and Medium Enterprises
SPF	State- and Peace-Building Fund
TA	Technical Assistance
TF	Trust Fund
TFMF	Trust Fund Management Framework
UN	United Nations
UNDP	United Nations Development Programme
WBG	World Bank Group
WSP	Water and Sanitation Program



Section 1:

# Trust Funds in Fiscal Year 2012



# 1.1 Introduction

## Trust Funds in the Aid Architecture

The World Bank Group (WBG) trust fund (TF) portfolio has expanded continuously over the past decade. To a large extent this expansion reflects broader trends in the international aid architecture, namely, (1) the unprecedented growth in the volume of official development assistance (ODA) through 2010, even in the aftermath of the 2008 global financial crisis; and (2) the rapid increase of “multi-bilateral” ODA, that is, bilateral ODA earmarked for a specific purpose and channeled through the multilateral system. Between 2007 and 2010, multi-bilateral ODA increased from \$9 billion to \$16.7 billion (representing 12 percent of gross ODA, excluding debt relief).

More than two-thirds of multi-bilateral aid from donors in the Development Assistance Committee (DAC) of the OECD is channeled through United Nations (UN) agencies, and about 25 percent is channeled through the World Bank Group. The WBG is the single largest multilateral channel for trust funds, followed by the World Food Program (WFP) and the UN Development Programme (UNDP). Other multilateral development banks (MDBs) also channel some trust fund aid, albeit in smaller amounts (see Figure 1).

The past decade has also seen greater earmarking of multilateral ODA through the establishment of several

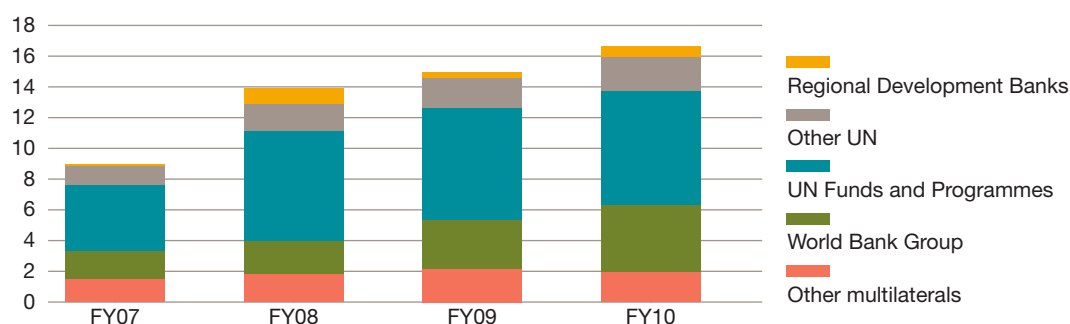
purpose-specific global programs, or “vertical funds.” This group includes longstanding multilateral organizations such as the Global Environmental Facility (GEF) and a number of recently established multilateral entities, notably the Global Fund for Tuberculosis, AIDS, and Malaria (the Global Fund) and the GAVI Alliance (formerly known as the Global Alliance for Vaccines and Immunisation). Contributions from DAC members to these purpose-specific multilateral entities have more than doubled since the early 2000s and currently amount to about 3 percent of gross annual ODA disbursements.

## The Complementary Role of Trust Funds

From the donors’ perspective, trust funds combine the advantages of multilateral aid (such as large geographic presence, economies of scale, low administrative costs, and proven implementation capacity) with those of bilateral assistance (targeted assistance in areas such as fragile states where donors have limited or no presence). From the recipients’ perspective, trust funds bring down transaction costs and reduce the proliferation of bilateral programs. Channeling trust funds through multilateral institutions can also facilitate the integration of global priorities into country programs.

For the WBG, trust funds provide flexible arrangements that enable its engagement in a wide range of partnerships and help it leverage development assistance at the country, regional, and global

Figure 1: Multi-Bilateral ODA to Multilateral Institutions, FY07–FY10 (US\$ Billions)<sup>a</sup>



Source: OECD-DAC

a. During the same period, the share of multilateral ODA has remained relatively stable at about 30 percent respectively, with multilateral ODA representing core contributions from DAC members to multilateral organizations such as IDA.

## BOX 1: TYPES OF WBG TRUST FUNDS

1. **IBRD/IDA trust funds** – finance activities that the IBRD/IDA implements or supervises. Disbursements are through BETFs and RETFs:
  - a. **Bank-executed trust funds (BETFs)** – the Bank controls BETF disbursements and uses them to support the Bank’s work program.
  - b. **Recipient-executed trust funds (RETFs)** – funds that the Bank passes to a third party and for which the Bank plays an operational role—i.e., the Bank normally appraises and supervises activities financed by these funds.
2. **Financial intermediary funds (FIFs)** – multilateral financial mechanisms that support global development initiatives. In FIFs, the World Bank acts as financial trustee and provides financial intermediary services such as receiving, holding, and transferring funds to multiple implementing entities.
3. **IFC Trust Funds (IFCTF)** – funds managed by IFC which support IFC advisory services and investment initiatives.<sup>a</sup>

a. Note: This report does not include trust funds that support IFC’s Special Initiatives and Investment Programs that are managed separately by IFC and do not form part of the investment portfolio maintained by IBRD for trust funds.

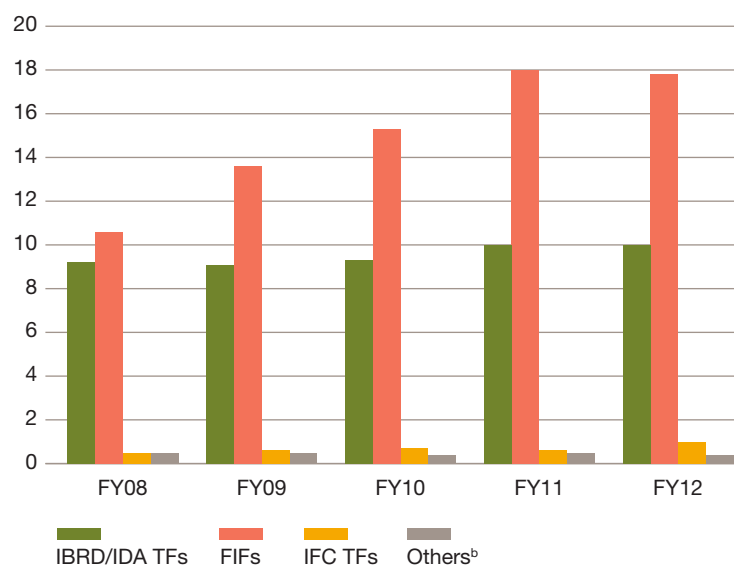
levels. The role of trust funds in the WBG varies according to the type of fund. The portfolio consists of IBRD/IDA trust funds, financial intermediary funds (FIFs), and the International Finance Corporation (IFC) trust funds (see Box 1).

IBRD/IDA trust funds allow the World Bank (the Bank) to expand and complement its activities in several contexts:

- when the Bank’s resources are limited by IDA’s assistance envelope, such as in so-called fragile and conflict-affected situations (FCS), or by the availability of IBRD’s lending resources;
- when the Bank’s lending instruments are entirely unavailable, for example because the country is in arrears or is not a member of the Bank;
- for non-state recipients, such as civil society organizations, which cannot receive direct funding through regular Bank instruments (IBRD loans and IDA credits and grants);
- to scale up work on global public goods such as knowledge or climate change;
- to provide immediate assistance in response to natural disasters or other emergencies; and
- to pilot innovations that are later mainstreamed into the Bank’s operations.

In the case of FIFs, the Bank supports the international community in providing targeted and coordinated responses to global priorities in areas such as climate change, communicable diseases, and food security. Global initiatives involving multiple implementing entities and stakeholders benefit from the Bank’s administration of FIFs, which provide a cost-effective financial platform that obviates the need to create separate financial structures for such initiatives.

Figure 2: Funds Held in Trust, FY08–FY12 (\$ Billions)<sup>a</sup>



a. Financial Intermediary Funds discussed in this section exclude the Advance Market Commitment (AMC), which is a FIF but not a trust fund and is included in IBRD’s financial statements;  
 b. “Others” include amounts held in escrow on behalf of the International Centre for Settlement of Investment Disputes (ICSID), donor balance accounts, balances on administration accounts and unapplied receipts.

## 1.2. Financial Trends of Trust Funds

### Overview

At \$29.2 billion, the amount of WBG funds held in trust on June 30, 2012—the end of fiscal year 2012 (FY12)—was relatively unchanged from the level recorded a year earlier (see Figure 2). FIFs continued to account for the largest share (61 percent), followed by IBRD/IDA trust funds (33 percent), and IFC trust funds (3 percent).

Although the dollar value remained largely unchanged, the number of active trust fund accounts decreased in FY12, from 1,072 to 1,064. This decrease reflects a continued decline in the number of IBRD/IDA trust funds (from 748 to 720). At the same time, the number of IFC trust funds continued to increase (from 273 to 290) and the number of FIFs increased only marginally (from 51 to 54).

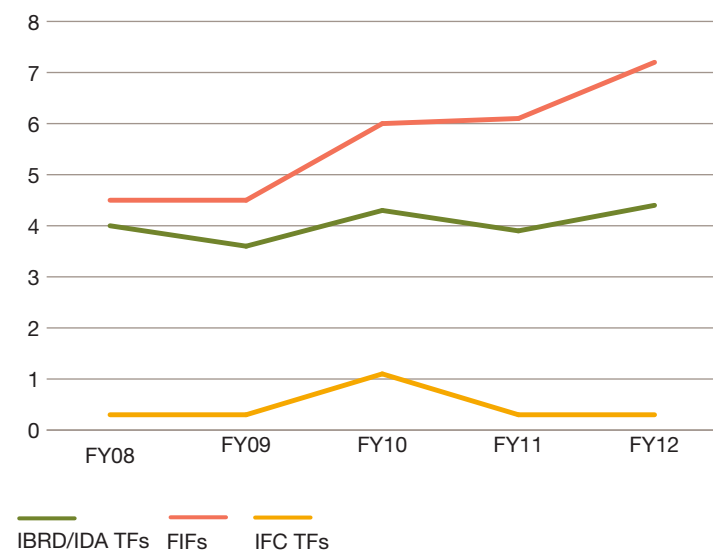
The value of funds held in trust for FIFs grew by 68 percent between FY08 and FY12, mainly because of the expansion of earlier funds, including the Global Fund and the GEF, as well as the rapid growth of new FIFs, the largest being the Climate Investment Funds (CIF). In FY11 and FY12, funds held in trust for FIFs leveled off at about \$18 billion. Cash contributions to FIFs continued to show an upward trend in FY12, increasing by 17 percent to \$7.2 billion (see Figure 3), while transfers from FIFs to implementing entities also increased significantly, by 14 percent, to \$5.2 billion (see Figure 4).

Funds held in trust for IBRD/IDA trust funds increased moderately over the FY08–FY10 period and leveled off at about \$10 billion in FY11 and FY12 (see Figure 2). Contributions were strong in FY12, increasing by 14 percent to \$4.4 billion and reversing the decline in FY11 (see Figure 3). IBRD/IDA trust fund disbursements reached their highest level in the past five years, increasing 13 percent from FY11, to \$4.3 billion, and 30 percent since FY08 (see Figure 4). In terms of disbursements, the top three IBRD/IDA trust funds in FY12 were the Afghanistan Reconstruction Trust Fund (\$519 million), the Education for All–Fast Track Initiative (EFA-FTI) (\$454 million), and Carbon Funds (\$333 million); together they accounted for 31 percent of IBRD/IDA trust fund disbursements.

Funds held in trust for the IFC trust funds amounted to almost \$1 billion as of end-FY12, representing a two-fold increase since FY08 (see Figure 2). This rise occurred mainly because of an increase in funds received and managed for IFC’s global financial crisis response initiatives, namely, the Global Trade Liquidity Program and the Microfinance Enhancement Facility.

Over the five years covering FY08 through FY12, the United States and the United Kingdom made the largest contributions to WBG trust funds (see Figure 5). Over that period, the United Kingdom was the largest donor to the IBRD/IDA trust funds, followed by the European Commission, the United States, the Netherlands, and Australia. Together,

Figure 3: Cash Contributions to Trust Funds, FY08–FY12 (\$ Billions)<sup>a</sup>



a. Include cash receipts from the Adaptation Fund’s Certified Emission Reductions (CERs) sales.

Figure 4: Disbursements and Transfers from Trust Funds, FY08–FY12 (\$ Billions)

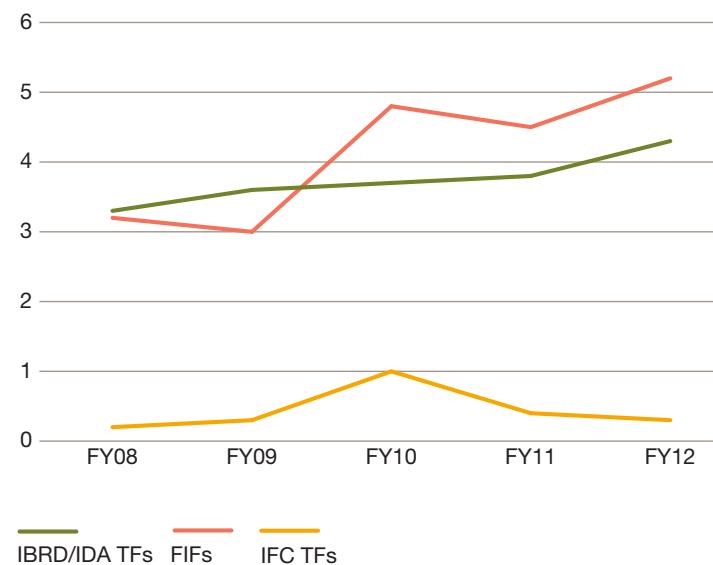


Figure 5: Cumulative Cash Contributions by Top Ten Donors, FY08–FY12 (\$ Billions)

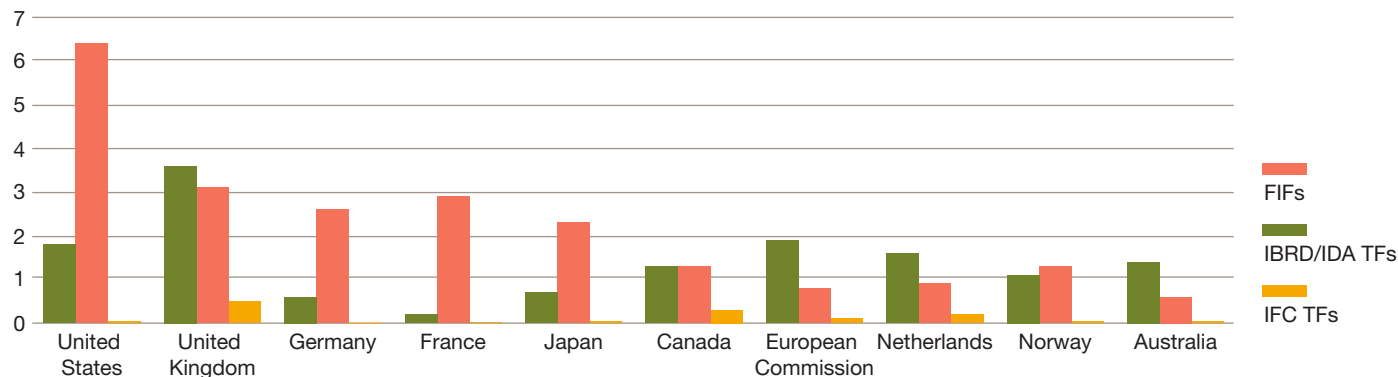
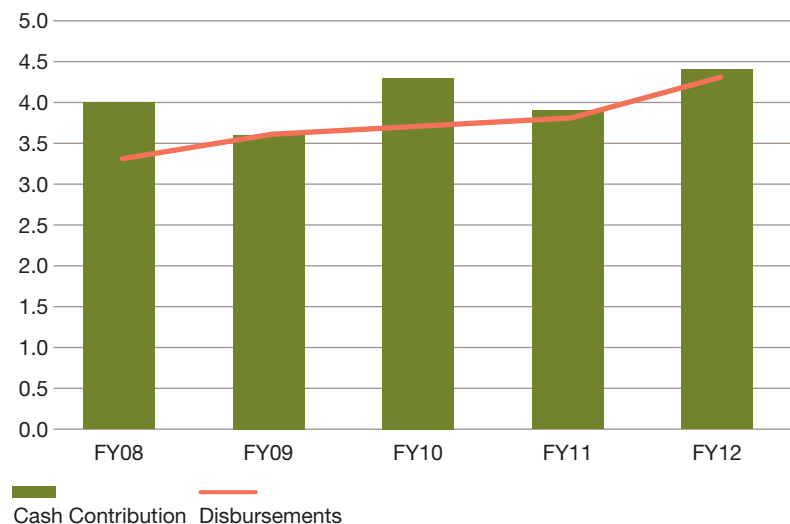


Figure 6: IBRD/IDA Trust Funds: Annual Cash Contributions and Disbursements, FY08–FY12 (\$ Billions)



these five donors have accounted for more than half of the total cash contributions to IBRD/IDA trust funds since FY08. The United States remains the largest donor to FIFs, both cumulatively over the five years and in FY12.

Sovereign donors remain the major contributors to the WBG trust funds; they accounted for 84 percent of total cash contributions received in FY12 for IBRD/IDA trust funds, 96 percent for FIFs, and 54 percent for IFC trust funds.

## Financial Trends of Trust Funds in Fiscal Year 2012

### IBRD/IDA Trust Funds

IBRD/IDA trust funds are funding mechanisms that complement the World Bank's development operations at the country, regional, and global levels. These funds can be disbursed in the form of recipient-executed trust funds (RETFs) or Bank-executed trust funds (BETFs) (see Box 1). RETFs finance projects implemented by recipients under the Bank's appraisal and supervision; BETFs complement the Bank's own budget to deliver knowledge services or support the Bank's preparation and supervision, primarily of RETF-funded projects.

Following a decline in FY11, cash contributions to IBRD/IDA trust funds rose to \$4.4 billion in FY12, above the level recorded in FY10 (see Figure 6). The value of contributions under new agreements signed with donors increased by 62 percent over the past year, reaching \$4.7 billion for FY12. This increase was primarily due to new contributions for the Afghanistan Reconstruction Trust Fund (\$1.7 billion), for Carbon Funds (\$355 million), and for the establishment of the Bangladesh Health Sector Development Program (\$247 million).<sup>1</sup>

As part of ongoing consolidation efforts, the number of IBRD/IDA trust funds continued to decline, from a peak of 780 as of end-FY10 to 720 as of end-FY12. In addition, the share of multi-donor trust

1. The Bangladesh program was created to enable the Government of Bangladesh to strengthen health systems and improve health services for the poor; these include providing skilled birth attendants, providing modern contraceptives in low-performing areas, and promoting healthy weight among children under five years of age.

funds increased further, to 48 percent of the total (from 31 percent in FY08) (see Figure 7). In FY12, 94 new IBRD/IDA trust funds were established and 122 existing funds were closed. Of the new funds, the largest were the Australian Trust Fund for Support of Sri Lanka Education, the Europe and Central Asia Region Capacity Development Trust Fund, and the Multi-Donor Programmatic Trust Fund to Support Statistical Capacity Building in Eastern Europe and the Commonwealth of Independent States Countries.

### Recipient-Executed Trust Funds

RETFs involve project financing for third-party recipients which are prepared and supervised by the Bank.<sup>2</sup> In FY12, RETF disbursements accounted for 10 percent of the World Bank's total project financing (see Figure 8), up from 9 percent in FY11. The gain in share reflected primarily a decline in IBRD disbursements, which peaked in FY10 in the context of the global financial crisis. RETF disbursements increased during FY12 to \$3.6 billion, up 13 percent from FY11. More than half of the increase in RETF disbursements in FY12 was linked to larger disbursements from the EFA-FTI and the Carbon Funds (40 percent and 17 percent of the increase, respectively).

RETFs are an important financing source for investments and technical assistance in fragile and conflict-affected states (see Figure 9). RETF disbursements to FCSs have increased from \$1 billion in FY08 to \$1.3 billion in FY12 and accounted for 37 percent of total RETF disbursements during FY12. Afghanistan accounted for 40 percent of disbursements to FCSs, followed by the West Bank and Gaza with a total of 22 percent. About 40 percent of RETF disbursements are concentrated in five areas: Afghanistan, West Bank and Gaza, Ethiopia, Vietnam, and Indonesia.

Some two-thirds of RETF disbursements in FY12 went to IDA-eligible countries; about 20 percent to IBRD countries; and the balance to support regional or global activities. Among the Bank's regional units, Sub-Saharan Africa continued to be the largest beneficiary of RETFs in FY12, followed by South Asia, East Asia and Pacific, and the Middle East and North Africa (see Figure 10).

Figure 7: Multi-Donor and Single-Donor IBRD/IDA Trust Funds, FY08–FY12 (Percent)

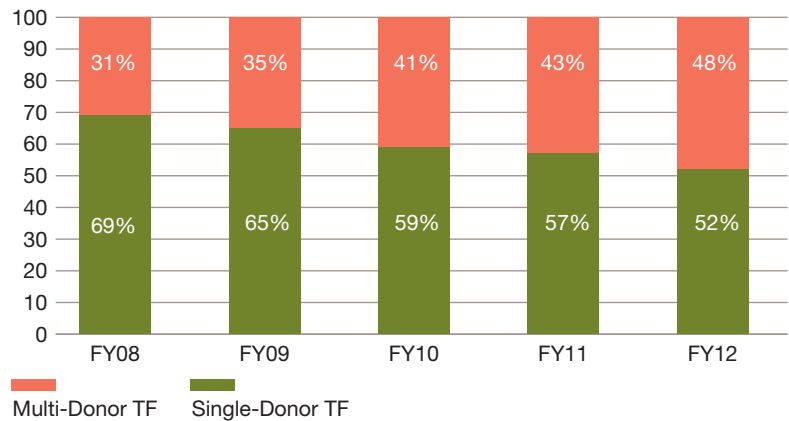


Figure 8: Disbursements from IBRD, IDA and RETFs, FY08–FY12 (\$ Billions)

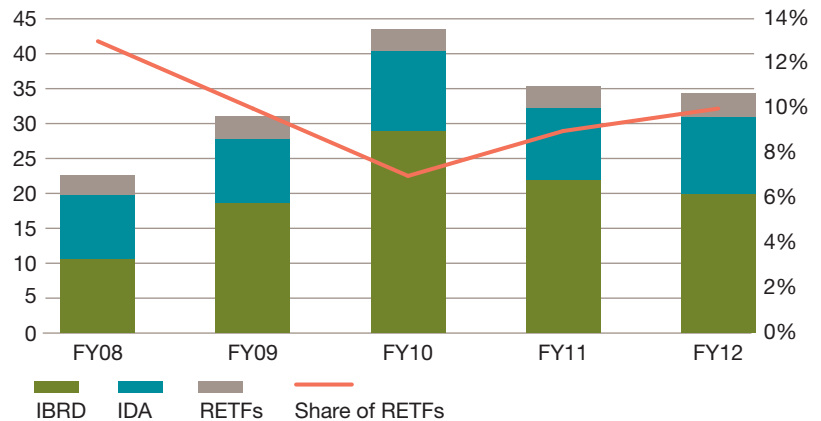
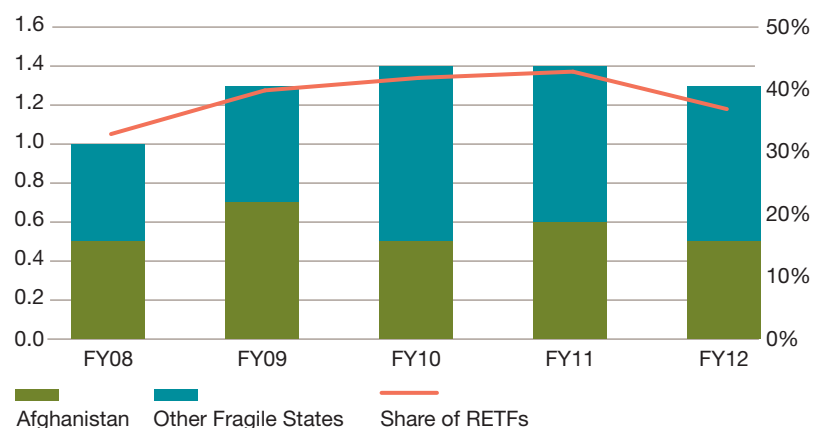
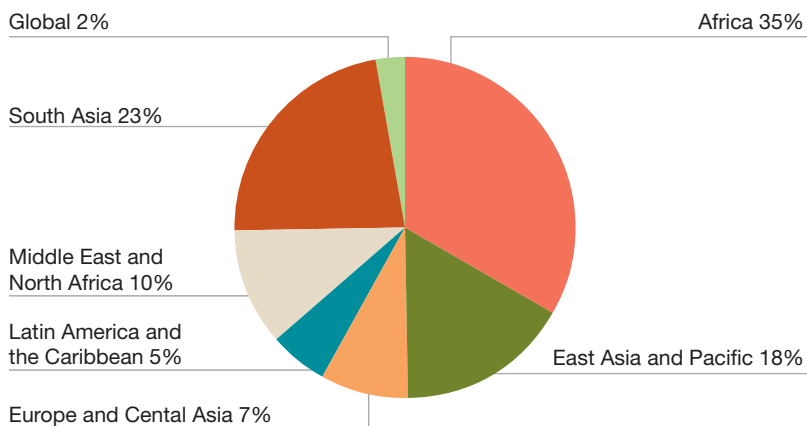


Figure 9: RETF Disbursements in Fragile and Conflict-Affected States (\$ Billions)



2. IBRD and IDA also administer a relatively small share of trust funds that help client countries service their debt repayments and other obligations.

Figure 10: Regional Shares of RETF Disbursements, FY12

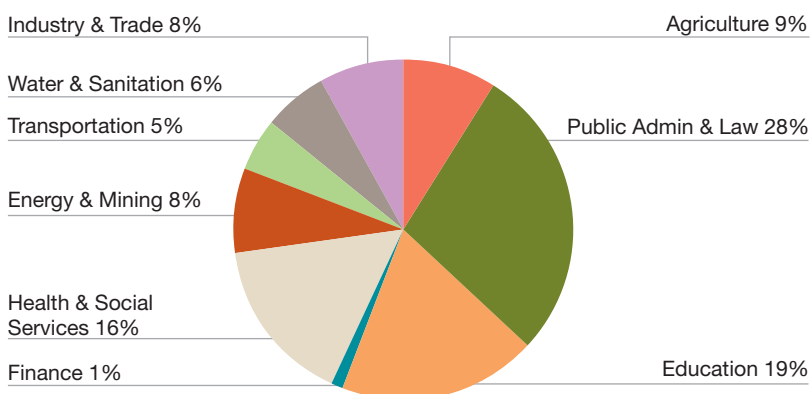


In FY12, RETFs provided financing primarily for three economic sectors: (1) public administration, law, and justice, which includes the Bank’s work on governance and anticorruption (28 percent); (2) education (19 percent); and (3) health and social services (16 percent) (see Figure 11).

**Bank-Executed Trust Funds**

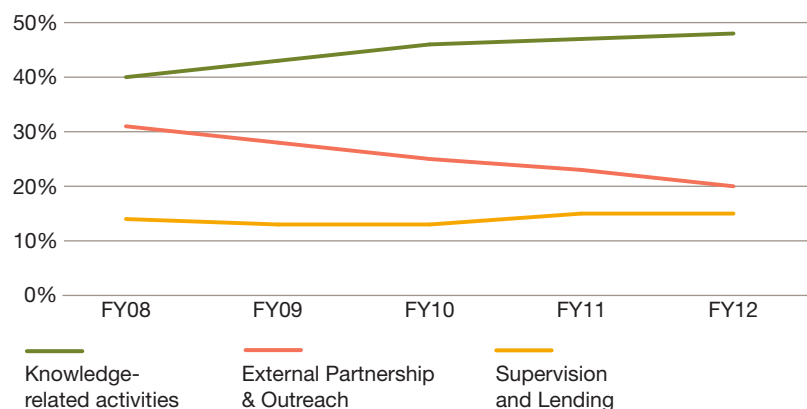
In the same way that the World Bank’s administrative budget funds activities linked to the Bank’s project portfolio, a large part of BETF funding is linked to RETF-funded projects, covering lending activities (preparation and supervision) as well as nonlending activities (analytical and advisory work). In FY12, BETF disbursements continued to increase, albeit at a slower pace, reaching \$643 million, or about 23 percent of total Bank administrative expenditures.<sup>3</sup>

Figure 11: Sectorial Allocation of RETF Disbursements, FY12



On average, 45 percent of total BETF disbursements in FY08–FY12, and 48 percent in FY12, were used to fund knowledge-related activities. The share of BETF spending on external partnerships, outreach, and resource mobilization continued to decline in FY12, to 20 percent, down from 22 percent in FY11. The share of BETF disbursements to fund project preparation and supervision was stable over the past five years at around 15 percent (see Figure 12). These BETFs serve mainly to fund preparation and supervision of RETF-funded projects, and their growth over the past five years has broadly tracked the increase in RETF disbursements.

Figure 12: Share of BETF Disbursements by Main Activity, FY08–FY12 (Percent)



Knowledge activities funded by BETFs involve mostly knowledge for clients, such as nonlending technical assistance (TA), economic and sector work, training, and impact evaluation. Nonlending TA has been the main driver of growth in BETFs in FY08–FY12, complementing similar growth in the Bank’s budget for nonlending TA in response to increased demand from clients. About 60 percent of nonlending TA is delivered to country clients; the remainder consists of global and regional products. Nonlending TA to IBRD countries has been the fastest growing component, with funding rising sharply from \$6 million in FY08 to almost \$50 million in FY12. The bulk of this funding benefits Indonesia, with a significant share allocated for community empowerment programs.

3. Total administrative expenditures include the net administrative budget, reimbursables, and BETFs. The net administrative budget is the portion of the World Bank’s work program that is funded by the IBRD and IDA. Reimbursables are revenues generated when the World Bank provides operational or administrative services to other parties or has negotiated the sharing of administrative costs.

## Financial Intermediary Funds

Financial intermediary funds use the Bank as trustee and provide financial and administrative services, including management of donor contributions and their transfer to multiple implementing entities. The Bank can be one such implementing entity.

Purpose-specific global programs in which the Bank acts as trustee have acquired a greater role in the international aid architecture in the past few years. Funds held in trust for FIFs<sup>4</sup> in FY12 amounted to \$18.1 billion and accounted for 61 percent of all funds held in trust for the WBG's trust funds, an increase from 51 percent in FY08. More than 80 percent of this amount was held for the Global Fund (29 percent), the GEF (26 percent), and the CIF (25 percent) (see Figure 13).

In FY12, three new financial intermediary funds were established: the EBRD's Eastern and Southern Mediterranean Financial Intermediary Trust Fund (EBSM), the Global Partnership for Education Fund (GPEF), and the Green Climate Fund Trust Fund. GPEF has been established as a FIF as part of the reform process of the Education for All Fast Track Initiative (EFA-FTI) which was previously supported solely by the EFA-FTI trust fund (an IBRD/IDA trust fund).

More than half of FY08–FY12 cash contributions to financial intermediary funds were allocated to the health sector (see Figure 14), with the largest portfolio in the Global Fund, which received \$22 billion in contributions since its establishment in 2002. While health accounts for the largest share of FIFs, the share of the environment and climate change grew from 19 percent in FY08 to 32 percent in FY12. The share in other sectors—such as agriculture and food security, and education—is expanding. Overall cash contributions to FIFs,<sup>5</sup> which have been growing continuously over the past five years, reached \$7.3 billion in FY12, up 62 percent from FY08. In FY12, growth was driven primarily by cash contributions to the Global Fund, the GEF, the Consultative Group on International Agricultural Research (CGIAR) Fund, and the newly established GPEF.

In FY12, total transfers from financial intermediary funds to implementing and supervising entities, trustee and FIF secretariats, amounted to \$5.9 billion<sup>6</sup>, up 13.5 percent from FY11 (\$5.2 billion) (see Figure 15). The largest share of transfers in FY12 were from the

Figure 13: FIFs Held in Trust, by Fund (Percent)

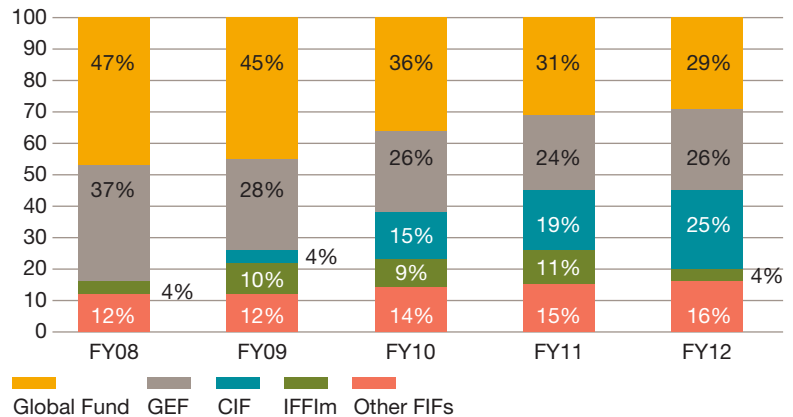


Figure 14: FIFs Cash Contributions, by Sector/Theme (\$ Billions)

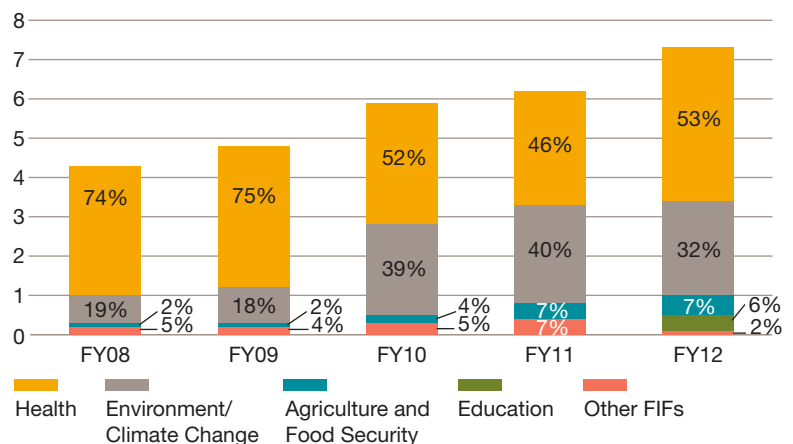
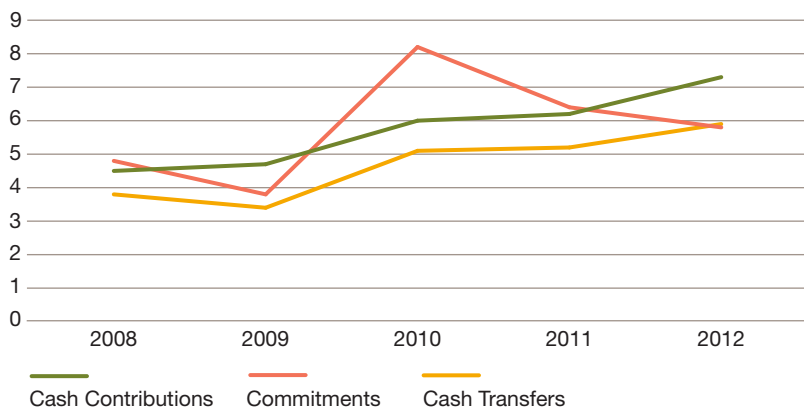


Figure 15: Cash Contributions, Commitments, and Cash Transfers from FIFs, FY08–FY12 (\$ Billions)<sup>a</sup>



a. Includes AMC, which is a FIF but not a trust fund and is included in IBRD's financial statements.

4. Includes AMC, which is a FIF but not a trust fund and is included in the IBRD's financial statements.

5. Includes AMC, which is a FIF but not a trust fund and is included in IBRD's financial statements.

6. FIF transfers include transfers from FIFs to (i) the World Bank as implementing entity and (ii) the World Bank Group for administrative expenses as implementing entity and trustee, and expenses of the in-house secretariats. FIFs include AMC, which is a FIF but not a trust fund and is included in the IBRD's financial statements.



Figure 16: Top 10 Donors' Cumulative Cash Contributions to FIFs, FY08–FY12 (\$ Billions)

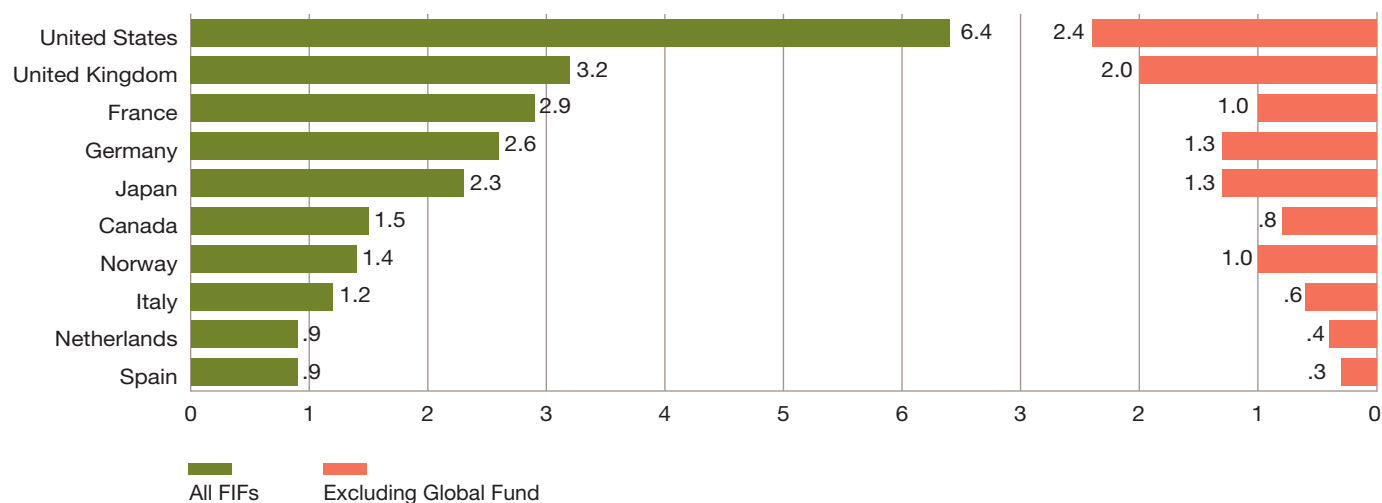


Table 1: IFC Advisory Services Expenditures (\$ Millions) and Share in IDA Countries (Percent)

	FY08	FY09	FY10	FY11	FY12
Expenditures	131	158	167	182	197
Share in IDA countries <sup>a</sup>	49%	52%	62%	64%	65%

a. Excludes global projects.

Global Fund (\$3.3 billion), which accounted for 64 percent of total FIF transfers in FY12, followed by 11 percent from the Debt Relief Trust Fund (DRTF) (\$572 million), 8 percent from the CGIAR (\$389 million), and 5 percent from the GEF (\$278 million).

FIF funds have traditionally been transferred to multilateral development banks or UN agencies (for example, under the GEF or the CIF) for project implementation, or directly to end-recipients chosen by the FIF governing body (for example, the Global Fund). This latter category has been expanding recently as FIF governing bodies increasingly seek to transfer funds directly to national or regional entities for project implementation. In FY12, 54 percent of total FIF transfers for projects were made directly to these entities, mostly from the Global Fund and the Adaptation Fund. The largest share of direct disbursements was to the Africa region (22 percent) and the Asia region (15 percent). The remaining 46 percent was disbursed through MDBs and UN agencies, of which the largest recipient was UNDP (12 percent), followed by the World Bank (11 percent) and the African Development Bank (9 percent).

As of end-FY12, the United States remained the largest donor to financial intermediary funds, with

five-year cumulative cash contributions of \$6.4 billion, followed by the United Kingdom (\$3.2 billion), France (\$2.9 billion), Germany (\$2.6 billion), and Japan (\$2.3 billion) (see Figure 16).

### IFC Trust Funds

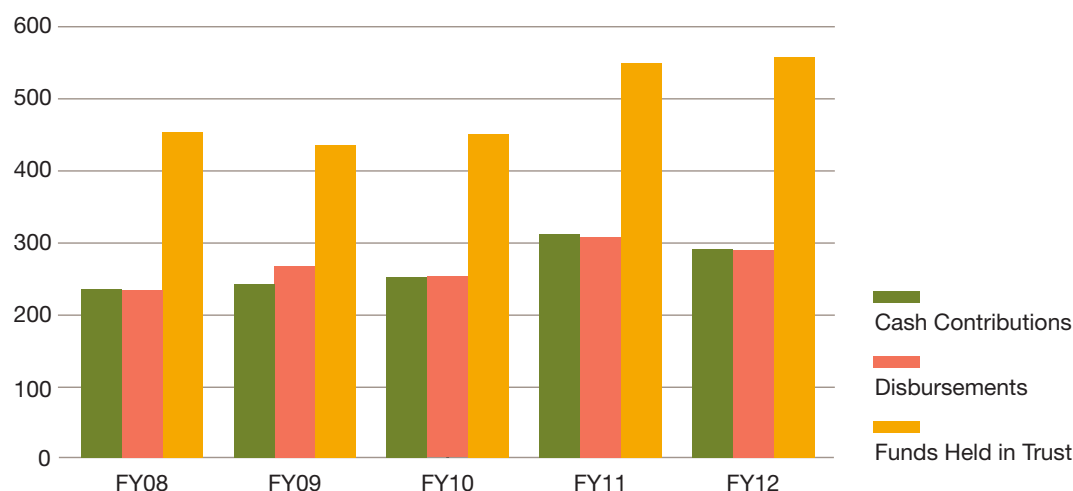
The International Finance Corporation (IFC) offers advisory services to businesses and governments in 105 countries through more than 630 active projects. Funding comes from donor partners, the IFC, and clients. IFC trust funds are the main instrument for financing advisory services. In FY12, nearly 80 percent of IFC advisory service disbursements were made via trust funds. In the past five years, IFC program expenditures have grown by 50 percent to nearly \$200 million, with 65 percent concentrated in IDA countries and 17 percent in fragile and conflict-affected states (see Table 1).

IFC Advisory Services promote private sector development along four business lines: expanding A2F (access to finance), improving the investment climate, facilitating public-private partnerships, and promoting sustainable business.

Through its A2F activities, IFC helps increase the availability and affordability of financial services to



Figure 17: IFC Trust Funds—Advisory Services (\$ Millions)



individuals and to micro, small, and medium enterprises. At end-FY12, the A2F portfolio consisted of 245 projects in 71 countries and had a total value of \$296 million. Advisory program expenditures for A2F amounted to \$63 million at end-FY12, of which 64 percent were in IDA countries and 16 percent in fragile and conflict-affected areas. About 20 percent of disbursements for A2F activities in FY12 supported microfinance products.

IFC's investment climate activities help governments implement reforms that improve the business environment and encourage and retain investment, thus fostering competitive markets, economic growth, and job creation. At end-FY12, the Investment Climate portfolio consisted of 129 projects in 60 countries and had a total value of \$227 million. Advisory program expenditures for Investment Climate activities amounted to \$57 million in FY12, of which 77 percent were in IDA countries and 25 percent in fragile and conflict-affected areas. About 30 percent of disbursements for Investment Climate activities in FY12 went to business regulation advisory products.

IFC helps governments design and implement public-private partnerships (PPPs) in infrastructure and other basic public services such as electricity, water, health, and education while enhancing their quality and efficiency. At end-FY12, the PPP portfolio consisted of 85 projects in 46 countries and had a total value of \$106 million. Advisory program expenditures for PPPs amounted to \$30 million in FY12, of which 55 percent were in IDA countries and 13 percent in fragile and conflict-affected states. Almost 85 percent, or \$25.4 million, of disbursement to PPP activities in FY12 were made to Advisory Mandate products,

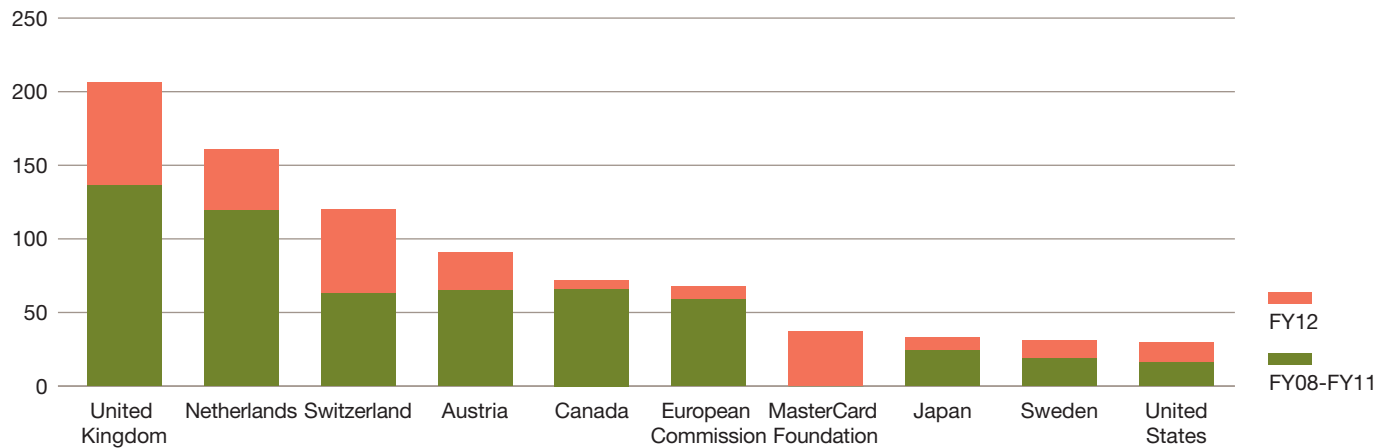
which include expanding access to public services such as power, water and sanitation, transport, and, more recently, health and education services.

IFC helps private sector companies promote sustainable business by adopting environmental, social, and governance practices and technologies that create a competitive edge. IFC helps advance women in business, strengthens small-scale farms and businesses, and engages the private sector in climate-change solutions. At end-FY12, the IFC portfolio consisted of 173 sustainable-business projects in 59 countries with a total value of \$266 million. In FY12, IFC advisory program expenditures on projects in the sustainable business area totaled \$48 million, of which 59 percent were in IDA countries and 10 percent in fragile and conflict-affected states. Almost one-third of these disbursements went to farmers and toward training for small and medium enterprises.

The largest disbursements in FY12 for advisory services went to the IFC Private Enterprise Partnership for Sub-Saharan Africa, Europe and Central Asia Advisory Program and IFC Private Enterprise Partnership for Middle East and North Africa.

Over the past five years, the United Kingdom was the largest contributor to IFC trust funds (see Figure 18), providing one-fourth of all contributions to those funds. The Netherlands was the second largest contributor over the period. For FY12, Switzerland was the largest donor. In FY12, the MasterCard Foundation for the first time made a contribution to the advisory services trust funds, designating the Partnership for Financial Inclusion in Sub-Saharan Africa as the

Figure 18: Top 10 Donors' Contribution to IFC Advisory Services Trust Funds, FY08–FY12 (\$ Millions)



recipient; its \$37.5 million donation made it the fourth largest contributor in FY12, followed by Austria and the European Commission. Germany was another new donor to IFC trust funds in FY12.

Increased contributions by the top three donors in FY12—the United Kingdom, Switzerland, and the Netherlands—supported the IFC’s programs and initiatives, such as the Global Small and Medium Enterprise Financing Initiative (\$55 million), financed by the United Kingdom; the East Asia and Pacific Advisory Program (\$10.5 million), the Europe and Central Asia Advisory Program (\$10.2 million), and the Sub-Saharan Africa Advisory Program (\$12 million), all financed by Switzerland; and the Global Agriculture and Food Security Program (\$21.4 million), financed by the Netherlands.

## 1.3 Trust Fund Reform and Financial Management

### World Bank Trust Fund Reform Roadmap

The World Bank continues to implement the Trust Fund Management Framework (TFMF), launched in 2007. Reforms under the TFMF address challenges associated with the increasing volume and complexity of the Bank’s trust fund portfolio. The framework has four pillars: (1) ensuring the alignment of trust funds with the World Bank’s strategic

priorities; (2) integrating of trust funds with the World Bank’s business processes; (3) ensuring cost recovery and efficiency of trust fund administration; and (4) enhancing oversight by the Bank’s senior management and Board. FY12 saw progress in the implementation of trust fund reforms.

#### Pillar 1: Strategic Alignment

Progress continues to be made in improving the alignment of trust funds with Bank country assistance strategies (CASs) as well as with regional and sector strategies. In addition, under recommendations by the Independent Evaluation Group in 2011, the Bank is working to enhance “upstream” selectivity, including through the establishment of new Umbrella Facilities in support of Bank thematic or sector priorities. The umbrella facilities have been designed according to the following organizing principles: (1) strategic alignment and results focus; (2) efficient governance structures; (3) cost-effective management and administration; (4) transparent multiyear allocation of funds; and (5) coordinated fundraising. In FY12, four new umbrella facilities were established in the areas of capacity development, gender equality, trade, and education.

The Bank has also scaled up its strategic dialogue with donors through joint Donor Trust Fund Portfolio Reviews. Such reviews are helping donors to strengthen the alignment of their trust funds with strategic priorities and also to consolidate trust funds. In FY12, trust fund portfolio reviews were conducted for ten major donors.

In another effort to foster a more strategic approach and stronger coordination within the World Bank, the Bank has started to issue quarterly Donor Fundraising Reports for Trust Funds.

In order to strengthen upstream strategic alignment and selectivity, the World Bank is developing a new Management Framework for Partnership Programs and Financial Intermediary Funds. The framework will provide a principles-based approach to guide the Bank's engagement in partnership programs focusing on selectivity, participation in governance and decision-making, and risk management. To support the development of the framework, information notes have been issued to analyze the current portfolio of partnership programs and of financial intermediary funds at the World Bank.

### **Pillar 2: Business Process Integration**

The overriding principle of pillar 2 is to ensure that trust funds follow the business processes applicable to Bank-funded activities. RETFs follow the operational processes that apply to regular Bank loans and credits, and BETFs follow the processes that apply to the Bank administrative budget. In FY12, new simplified procedures were developed for small RETF grants (less than \$5 million). In addition, a new initiative on Trust Fund Business Process Integration into the Bank's Operations Portal was launched in FY12 and will span the next two years. In addition, the Integrated Planning System (IPS) has been developed to integrate BETF administrative expenditures in budget planning.

Business process integration includes the integration of trust fund financial data into the World Bank's data systems. That was achieved last year through the mapping of trust fund financial data into the Bank's SAP business data warehouse. Access to trust fund financial data is now provided to all Bank staff via the Bank's Self-Service Reporting Portal, a web-based application on the Bank's Intranet. The portal has considerably shortened the amount of time required by staff to generate trust fund financial reports by offering direct data access and options for customizing reports.

### **Pillar 3: Cost Recovery and Efficiency**

The World Bank continues to review its fee policies for trust funds to ensure that it recovers the cost of trust fund administration. As a follow-up to the trust fund fee schedule introduced in FY11, the Bank has undertaken a Fee Simplification Study, which explores options for further simplification and standardization of trust fund fees while ensuring the continued recovery of trust fund administration costs.

### **Pillar 4: Oversight by Management and the Board**

Senior management and Board oversight continued to be strengthened in FY12. Notably, BETFs are explicitly discussed in budget documents presented to the Board such as the Bank's FY13-15 Medium-Term Business and Finance Paper, which included a dedicated chapter on BETFs, and the FY13 Bank Budget. In addition, a new trust fund chapter in the Quarterly Business and Risk Report provides financial information and updates on the trust fund business; this chapter follows the introduction in FY11 of a section of the quarterly report on trust fund financial risks. A new Information Note on Partnership Programs issued in FY12 provides comprehensive financial data on the nearly 200 partnership programs of the Bank.

The Bank also issued the 2012 edition of its annual Trust Fund Program Directory, with plans to make future editions available as a searchable database on the Internet. And the Bank has updated its Trust Fund Learning and Accreditation Program, which ensures that Bank staff members who manage trust funds are fully aware of the rules and procedures of trust fund administration.

## **Financial Management and Information Technology Systems**

Strong fiduciary standards and sound financial management are applied by the WBG as trustee to ensure that funds provided by donor partners are managed prudently. Funds are disbursed to recipients to the extent that there are sufficient liquid assets available. Trust funds are managed to ensure that commitments to recipients match contributions from donors and, through liquidity management, to ensure that funds are available for disbursement when required. As the trustee of financial intermediary funds, the Bank makes transfers to implementing agencies, provides customized financial services such as bond issuance, monetizes carbon emission reductions to support commitments and disbursements, and hedges foreign currency risks.

### **Investment Management**

After receiving funds from donors and before disbursing them to recipients for project activities, the Bank prudently invests the liquid assets in the capital markets. Trust fund assets are not commingled with

the World Bank's own assets. As of end-FY12, the total amount invested for trust funds stood at more than \$26 billion, up 4 percent from FY11. Low market yields produced a 1.12 percent average rate of return on trust fund cash and investments for the year.<sup>6</sup> The average annual rate of return for trust fund liquidity was 1.47 percent over the past three years and 3.11 percent over the past five years, with the largest concentration of the investment portfolio in money market instruments (see Figure 34). Capital preservation is the primary investment objective for trust fund liquidity, complemented by generating investment income subject to a conservative risk tolerance.

### Financial Risk Management and Control Frameworks

Financial risks for trust funds, such as those related to currency exchange, liquidity, investment, counterparty exposure, and donor funding, are handled within a comprehensive risk management and control framework. The World Bank regularly reports to the Bank's Board and senior management on its monitoring of these risks.

### Information Technology Systems

In FY12, the World Bank undertook a number of initiatives to further strengthen trust fund information technology systems to better serve donors, recipients, and other partners. These initiatives included

(1) enhancing the Bank's data warehouse and web-based data reporting and analytical capabilities for trust funds; (2) updating an application for generating new trust fund proposals along with enhanced guidance and training for Bank staff; and (3) automating the preparation of administration agreements that govern donors' financial contributions to trust funds.

In addition, work has begun on a Liquidity and Risk Management Dashboard for trust funds that will provide metrics to improve cash flow projections and, in turn, further strengthen the liquidity management of assets. Moreover, the Bank is gathering requirements for a new Shareholder Accounting System for managing trust fund investments, which will be a primary data repository for the trust fund investment portfolios. Consolidation of core account information will provide the platform to create and deliver client, management, and analytical reporting on each trust fund's investment allocations, balances, holdings, and transactions.

For external reporting on trust fund data, four web-based applications are available to donors and other partners:

- *Donor Center* (<http://clientconnection.worldbank.org>), on the World Bank's Client Connection website. It provides donors with detailed financial data on their IBRD/IDA trust fund portfolio, along with a wealth of other reports, including individual monthly (unaudited) financial reports.
- *AidFlows* ([www.aidflows.org](http://www.aidflows.org)), a public-use website. It provides interactive tools to help users visualize the size of the development aid provided and received around the world, including details on World Bank trust funds.
- *World Bank Finances* (<https://finances.worldbank.org>), a public-use website that is part of the World Bank's Open Data Initiative. It provides data related to IBRD loans, IDA credits and grants, IBRD/IDA and IFC trust funds, the World Bank's operational summary and financial statements, as well as contributions to, and transfers from, Financial Intermediary Funds.
- *Financial Intermediary Funds* (<http://www.worldbank.org/fiftrustee>), a dedicated public-use website. It provides financial information and trend analysis, scheduled reports, financial statements, governance documents, and useful links to other resources.

## BOX 2

### FIF Systems Project

A new systems platform is being developed to strengthen the control environment for managing and reporting on FIFs administered by the World Bank. The goal is to eliminate the need for customized systems for each FIF, thereby streamlining and improving the quality of the workflow between FIF secretariats and the World Bank as trustee while reducing overall capital and maintenance costs.

### AidFlows

This web-based tool, now available on the iPad, is sponsored by a partnership of the OECD-DAC, the World Bank, and the Asian Development Bank. AidFlows makes global data on aid funding transparent and readily available on a public website. It aims to supply decision-critical information to policy makers and inform the global debate about development aid. The tool will be continually adjusted to respond to demands of donors, client countries, and civil society. The partnership invites other multilateral development banks to join.

6. The rate of return for an individual trust fund varies according to the extent of its participation in the various asset classes; the extent of participation in turn depends on the fund's investment horizon and risk tolerance.

In FY12, the World Bank initiated the design of a comprehensive *eBusiness platform* for donors and other partners that will employ cutting-edge technologies for enhanced reporting capabilities and online transactions. This multiyear project aims to provide a single point of access to tailored data and related tools that will greatly improve transparency and efficiency and offer new reporting capabilities, including for trust fund donors.

## 1.4 Trust Fund Achievements

Trust funds are flexible vehicles that allow the World Bank to expand its work in fragile and conflict-affected states, improve its disaster risk management, and catalyze innovation in development. Trust funds provide a valuable way to finance the provision of global public goods and expand the Bank's engagement with Bank's non-member countries or entities, including civil society. The following sections highlight selected achievements of trust funds in some of these cross-cutting areas.

### Fostering Innovation in Development

Many trust funds support innovation in development, allowing the World Bank Group to test new approaches to address client needs and to scale them up through regular Bank operations.

The Energy Sector Management Assistance Program (ESMAP) is a multi-donor program implemented by the World Bank to provide analytical and advisory services to low- and middle-income countries in support of efficient and environmentally sustainable energy solutions. Here are some recent achievements under ESMAP:

- Using ESMAP's Tool for Rapid Assessment of City Energy (TRACE), the Energy Efficient Cities Initiative has helped planners in 14 cities in Asia, Eastern Europe, and Latin America make informed decisions on energy efficiency options. Follow-up actions have included transport planning and traffic management in Da Nang (Vietnam), methane capture from landfills and wastewater in Cebu (Philippines), and improvements to public procurement and lighting in Surabaya (Indonesia).



\$75 million in ESMAP funding for innovative approaches to efficient and sustainable energy development has been scaled up through \$14 billion in Bank lending across Asia, Latin America, Eastern Europe, and Africa.

- Studies in the Middle East and North Africa region under the Concentrated Solar Power (CSP) Scale-Up have helped develop Morocco's 2020 energy plan and supported Bank financing of \$297 million for a CSP plant—a 500 megawatt complex in Ouarzazate that will be one of the largest CSP installations in the world.
- The Lighting Africa program has helped 3.8 million people gain access to affordable electricity. It is a joint World Bank-IFC initiative that catalyzes markets for off-grid and low-cost lighting (typically costing less than \$100, some retailing at \$10 or less). The program has mobilized IDA and GEF financing in Tanzania, Ethiopia, the Democratic Republic of Congo, Nigeria, Liberia, and Mali.
- Low-Carbon Development studies in Brazil, China, India, Indonesia, Mexico, Poland, and South Africa have helped identify low-carbon development options and mobilized about \$3 billion of World Bank financing. ESMAP-designed tools are used to assess low-carbon scenarios, such as forecasting greenhouse gas emissions in 11 countries (including Brazil, India, Nigeria, and Vietnam) or building marginal abatement cost and calculating break-even carbon prices in Brazil, Nigeria, Colombia, and Vietnam.



## The IFC and the Bill and Melinda Gates Foundation are launching an innovative government-to-person payments system to streamline health care for the poor in Bihar, India.

The IFC Board approved \$3 million for the government-to-person (G2P) payments system project in Bihar, one of India's poorest and most populous states with some 110 million inhabitants. The project, designed in cooperation with the state's government and the Bill and Melinda Gates Foundation, is launching the Health Operations Payments Engine (HOPE), an innovative electronic payments system for program beneficiaries and health workers. The system links payments to bank

accounts and enhances access to other financial services that will improve efficiency, transparency, and accountability of payments.

HOPE will help address a wide array of problems resulting from payment delays (which currently range from one month to two years), such as limited use of health programs by beneficiaries, de-motivated health workers, and resource waste. Overall, HOPE is expected to improve the speed and reliability of payments, reduce leakages of financial and personal data, and improve the motivation of health workers. In the long run, broader financial inclusion is anticipated from the program as people start using their accounts to obtain other services offered by banks.

Three districts in Bihar will be piloting the project. The pilot alone is expected to generate savings of \$2.3 million. When deployed state-wide, HOPE is expected to process \$300 million in payments to program beneficiaries.

## Rapid Response to Crises

Trust funds have been particularly important for quick responses to natural disasters and emergencies. They have supported a range of analytical and advisory services that help disaster-prone countries understand the hazards they face and respond effectively in emergency situations.

### Drought response in Africa

In 2011, more than 13 million people in the Horn of Africa, particularly in Ethiopia, Kenya, Djibouti, and Somalia, were affected by one of the worst droughts in 60 years. The Horn of Africa Regional Drought Response Support trust fund (\$1 million) aided the preparation of a regional drought response plan in collaboration with the governments of the affected countries. Major achievements of the plan in FY12 include the following:

- \$1.88 billion in financing was mobilized through reallocations and contingent risk financing. One-third has come from existing projects and some 57 percent from new IDA-financed operations (including IDA's Crisis Response Window). The balance has come from the Global Facility for Disaster Reduction and Recovery (GFDRR) trust fund and the State- and Peace-Building Fund (SPF);

The Global Facility for Disaster Reduction and Recovery (GFDRR) and other trust funds have been an integral part of a \$2 billion World Bank package in response to the worst drought in the Horn of Africa in 60 years.



The Global Food Crisis Response Program (GFRP) has reached some 105 million people in 40 countries affected by the food crisis, helping to improve crop yields, provide jobs, and lower food prices.

- 35,000 malnourished children under the age of 5 received nutrition and healthcare;
- Three million transitory food-insecure people from Ethiopia received food support;
- 97,000 drought-affected people in Somalia received temporary employment; and
- Long-term planning for disaster resilience was supported with socioeconomic post-impact and needs assessments in Kenya, Uganda, and Ethiopia.

### Brokering solutions during the food price crisis

In response to the significant hike in food prices in 2008, the World Bank created the Global Food Crisis Response Program (GFRP). It was initially supported by a trust fund from IBRD's surplus (\$200 million) and subsequently by additional trust funds from the European Union, Russia, and a multi-donor trust fund (adding about \$350 million). The program has reached some 105 million people in 40 countries affected by rising food prices. Notable achievements include the following:

- 3.3 million people benefited from the social protection programs;
- 3.4 million people received support from the short- and medium-term food supply response program;
- In Burundi, a suspension of custom duties and taxes on 13 basic food items was introduced until the common external tariff of 18 percent was applied in the East African Community. This measure helped stabilize prices of many food items consumed by the poor. In addition, a school-feeding program supported 88,000 additional students by providing cash and in-kind assistance for an estimated 96,000 returning refugees and other vulnerable groups;
- In Yemen, 98 community-based labor-intensive projects were implemented in eight governorates, providing temporary jobs for 36,000 individuals. Labor-intensive techniques were used to carry out projects in the water, environment, and roads sectors. The program helped the country mobilize additional funds from the European Union and the United Kingdom's Department for International Development; and
- In Somalia, the program contributed since its inception to a large increase in yields per

hectare for sorghum (from 0.65 tons to 5.8 tons) and maize (from 0.9 tons to 3.2 tons). In addition, 16,000 hectares of irrigated land were created as a result of canal rehabilitation in lower Sebelle. The increased crop production has helped stabilize food prices. Between 2009 and 2012, there was a 15 percent drop in prices of food crops in the program area.

### Assisting Fragile and Conflict-Affected States

Trust funds have been an important financing source for the World Bank's assistance to post-conflict and re-engaging countries, including to nonmember states. In these situations, trust funds have enabled pooled grant financing and have served in scaling up support in a coordinated manner.

### Improving access to and quality of basic education with strong community ownership

The Education Quality Improvement Project II, financed from the Afghanistan Reconstruction Trust Fund (ARTF) Program (\$283 million) and a grant from IDA (\$30 million) has supported the



School enrollment in Afghanistan increased from 1 million in 2002 to 7.2 million in 2012. Girls, who until 2001 were excluded from the school system, now account for nearly 40 percent of students.

## Through the Somalia Private Sector Development Re-engagement Program Trust Fund, the Bank has helped implement policy reforms, capacity building, and economic assessments that reduce the cost of doing business in Somaliland.

formation of “school *Shuras*” (community-led decision-making bodies), encouraging community participation and securing long-term sustainability by aligning the project’s objectives with the Afghan government’s strategies and development plans in education. Major achievements through end–FY12 include the following:

- Overall enrollment in schools increased from 1 million in 2002 to 7.2 million in 2012;
- 2.7 million girls enrolled in schools (until 2001, girls were excluded from schools);
- 137,681 teachers trained, of whom 39,003 are women;
- College scholarships provided for training 3,351 female teachers; and
- 1,652 schools in remote areas built or under construction.

### **Creating space for public-private collaboration in Somalia**

Financed by the Somalia Private Sector Development Re-engagement Phase II Program Trust Fund (\$20 million), this four-year program aims to strengthen private sector engagement in the economy and generate new employment. Program activities are initially targeting Somaliland and include support to (1) value chains in gums/resins and fisheries production; (2) public-private dialogue and investment climate reform; (3) public-private partnerships to build key infrastructure services, starting with ports and solid waste management; (4) financial sector development; and (5) a matching grant fund that promotes job creation through new productive investment. In FY12, the project went into full implementation and the following milestones were met:

#### *Investment climate*

- review of licensing and business registration requirements in the pilot “One-Stop” Business Registration Centers in Hargesia, Berbera, and Burao; elimination of a 3 percent tax on paid-up capital assessed at the time of business registration;

- an interim Strategic Economic Assessment of the Port of Berbera highlighting the potential areas for public-private partnership development;
- a value chain assessment to determine the viability of establishing a fish market and cold storage facilities in the port of Berbera; and
- elaboration of a transitional policy for bank licensing and regulation with the Bank of Somaliland.

#### *Capacity building*

- delivery of training programs to private sector business associations, focusing on opportunities for collaboration and improvements in business practice in the gums and resins and fisheries sectors;
- workshops on public-private partnerships for solid waste management; and
- workshop on the business licensing process for representatives from the Ministry of Finance, Ministry of Commerce, and the Attorney General’s Office.

## Support to Global Public Goods

The World Bank’s trust funds are an important mechanism for financing global public goods. The examples below illustrate some of the outcomes of activities supported by trust funds in the area of global knowledge sharing, climate change, and avian flu preparedness.

### **Promoting global knowledge sharing to access water and sanitation services**

The Water and Sanitation Program (WSP), a global multi-donor partnership implemented by the World Bank, helps poor people in 23 countries to gain access to affordable, safe, and sustainable water and sanitation services. In FY12, the WSP cosponsored the introduction of a key innovation — the global WaterHackathon. The initiative convened more than 500 technology specialists from around the world with the aim of creating easily deployable and sustainable technological tools that respond to specific water, sanitation, and hygiene challenges in developing countries. By tapping new, atypical partners, the WaterHackathon was able to couple the knowledge and expertise of the World Bank and WSP water specialists with the skills of computer programmers, or “hackers,” to leverage knowledge of water development challenges to create viable, scalable applications.

Participants were able to develop more than 60 technological solutions to 113 challenges. The continuing momentum from the initiative is evident in locations where the WaterHackathon took place.



For example,

- the United Kingdom's Department for International Development, Germany's Deutsche Gesellschaft für Internationale Zusammenarbeit, and the World Bank Institute have all expressed interest in developing the winning applications for India; and
- in Nairobi, the winning prototype is to be developed with World Bank funding and has been endorsed by the national water sector regulator.

Riding on this success, the Bill and Melinda Gates Foundation, along with the WSP, will be supporting the first global Sanitation Hackathon. Key WSP innovations in FY12 included a global WaterHackathon organized jointly with the Water Anchor in 10 cities around the world using technology to solve water and sanitation challenges, create water point mapping in Liberia and Sierra Leone, and launch a mobile monitoring application for rural sanitation that has already covered more than 25,000 households.

### Connecting communities globally to drive action on climate change locally

The Communication for Climate Change Multi-Donor Trust Fund (CCC MDTF) was established in 2009 to complement Bank-wide activities on climate change. It has three main goals: to raise awareness, particularly among grassroots communities; to foster commitment from the private sector and policy-makers to take action on climate change; and to build coalitions for further advocacy efforts.

Connect4Climate (C4C), the umbrella global partnership initiative of the CCC MDTF program, has applied various communication strategies to build a participatory, open-knowledge platform that engages the global community in climate change conversations to drive local action. C4C kick-started its campaign with an Africa-focused citizen journalism competition that challenged African youth to tell their personal climate change stories; it generated more than 700 photo and video stories from every country on the African continent.

Simultaneously, in less than one year, C4C created a Facebook community of more than 300,000 followers, allowing online exchanges on climate change issues among up to 6 million individuals per week. This online reach can significantly amplify knowledge sharing. For example, while more than 670 individuals attended the C4C event "Connecting for Climate: Technology, Creativity, and Action" hosted at the Newseum in Washington, DC, live tweets of the event reached more than 330,000 individuals, and the tweets were viewed cumulatively more than



3.4 million times. The online engagement connected various regions of the world: participating tweeters engaged in the one-night event from as far away as Uganda and Ghana, demonstrating the power of social media to include voices previously unheard.

Stakeholder engagement has been a key factor in the success of the C4C initiative: much of C4C's growth has been the result of inspiring knowledge partners to take further action; these partners range from major UN agencies to leading academic institutions and grassroots civil society organizations. For example, C4C's global partnership program inspired CISP Somalia, an NGO, to independently create a trainer's guide for high school students and trainees in rural villages based on C4C's model. The guide provided information on climate change and its effects on agriculture, energy, forests, gender interventions, health, and water. Complementary workshops discussed how climate change affects individuals, their communities, and their environment. In total, 340 students (including 119 women) had the opportunity to learn about climate change issues and contribute to the global discussion via the C4C platform.

This bottom-up approach — which started by asking young Africans to tell the world through pictures and video how climate change is affecting them — is an innovative example of the World Bank's catalytic power as a convener and igniter of social change to address global challenges such as climate change.

*A WaterHackathon in FY12 convened more than 500 technology specialists to create easily deployable and sustainable technological tools that respond to water, sanitation, and hygiene challenges for poor people in 23 developing countries.*

“Connect4Climate is amplifying local voices to a global platform and bringing together environmentally engaged citizens from all corners of the globe,” said Corrado Clini, head of Italy’s Ministry of the Environment, which is a donor of the Climate Change Communication Multi-donor Trust Fund.



#### Avian flu preparedness in Moldova

A series of avian flu outbreaks near Moldova’s western border with Romania and Ukraine in 2005 required culling thousands of birds and underscored the need for well-planned interventions to address the spread of infection. The Avian Flu Preparedness project in Moldova was financed through a \$9 million IDA Avian Influenza Preparedness Emergency Response Credit, complemented by a \$1.5 million grant from the Japan Policy and Human Resources Development (PHRD) trust fund. As one of the poorest countries in the region, Moldova lacked the necessary financial resources to respond adequately to an outbreak of avian flu, putting at risk human health and the country’s economy, in which poultry represents 80 percent of all livestock. The project closed in FY12 with the following key outcomes:

- A country-wide epidemiological information system was established to identify the magnitude and location of infection flare-ups and point to focused responses;

- Some 250 locations were equipped with the new information technology to supply real-time data in case of an outbreak, and six rapid response teams were established to investigate outbreaks;
- The renovation of laboratories and laboratory staff training improved Moldova’s capacity for diagnosing viral diseases in humans and animals; that diagnostic capacity proved to be nearly 100 percent accurate within 48 hours of sample collection during the 2009 pandemic;
- The transportation and treatment of infected patients was enhanced through the provision of modern ambulances plus intubation and respiratory equipment for the intensive care units of 41 hospitals across the country. Medical practitioners newly trained in intensive care techniques were able to apply those skills during the 2009 pandemic, when more than 2,000 patients were hospitalized and treated;
- Improvements in the public’s awareness of the risks of highly pathogenic avian influenza have been confirmed by assessments in 2010 indicating that 90 percent of people could identify the main influenza symptoms.

#### Engagement with Civil Society

The trust funds enable the Bank to establish closer partnerships with nongovernmental organizations (NGOs) to provide development benefits to poor communities.

#### Partnering with NGOs to promote productive uses of electricity in rural Peru

The Rural Energy Project in Peru, financed by a \$50 million IBRD loan (Peru Second Rural Electrification Project) and a \$10 million GEF trust fund grant (Peru First Rural Electrification Project), includes a pilot program to promote productive uses of electricity. The Energy Sector Management Assistance Program (ESMAP) (\$220,400 of trust fund resources) complemented the IBRD’s lending

“When it comes to responding to infectious disease outbreaks, Moldova today has the best indicators in the region, including the Balkan countries,” said Moldova’s Dr. Ion Bahnarel, General Director, National Center of Public Health.

operations with technical assistance to the pilot in support of microenterprises with high potential to increase electricity consumption for productive uses. Some 4,970 families and microenterprises have been helped to adopt energy efficient equipment to process cereals, coffee, cocoa, baked

goods, meat, and milk products, as well as to pump water for expanded agricultural production and processing. A large number of women entrepreneurs (who traditionally play a significant role in the production of baked goods, milk, ceramics, and textiles) have benefited from the pilot. It is expected that by the end of the project, 9,000 families associated with microenterprises will be making productive use of electricity.

The project partnered with NGOs to assist small and home-based enterprises in gathering information, obtaining credit, and addressing technology constraints through marketing campaigns and assistance programs. The NGOs took on market assessments, the preparation of business plans, marketing to the community and potential entrepreneurs, coordination with complementary institutions, and the establishment of links to the electricity distribution company.



## Section 2: Statistical Annex, Fiscal Year 2012

## 2.1 Statistics on the WBG-Administered Trust Fund Portfolio

Table 2: Key Statistics by Trust Fund Type, FY08–FY12 (\$ Billions)

<b>Number of Active Main TFs</b>	<b>FY08</b>	<b>FY09</b>	<b>FY10</b>	<b>FY11</b>	<b>FY12</b>
IBRD/IDA TFs	757	761	780	748	720
Financial Intermediary Funds	49	50	48	51	54
IFC TFs	213	233	247	273	290
<b>Grand Total</b>	<b>1,019</b>	<b>1,044</b>	<b>1,075</b>	<b>1,072</b>	<b>1,064</b>

<b>Funds Held in Trust<sup>a</sup> (\$ Billions)</b>	<b>FY08</b>	<b>FY09</b>	<b>FY10</b>	<b>FY11</b>	<b>FY12</b>
IBRD/IDA TFs	8.7	8.8	8.9	9.6	9.7
Financial Intermediary Funds	10.6	13.6	15.3	18.0	17.8
IFC TFs	0.5	0.6	0.7	0.6	1.0
Others	0.9	0.8	0.9	0.9	0.7
<b>Grand Total</b>	<b>20.7</b>	<b>23.8</b>	<b>25.8</b>	<b>29.1</b>	<b>29.2</b>

<b>Cash Contributions (\$ Billions)</b>	<b>FY08</b>	<b>FY09</b>	<b>FY10</b>	<b>FY11</b>	<b>FY12</b>
IBRD/IDA TFs	4.0	3.6	4.3	3.9	4.4
Financial Intermediary Funds	4.5	4.5	6.0	6.1	7.2
IFC TFs	0.2	0.3	1.1	0.3	0.3
<b>Grand Total</b>	<b>8.7</b>	<b>8.5</b>	<b>11.4</b>	<b>10.3</b>	<b>11.9</b>

<b>Disbursements and Transfers (\$ Billions)</b>	<b>FY08</b>	<b>FY09</b>	<b>FY10</b>	<b>FY11</b>	<b>FY12</b>
IBRD/IDA TFs	3.3	3.6	3.7	3.8	4.3
BETF <sup>b</sup>	0.4	0.4	0.5	0.6	0.6
RETF	2.9	3.2	3.1	3.2	3.6
Financial Intermediary Funds	3.2	3.0	4.8	4.5	5.2
IFC TFs	0.2	0.3	1.0	0.4	0.3
<b>Grand Total</b>	<b>6.7</b>	<b>6.9</b>	<b>9.5</b>	<b>8.8</b>	<b>9.7</b>

a. Refers to the total balance of “cash and investments” and “promissory notes receivable” as of end of the fiscal year. “Others” category include amounts held in escrow on behalf of the International Centre for Settlement of Investment Disputes (ICSID), donor balance accounts, balances on administration accounts and unapplied receipts.

b. Represents a subset of BETF disbursements and excludes grants managed by IFC and some reimbursable funds.

Table 3: RETF<sup>a</sup> Disbursements by Country Eligibility (\$ Millions)

RETF Disbursements by Country Eligibility	FY08	FY09	FY10	FY11	FY12
IDA	1,652	1,904	1,775	1,814	2,083
Blend	173	68	153	153	213
IBRD	562	708	679	727	747
Other	481	485	518	458	529
<b>Grand Total</b>	<b>2,868</b>	<b>3,164</b>	<b>3,126</b>	<b>3,152</b>	<b>3,571</b>

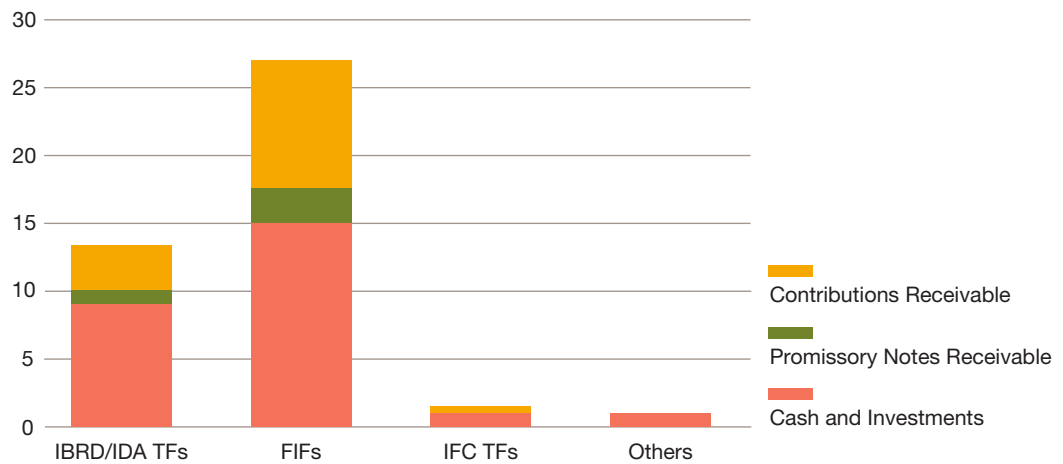
a. The "Other" category covers disbursements for grants to non-borrowing countries, as well as global and regional projects.

Table 4: BETF<sup>a</sup> Disbursements by Country Eligibility (\$ Millions)

BETF* Disbursements by Country Eligibility	FY08	FY09	FY10	FY11	FY12
IDA	79	91	107	121	137
Blend	55	20	34	37	43
IBRD	33	75	83	90	102
Other	220	259	310	343	361
<b>Grand Total</b>	<b>387</b>	<b>445</b>	<b>534</b>	<b>591</b>	<b>643</b>

a. Represents a subset of BETF disbursements and excludes grants managed by IFC and some reimbursable funds. The "Other" category covers global and regional activities.

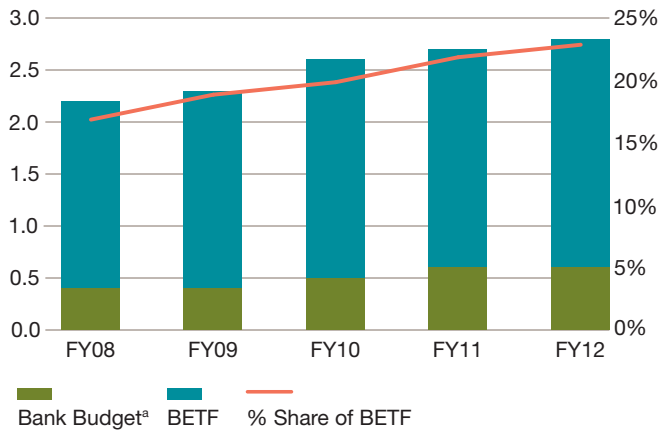
Figure 19: Cash and Investments, Promissory Notes Receivables, and Contributions Receivable, as of end-FY12 (\$ Billions)



NOTE: (1) Excludes AMC, which is a FIF but not a trust fund and is included in the IBRD's financial statements; (2) The "Others" category includes amounts held in escrow on behalf of the International Centre for Settlement of Investment Disputes (ICSID), donor balance accounts, balances on administration accounts and unapplied receipts.

## 2.2 IBRD/IDA Trust Funds: Tables and Graphs

Figure 20: The World Bank Administrative Expenditures, FY08–FY12 (\$ Billions)



a. Bank budget includes net administrative spending and reimbursables

Figure 21: Africa Region Annual Project Disbursements from IBRD, IDA, and RETFs, FY08–FY12 (\$ Billions)

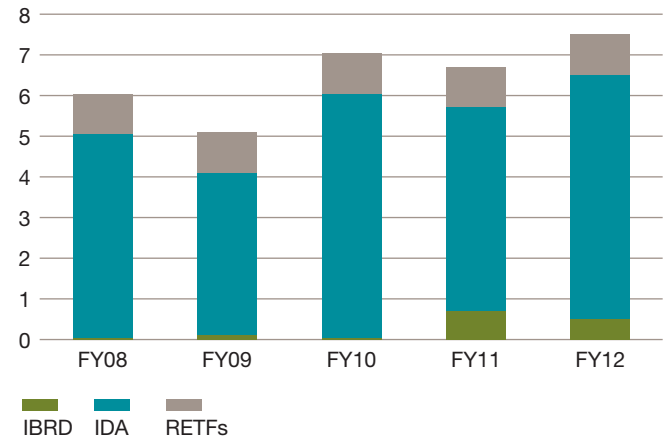


Figure 22: East Asia and the Pacific Region Annual Project Disbursements from IBRD, IDA, and RETFs, FY08–FY12 (\$ Billions)

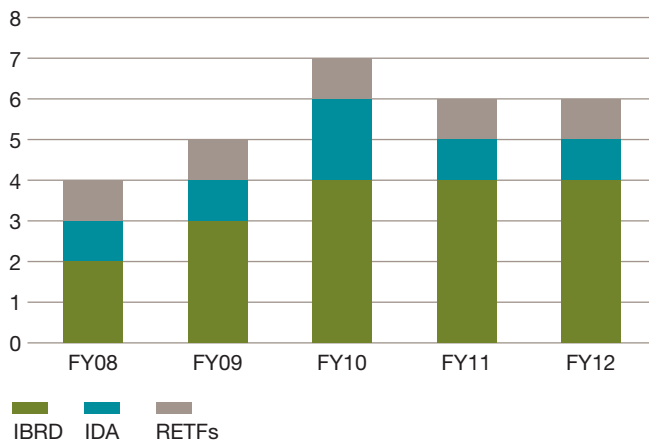


Figure 23: Europe and Central Asia Region Annual Project Disbursements from IBRD, IDA, and RETFs, FY08–FY12 (\$ Billions)

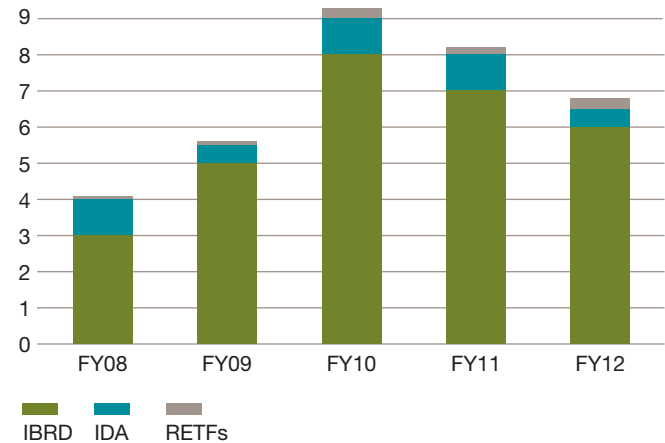


Figure 24: Latin American and Caribbean Region Annual Project Disbursements from IBRD, IDA, and RETFs, FY08–FY12 (\$ Billions)

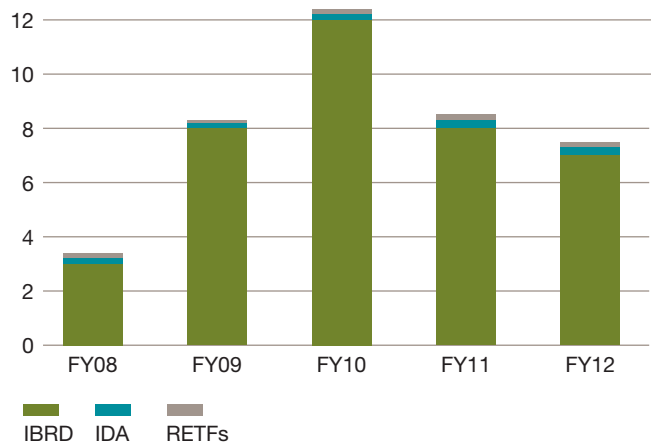


Figure 25: Middle East and North Africa Region Annual Project Disbursements from IBRD, IDA, and RETFs, FY08–FY12 (\$ Billions)

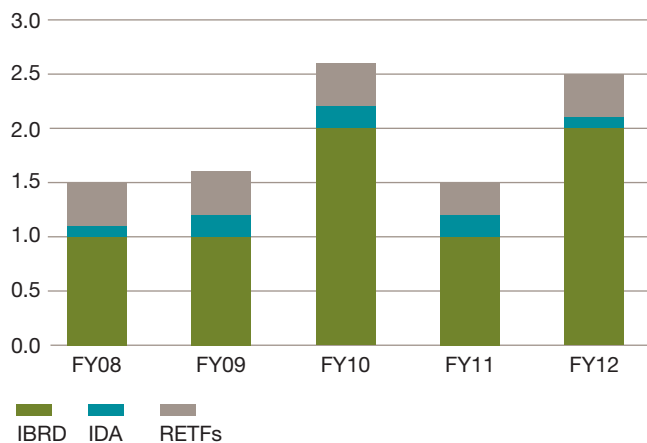


Figure 26: South Asia Region Annual Project Disbursements from IBRD, IDA, and RETFs, FY08–FY12 (\$ Billions)

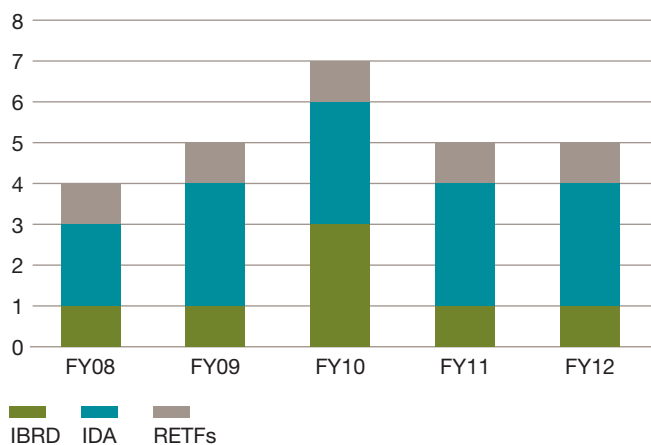


Figure 27: Africa Region RETF Disbursements, by Sector, FY12

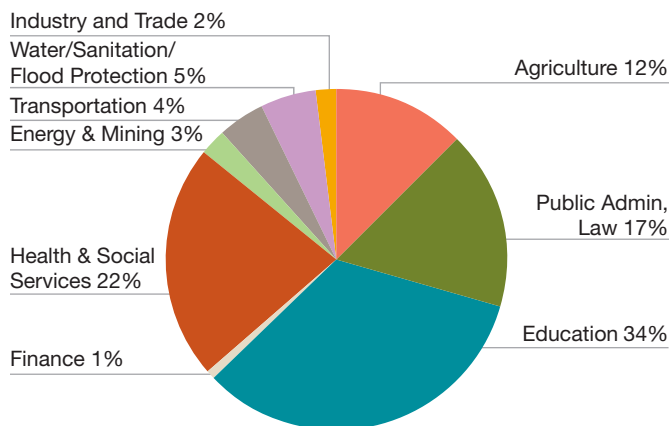




Figure 28: East Asia and the Pacific Region RETF Disbursements, by Sector, FY12

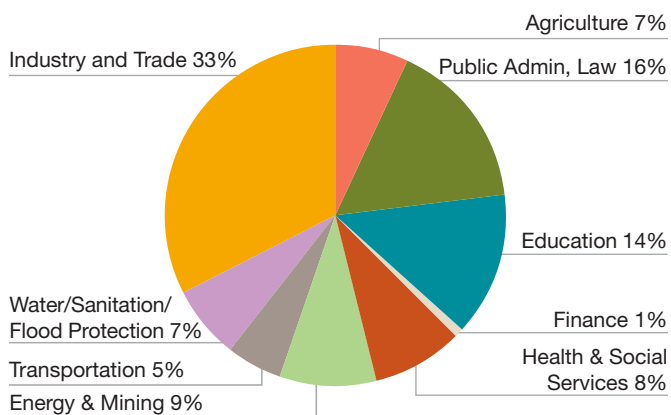


Figure 29: Europe and Central Asia Region RETF Disbursements, by Sector, FY12

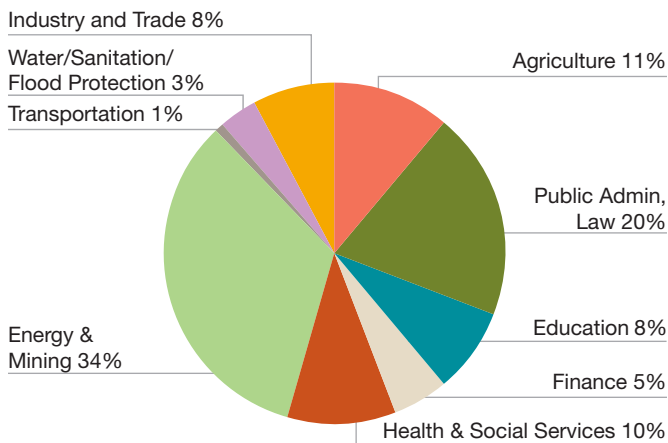


Figure 30: Latin American and the Caribbean Region RETF Disbursements, by Sector, FY12

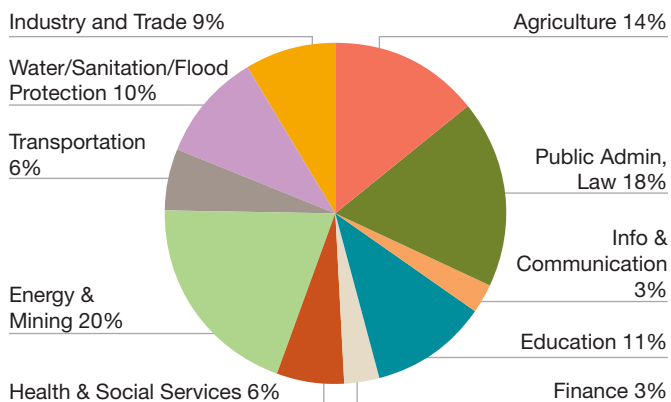


Figure 31: Middle East and North Africa Region RETF Disbursements, by Sector, FY12

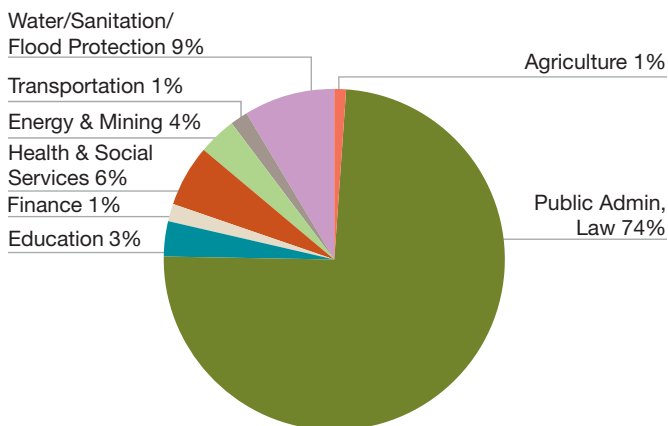


Figure 32: South Asia Region RETF Disbursements, by Sector, FY12

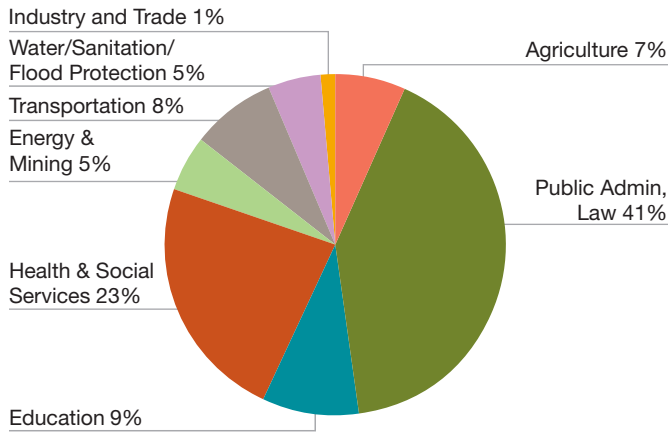


Figure 33: IBRD/IDA Trust Funds Contributions by Donor Type, FY12

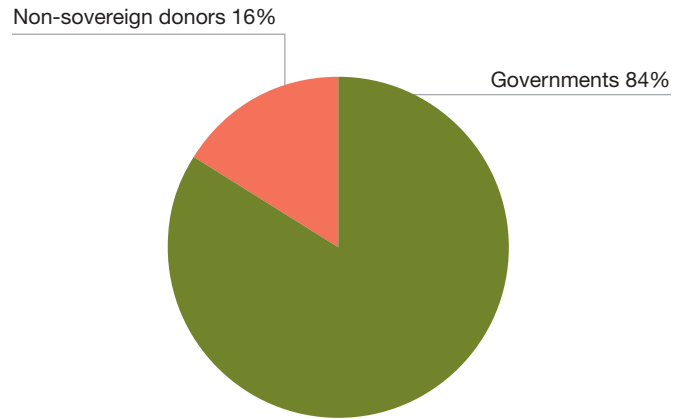
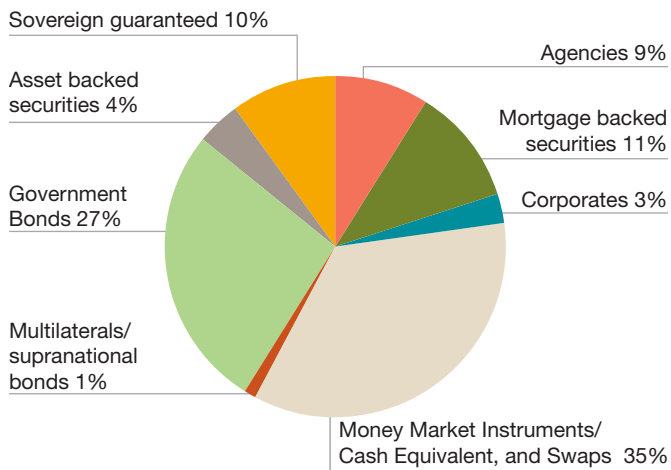


Figure 34: The Asset Mix of the Trust Fund Investment Portfolio, end-FY12



## 2.3 FIFs: Tables and Graphs

Table 5: The World Bank's FIF Trusteeships (as of end-FY12) (\$ Millions)

Fund	Established	Cumulative Funding <sup>a</sup>
Agriculture and Food Security		1,743
Global Agriculture and Food Security Program (GAFSP)	2010	702
CGIAR Fund (CGIAR) <sup>b</sup>	2005	1,041
Debt Relief		7,662
Debt Relief Trust Fund (DRTF)	1996	7,662
Environment/Climate Change		17,568
Adaptation Fund (AF)	2008	307
Green Climate Fund (GCF)	2012	1
Global Environment Facility (GEF)	1991	11,356
Least Developed Countries Fund (LDCF)	2002	451
Special Climate Change Fund (SCCF)	2004	197
Nagoya Protocol Implementation Fund (NPIF)	2011	16
Climate Investment Funds	2008	5,172
Clean Technology Fund (CTF)	2008	3,097
Strategic Climate Fund (SCF) <sup>c</sup>	2008	2,075
Guyana REDD-Plus Investment Fund (GRIF)	2010	68
Health		26,373
Global Fund to Fight AIDS, Tuberculosis and Malaria (GFATM)	2002	22,496
"International Finance Facility for Immunisation (IFFIm)/		
GAVI Fund Affiliate (GFA) <sup>d</sup>	2006	2,740
GAVI Fund Trust Fund	2007	390
Advance Market Commitment (AMC) <sup>e</sup>	2009	602
African Program for Onchocerciasis Control II (APOC)	2001	144
Natural Disasters		381
Haiti Reconstruction Fund (HRF)	2010	381
Education		426
Global Partnership for Education (GPEF)	2011	426
Other		14
EBRD Southern Mediterranean Financial Intermediary Trust Fund (EBSM)	2011	14
<b>Total</b>		<b>54,166</b>

a. Cumulative Funding represents contributions paid-in (in form of cash and promissory notes) and other sources of funds such as Certified Emission Reductions (CERs) and net funding received from bond issuances, excluding investment income, as of end-FY12.

b. The CGIAR MDTF was established in 2005 and restructured and reestablished as a FIF in 2010. The number presented in this table represents cumulative funding to the CGIAR MDTF and CGIAR Fund since 2005.

c. Represents totals for SCF fund including pass-through funds for the Congo Basin Fund and Forest Carbon Partnership Facility (FCPF), and excluding pass through contributions for the Clean Technology Fund.

d. GFA is a pass-through account for IFFIm; therefore this FIF is presented together with IFFIm.

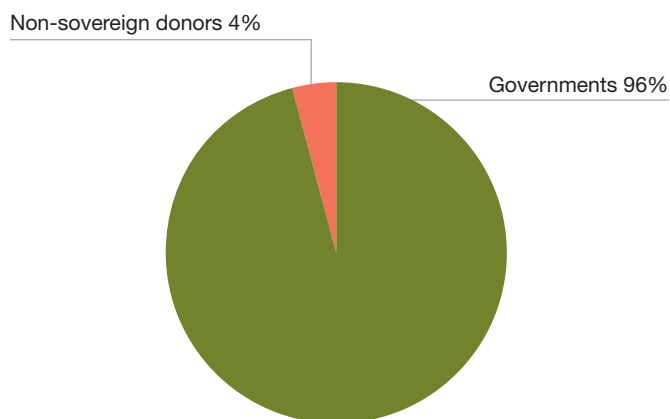
e. The AMC is not a trust fund but is a FIF on IBRD's balance sheet.

Table 6: Financial Intermediary Funds–Cash Contributions by Donor Type<sup>a</sup> (\$ Billions)

Type of Donor	FY08	FY09	FY10	FY11	FY12
Sovereign Government	4,207	4,392	5,222	5,984	7,014
Intergovernmental Institutions	128	135	555	71	169
World Bank Group	2	2	2	52	52
Private Non-Profit Entities	155	189	162	84	83
Others	-	18	88	57	17
<b>Grand Total</b>	<b>4,493</b>	<b>4,737</b>	<b>6,029</b>	<b>6,248</b>	<b>7,335</b>

a. Includes AMC, which is supported by IBRD but is not a trust fund. For FY12, AMC contributions totaled \$181 million, for FY11, \$137 million, for FY10, \$72 million and for FY09, \$212 million.

Figure 35: FIFs Donor Contributions by Donor Type, FY12



## 2.4 IFC Trust Funds: Tables and Graphs

Figure 36: IFC Trust Funds Contributions by Donor Type, FY12

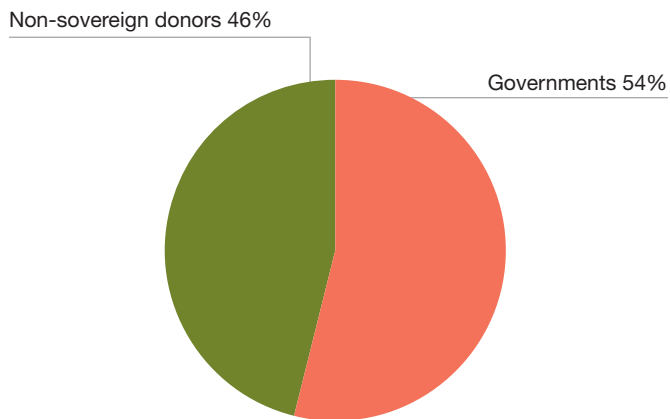


Figure 37: IFC Trust Funds Contributions for Advisory Services by Donor Type, FY12

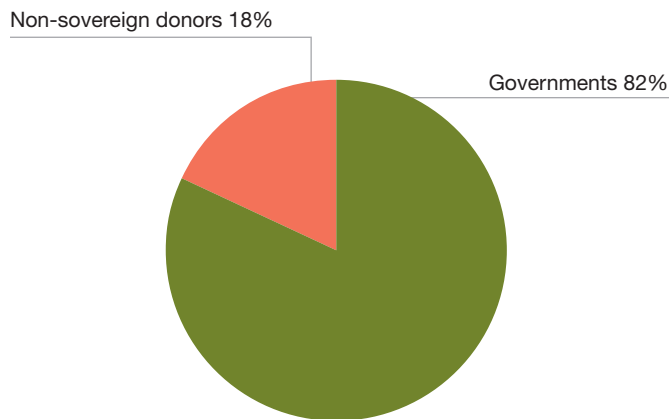
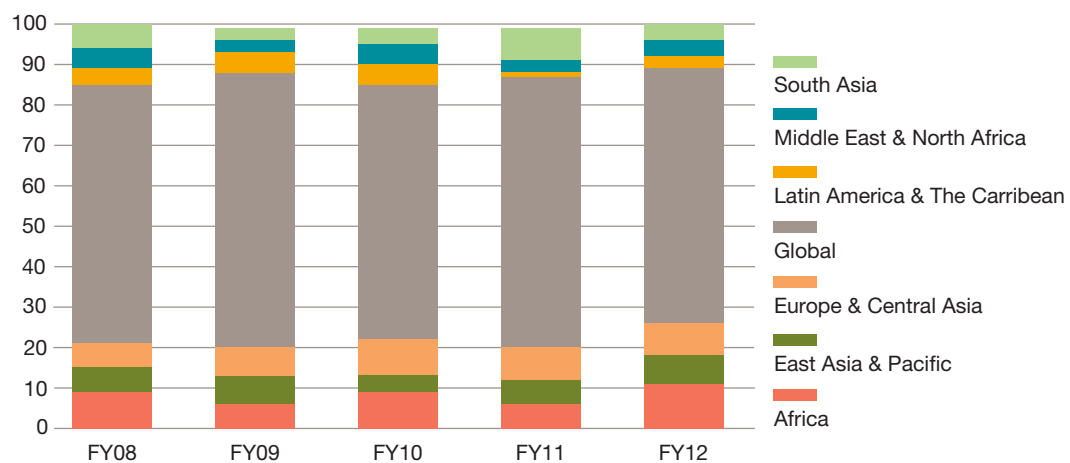


Figure 38: IFC Trust Funds Cash Contributions Regional Distribution for Advisory Services (Percent)



Section 3:

# The Single Audit Report of the World Bank Group Modified Cash Basis Trust Funds

This section provides excerpts of the World Bank Group Modified Cash Basis Trust Funds Report on Internal Control over Financial Reporting and Combined Statements of Receipts, Disbursements, and Fund Balance (which Management refers to and defines as the Single Audit Report). The complete Single Audit Report is available online at [worldbank.org/cfp/annualreport/2012](http://worldbank.org/cfp/annualreport/2012).

The Independent Auditors' Reports issued by KPMG LLP and included with the excerpts are based on the complete Single Audit Report and should be read only in conjunction with the Single Audit Report in its entirety.

Trust funds that are accounted for and reported using the modified cash basis of accounting are covered by the Single Audit Report. The Single Audit Report excludes trust funds (primarily the large FIFs) for which the Bank provides separate audited financial statements each year prepared under accounting principles generally accepted in the United States of America (U.S. GAAP), International Financial Reporting Standards (IFRS), special purpose basis of reporting or another basis as defined and disclosed in the applicable trust fund financial statements. The full Single Audit Report can be obtained at [www.worldbank.org/financialresults](http://www.worldbank.org/financialresults).

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**The World Bank Group  
Modified Cash Basis Trust Funds  
Report on Internal Control over Financial Reporting &  
Combined Statements of Receipts, Disbursements and Fund Balance**

**June 30, 2012**

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## The World Bank Group

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT  
INTERNATIONAL DEVELOPMENT ASSOCIATION  
INTERNATIONAL FINANCE CORPORATION  
MULTILATERAL INVESTMENT GUARANTEE AGENCY  
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September 28, 2012

### MANAGEMENT'S ASSERTION REGARDING EFFECTIVENESS OF INTERNAL CONTROL OVER FINANCIAL REPORTING OF THE MODIFIED CASH BASIS TRUST FUNDS

The International Bank for Reconstruction and Development (“IBRD”), the International Development Association (“IDA”), the International Finance Corporation (“IFC”), and the Multilateral Investment Guarantee Agency (“MIGA”) (collectively referred to herein as “the Bank”), as administrators for the modified cash basis trust funds as listed in Annex 1 to the combined statements of receipts, disbursements and fund balance, are responsible for establishing and maintaining effective internal control and procedures over financial reporting for trust fund activities which are designed to provide reasonable assurance to the Bank’s Management and Board of Directors regarding the preparation of reliable trust fund financial reports prepared on the cash receipts and disbursements basis of accounting modified to record the share in pooled cash and investments at fair value (“modified cash basis of accounting”).

Assertions as of June 30, 2012 made by Management in this document pertain to the specific control objectives relevant to the effectiveness of internal control over financial reporting of trust fund activities using the modified cash basis of accounting (the “modified cash basis trust funds”). The specific management assertions are set forth below:

1. Contributions from donors are recorded in the appropriate trust fund on a timely basis.
2. Assets underlying Trust Funds’ fund balance are segregated from funds of the Bank and are in the form of cash and investments managed by the Bank.
3. Transactions recorded in the underlying financial records and the financial reporting of each trust fund are accurate and complete.
4. Investment income is earned and credited to the appropriate Trust Fund in accordance with the terms and provisions of the legal agreements entered into with the donors.
5. Disbursements follow relevant Bank policies and procedures.
6. Fees for administering each Trust Fund are charged in accordance with the terms and provisions of the legal agreements entered into with the donors.
7. Financial reporting is in compliance with the requirements set forth in the legal agreements entered into with the donors.



The Bank's internal control and procedures over financial reporting of the modified cash basis trust funds contain self-monitoring mechanisms, and actions are taken to correct deficiencies as and when identified. Even an effective internal control system, no matter how well designed, has inherent limitations, including the possibility of human error and the circumvention or overriding of controls, and therefore can provide only reasonable assurance with respect to financial report preparation. Such human error, circumvention, or overriding of controls may, among other things, result in ineligible expenditures charged to a trust fund that systems of internal control cannot always detect at the time of recording. Management does not perceive this to be indicative of an overall ineffective system of internal control.

The Bank assessed its internal control over financial reporting of the modified cash basis trust funds as a whole as of June 30, 2012. This assessment was based on criteria established in *Internal Control – Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on this assessment, the Bank has maintained effective internal control over financial reporting for the modified cash basis trust funds as of June 30, 2012.



Charles A. McDonough  
Acting Chief Financial Officer  
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## Independent Auditors' Report

International Bank for Reconstruction and Development,  
International Development Association,  
International Finance Corporation, and  
Multilateral Investment Guarantee Agency; together  
as Administrators for the Modified Cash Basis Trust Funds

We have examined management's assertion, included in the accompanying *Management's Assertion Regarding Effectiveness of Internal Control over Financial Reporting of the Modified Cash Basis Trust Funds*, that the International Bank for Reconstruction and Development, the International Development Association, the International Finance Corporation, and the Multilateral Investment Guarantee Agency (together referred to as the Administrators) maintained effective internal control over financial reporting for the modified cash basis trust funds listed in Annex 1 to the combined statements of receipts, disbursements and fund balance (the Statements) as of June 30, 2012 (modified cash basis trust funds), based on criteria established in *Internal Control – Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission. Management of the Administrators is responsible for maintaining effective internal control over financial reporting, and for its assertion on the effectiveness of internal control over financial reporting, included in the accompanying *Management's Assertion Regarding Effectiveness of Internal Control over Financial Reporting of the Modified Cash Basis Trust Funds*. Our responsibility is to express an opinion on management's assertion based on our examination.

We conducted our examination in accordance with attestation standards established by the American Institute of Certified Public Accountants and the International Standards on Assurance Engagements as issued by the International Auditing and Assurance Standards Board. Those standards require that we plan and perform the examination to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our examination included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our examination also included performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion.

An entity's internal control over financial reporting is a process effected by those charged with governance, management, and other personnel, designed to provide reasonable assurance regarding the preparation of reliable financial statements in accordance with an applicable financial reporting framework, which in the case of the Statements prepared by the Administrators is the modified cash basis of accounting as described in note 2 of the Statements, a comprehensive basis of accounting other than generally accepted accounting principles. An entity's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the entity; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with the applicable financial reporting framework of the





modified cash basis of accounting described in note 2 of the Statements, and that receipts and expenditures of the entity are being made only in accordance with authorizations of management and those charged with governance; and (3) provide reasonable assurance regarding prevention, or timely detection and correction of unauthorized acquisition, use, or disposition of the entity's assets that could have a material effect on the modified cash basis trust funds' Statements.

Because of its inherent limitations, internal control over financial reporting may not prevent, or detect and correct misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, management's assertion that the Administrators maintained effective internal control over financial reporting of the modified cash basis trust funds as of June 30, 2012 is fairly stated, in all material respects, based on criteria established in *Internal Control – Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission.

We also have audited, in accordance with auditing standards generally accepted in the United States of America and International Standards on Auditing, the combined statements of receipts, disbursements and fund balance of the modified cash basis trust funds for the fiscal years ended June 30, 2012 and 2011, and our report dated September 28, 2012 expressed an unqualified opinion on those financial statements.

KPMG LLP

September 28, 2012



KPMG LLP  
Suite 12000  
1801 K Street, NW  
Washington, DC 20006

## Independent Auditors' Report

International Bank for Reconstruction and Development  
International Development Association,  
International Finance Corporation, and  
Multilateral Investment Guarantee Agency; together  
as Administrators for the Modified Cash Basis Trust Funds

We have audited the accompanying combined statements of receipts, disbursements and fund balance (the Statements) of the modified cash basis trust funds listed in Annex 1 for the years ended June 30, 2012 and 2011. The Statements are the responsibility of the management of the Administrators, consisting of the International Bank for Reconstruction and Development, the International Development Association, the International Finance Corporation and the Multilateral Investment Guarantee Agency. Our responsibility is to express an opinion on the Statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and International Standards on Auditing. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the Statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the Statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the Statements. We believe that our audits provide a reasonable basis for our opinion.

As described in note 2, the Statements were prepared on the modified cash basis of accounting, which is a comprehensive basis of accounting other than generally accepted accounting principles.

In our opinion, the combined statements of receipts, disbursements, and fund balance referred to above present fairly, in all material respects, the cash receipts, disbursements, and fund balance of the modified cash basis trust funds for the years ended June 30, 2012 and 2011, on the basis of accounting described in note 2.

Our audits were conducted for the purpose of forming an opinion on the Statements as a whole. The supplementary information included in Annex I is presented for purposes of additional analysis and is not a required part of the Statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the Statements. The information has been subjected to the auditing procedures applied in the audits of the Statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the Statements or to the Statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the Statements as a whole. The supplementary information included in the Supplemental Schedules is presented for purposes of additional analysis and is not a required part of the Statements. Such information has not been subjected to the auditing procedures applied in the audits of the Statements and, accordingly, we do not express an opinion or provide any assurance on it.

We also have examined, in accordance with the attestation standards established by the American Institute of Certified Public Accountants and the International Standards on Assurance Engagements issued by the International Auditing and Assurance Standards Board, the assertion prepared by management of the Administrators that the Administrators maintained effective internal control over financial reporting of the modified cash basis trust funds as of June 30, 2012, in accordance with the criteria established in *Internal Control – Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO), and our report dated September 28, 2012, expressed an unqualified opinion on management's assertion.

**KPMG LLP**

September 28, 2012

# COMBINED STATEMENTS OF RECEIPTS, DISBURSEMENTS AND FUND BALANCE

For the fiscal years ended June 30, 2012 and June 30, 2011

All amounts expressed in millions of U.S. dollars

	<u>Notes</u>	<u>2012</u>	<u>2011</u>
Contributions	3	\$ 6,094	\$ 5,241
Other receipts	4	554	378
Transfers from other trust funds	5	347	276
Investment income, net	2	80	77
Advances received from the Bank	9	6	6
<b>Total receipts</b>		<b>7,081</b>	<b>5,978</b>
Project-related disbursements	6	5,185	4,571
Refunds to donors	7	298	499
Administrative fees	8	95	75
Transfers to other trust funds	5	7	2
Advances repaid to the Bank	9	6	7
<b>Total disbursements</b>		<b>5,591</b>	<b>5,154</b>
Excess of receipts over disbursements before foreign currency adjustments		1,490	824
Foreign currency adjustments	2	(117)	185
Excess of receipts over disbursements after foreign currency adjustments		1,373	1,009
<b>Fund balance:</b>			
Beginning of the fiscal year		10,364	9,355
<b>End of the fiscal year</b>		<b>\$11,737</b>	<b>\$10,364</b>
Fund balance consists of:			
<b>Trust Funds' share of the cash and investments in the Pool</b>	2,10	<b>\$11,737</b>	<b>\$10,364</b>

The accompanying notes are an integral part of these Combined Statements of Receipts, Disbursements and Fund Balance

# NOTES TO THE COMBINED STATEMENTS OF RECEIPTS, DISBURSEMENTS AND FUND BALANCE

June 30, 2012 and 2011

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

## Note 1 - Organization and operations

The International Bank for Reconstruction and Development (IBRD), the International Development Association (IDA), the International Finance Corporation (IFC), and the Multilateral Investment Guarantee Agency (MIGA), herein collectively referred to as “the Bank”, enter into legal agreements, individually or jointly, with various external donors for funding trust funds. The Bank is the Administrator and/or Trustee of such trust funds. IBRD, IDA, IFC, and MIGA are members of the World Bank Group, which also includes the International Centre for Settlement of Investment Disputes (ICSID).

Trust funds generally provide grants to meet diverse development needs, including project preparation, technical assistance, advisory services, debt relief, post conflict transition, disaster recovery, climate change and co-financing of lending projects.

IBRD performs certain administrative, accounting, financial reporting and treasury services related to trust funds’ activities on behalf of the Bank.

### *Basis of combination*

Individual trust funds, which are administered by the Bank and are accounted for and reported using the modified cash basis of accounting, as described in Note 2, are included in the Combined Statements of Receipts, Disbursements and Fund Balance (the Statements). The list of trust funds that are included in the Statements is provided in Annex 1. These trust funds are referred to as “modified cash basis trust funds” and are combined for purpose of presenting the Statements.

In addition to the modified cash basis trust funds, the Bank administers a number of other trust funds, which are accounted for and reported under accounting principles generally accepted in the United States of America (U.S. GAAP), International Financial Reporting Standards (IFRS), special purpose basis of reporting or another basis as defined and disclosed in the applicable trust fund financial statements. These trust funds are separately audited and excluded from the Statements. Transfers between trust funds included in the Statements are eliminated; however, transfers to/from trust funds that are not included in the Statements are reported as transfers.

Activities of the modified cash basis trust funds are carried out primarily in the following ways:

### *Recipient-executed activities*

Recipient-executed trust funds involve activities carried out by recipient third-party executing agencies (Recipients). The Bank enters into agreements with and disburses funds to those Recipients, who then exercise spending authority to meet the objectives and comply with terms stipulated in these agreements,



# NOTES TO THE COMBINED STATEMENTS OF RECEIPTS, DISBURSEMENTS AND FUND BALANCE

June 30, 2012 and 2011

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

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## *Bank-executed activities*

Bank-executed trust funds involve activities executed by the Bank, as described in the relevant administration arrangements with donors, which define the terms and conditions for use of the funds. Spending authority is exercised by the Bank. The Bank prepares the terms of reference, procures goods and services from suppliers, makes payment, and submits progress and financial reports for these activities to donors.

## *Financial intermediary funds*

Financial intermediary funds comprise a heterogeneous mix of trust funds not covered by either the Bank-executed or Recipient-executed categories. They include trust funds with complex financial structures or arrangements in which the Bank provides specific administrative or financial services with a limited fiduciary or operational role. Arrangements include the administration of a variety of debt service trust funds, fiscal agency services funds and other more specialized limited fund management roles. Financial intermediary funds hold and disburse funds in accordance with the instructions from donors, or in some cases the governing bodies operating on behalf of the donors.

## **Note 2 - Significant accounting policies**

### *Basis of presentation*

The Statements have been prepared on the cash receipts and disbursements basis of accounting, modified to record the modified cash basis trust funds' share of the pooled cash and investments at fair value (modified cash basis of accounting). Accordingly, net investment income includes realized and unrealized gains/losses.

The modified cash basis of accounting is a comprehensive basis of accounting other than U.S. GAAP or IFRS. Therefore, the Statements are not intended to be a presentation in conformity with U.S. GAAP or IFRS. Receipts, with the exception of net investment income as described above, are reported when collected (i.e., when credited to the modified cash basis trust funds) rather than when pledged/earned, and disbursements are reported when paid (i.e., when debited to the modified cash basis trust funds) rather than when incurred.

In accordance with the modified cash basis of accounting, as described above, and with the policies adopted for the administration of the modified cash basis trust funds, certain transactions are reported in the Statements in the period in which the transactions are credited/debited to the modified cash basis trust funds, rather than in the period to which they relate. These may include contributions not credited to the modified cash basis trust funds by the period end date due to timing or other reasons; repostings of disbursements in the ordinary course of business, as deemed necessary; and any refunds of previous disbursements deemed by the Bank to be ineligible in accordance with the relevant legal agreements.



# NOTES TO THE COMBINED STATEMENTS OF RECEIPTS, DISBURSEMENTS AND FUND BALANCE

June 30, 2012 and 2011

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

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The Statements are presented in U.S. dollars, the reporting currency. Transactions in currencies other than 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, fund balances that are not denominated in U.S. dollars are revalued at the market rates of exchange prevailing at the end of the respective reporting period. Any adjustment resulting from currency exchange rate changes is recognized as foreign currency adjustments in the Statements.

Project-related disbursements made from the Bank's resources, on behalf of the modified cash basis trust funds (refer to Note 5), are reimbursed to the Bank by those trust funds on a regular basis. To the extent that disbursements are made in currencies other than U.S. dollars, the Bank may be reimbursed a different amount due to the difference in exchange rates on various dates. Transaction gains or losses on disbursements, if any, are borne by IBRD, on behalf of the Bank.

The preparation of the Statements in conformity with the modified cash basis of accounting requires management to make estimates and assumptions based upon information available as of the date of the 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.

## *Share in the pooled cash and investments and net investment income*

Amounts received by the modified cash basis trust funds, but not yet disbursed, are managed by IBRD, on behalf of the Bank, which maintains an investment portfolio (the Pool) for all of the trust funds administered by the entities of the Bank. The Pool also includes funds in ICSID's escrow accounts. 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, on behalf of the Bank, in accordance with the legal agreements entered into with the donors. These sub-portfolios may hold all or a portion of the instruments held by the Pool.

Generally, the Pool includes cash and liquid financial instruments such as government and agency obligations, time deposits, money market securities, and asset-backed securities. The Pool may also include securities pledged as collateral under repurchase agreements and derivatives with other counterparties, and receivables from resale agreements as well as derivatives for which it has accepted collateral. 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.

## NOTES TO THE COMBINED STATEMENTS OF RECEIPTS, DISBURSEMENTS AND FUND BALANCE

June 30, 2012 and 2011

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

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The Pool is a trading portfolio and is reported at fair value, with gains/losses included in net investment income. The share in the pooled cash and investments represents the modified cash basis trust funds' share of the Pool's fair value at the end of each reporting period.

Net investment income consists of the modified cash basis trust funds' allocated share of the following: interest income earned by the Pool, realized gains/losses from the sales of securities, and unrealized gains/losses resulting from recording the instruments held by the Pool at fair value.

### **Note 3 - Contributions**

Contributions represent funds provided by the donors, including the Bank, in support of various trust fund activities. Contributions are recognized by the modified cash basis trust funds upon receipt of funds and the countersigned legal agreements.

## NOTES TO THE COMBINED STATEMENTS OF RECEIPTS, DISBURSEMENTS AND FUND BALANCE

June 30, 2012 and 2011

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

Contributions received from various donors during the fiscal years ended June 30, 2012, and June 30, 2011, are as follows:

Donor	2012	2011
<b>Sovereign countries and European Commission</b>		
United Kingdom	\$1,159	\$ 691
United States	1,053	707
Australia	587	433
Norway	346	358
European Commission	341	298
Netherlands	318	312
Japan	281	190
Sweden	246	215
Germany	226	191
Canada	211	364
Denmark	142	130
Switzerland	127	72
Others <sup>1</sup>	443	589
<b>Subtotal</b>	<b>5,480</b>	<b>4,550</b>
<b>World Bank Group organizations</b>		
IBRD	212	221
IFC	96	148
MIGA	3	3
<b>Subtotal</b>	<b>311</b>	<b>372</b>
<b>Other donors <sup>2</sup></b>	303	319
<b>Total Contributions</b>	<b>\$6,094</b>	<b>\$5,241</b>

<sup>1</sup> Includes donors whose contributions were less than \$100 million during the fiscal year ended June 30, 2012.

<sup>2</sup> Includes contributions received from other multilateral development banks, United Nations agencies, public and private institutions.

### Note 4 - Other receipts

Other receipts totaling \$554 million (2011: \$378 million) consist primarily of loan repayment and interest receipts for loans disbursed by the Global Trade Liquidity Program Trust Fund, amounting to \$528 million (2011: \$357 million), of which \$178 million (2011: \$24 million) was refunded to Canada (refer to Note 7) and \$3 million (2011: \$2 million) was refunded to Saudi Arabia.

# NOTES TO THE COMBINED STATEMENTS OF RECEIPTS, DISBURSEMENTS AND FUND BALANCE

June 30, 2012 and 2011

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

Other receipts also include receipts by the modified cash basis trust funds for certain advisory services and service fees, as well as repayments of credits by recipients of amounts previously disbursed by the Trust Fund for Gaza and West Bank, refunds from closed projects, and reimbursements of ineligible disbursements.

## Note 5 - Transfers from/to other trust funds

Transfers from/to other trust funds represents the transfer of funds between the modified cash basis trust funds included in the Statements and trust funds excluded from the Statements upon receipt of instructions from donors or relevant governing bodies.

## Note 6 - Project-related disbursements

Project-related disbursements represent amounts disbursed for trust fund activities based upon the terms of the legal agreements entered into with the donors. Project-related disbursements by execution type during the fiscal years ended June 30, 2012 and June 30, 2011, are as follows:

Execution type	2012	2011
Recipient-executed trust funds <sup>a</sup>	\$3,493	\$3,083
Bank-executed trust funds <sup>b</sup>	1,040	1,089
Financial intermediary funds <sup>c</sup>	652	399
<b>Total Project-related disbursements</b>	<b>\$5,185</b>	<b>\$4,571</b>

- Represents disbursements from Recipient-executed trust funds to Recipients for carrying out development activities and financing the investment and recurrent needs of service delivery, capacity building and technical assistance. These disbursements include payments to IBRD and IDA from debt service trust funds amounting to \$45 million (2011: \$34 million) primarily for repayment of loans and credits, on behalf of beneficiaries.
- Represents disbursements from Bank-executed trust funds: (i) to support the Bank's own work program, including analytical and advisory activities, (ii) for trust fund administration activities, and (iii) for other project-related activities. These disbursements include \$328 million (2011: \$299 million) towards direct staff costs, related benefits and overheads, which were reimbursed to the Bank for its estimates of costs incurred for executing activities consistent with the legal agreements entered into with the donors of the modified cash basis trust funds.

## NOTES TO THE COMBINED STATEMENTS OF RECEIPTS, DISBURSEMENTS AND FUND BALANCE

June 30, 2012 and 2011

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

- c. Represents disbursements from financial intermediary funds in accordance with instructions from donors or governing bodies operating on behalf of the donors.

As part of its internal control framework, the Bank performs various compliance reviews of trust fund activities, which may result in the identification of ineligible expenditures related to the modified cash basis trust funds. In the event that disbursements which are deemed not to be eligible in accordance with the relevant agreements for the modified cash basis trust funds are identified, the Bank will consult with the donors to determine the appropriate remedy and account for them pursuant to the established policy.

### Note 7 - Refunds to donors

Refunds to donors primarily represent the return of unused fund balances upon completion of individual trust fund activities. Refunds to various donors during the fiscal years ended June 30, 2012 and June 30, 2011, are as follows:

Donor	2012	2011
<b>Sovereign countries and European Commission</b>		
Canada <sup>1</sup>	\$179	\$ 75
United Kingdom	33	339
European Commission	26	28
Venezuela	20	-
Australia	14	3
Others <sup>2</sup>	19	35
<b>Subtotal</b>	<b>291</b>	<b>480</b>
<b>World Bank Group organizations</b>		
IDA <sup>3</sup>	6	7
<b>Other donors <sup>4</sup></b>	<b>1</b>	<b>12</b>
<b>Total Refunds to donors</b>	<b>\$298</b>	<b>\$499</b>

<sup>1</sup> Includes remittances of accumulated loan repayments received by Global Trade liquidity Program Trust fund amounting to \$178 million during the fiscal year ended June 30, 2012 (2011 - US\$ 24 million).

<sup>2</sup> Includes donors whose refunds were less than \$10 million during the fiscal year ended June 30, 2012.

<sup>3</sup> Represents remittances of accumulated credit repayments received by the trust fund for Gaza and West Bank amounting to US\$6 million during the fiscal year ended June 30, 2012 (2011 - US\$ 6 million). In accordance with the IBRD and IDA Board resolution, establishing this trust fund, the refund was made to IDA.

<sup>4</sup> Represents refunds to other multilateral development banks, United Nations agencies, public and private institutions.

## NOTES TO THE COMBINED STATEMENTS OF RECEIPTS, DISBURSEMENTS AND FUND BALANCE

June 30, 2012 and 2011

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

### Note 8 - Administrative fees

To assist in the defrayment of the costs incurred by the Bank for the administration, supervision and oversight of modified cash basis trust funds, the Bank charges administrative fees as applicable, pursuant to legal agreements with donors.

### Note 9 - Advances received from/repaid to the Bank

Advances received from the Bank in the amount of \$6 million represents interest-free advances provided by the Bank to the modified cash basis trust funds during the fiscal year ended June 30, 2012 (2011: \$6 million) in anticipation of receipts of contributions previously committed by donors. Advances previously made amounting to \$6 million were repaid by the modified cash basis trust funds to the Bank, during the fiscal year ended June 30, 2012 (2011: \$7 million).

### Note 10 - Fair value of financial instruments

The modified cash basis trust funds' 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 amount of the modified cash basis trust funds' share in the pooled cash and investments at the end of the reporting period is also disclosed.

#### *Fair value measurements*

IBRD, on behalf of the Bank, has an established and documented process for determining fair value. Fair value is based upon quoted market prices for the same or similar instruments, 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 time deposits, money market instruments, government and agency obligations, asset-backed securities, securities purchased under resale agreements and securities sold under repurchase agreements, and derivatives.



# NOTES TO THE COMBINED STATEMENTS OF RECEIPTS, DISBURSEMENTS AND FUND BALANCE

June 30, 2012 and 2011

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

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

## *Government and agency obligations and asset-backed securities*

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

## *Time deposits and money market securities*

Unless quoted prices are available, time deposits and money market securities 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 TBA securities. Derivatives are valued using model based valuation techniques which include the standard discounted cash flow method with market observable inputs such as yield curves, foreign exchange rates, basis spreads, and funding spreads.

# NOTES TO THE COMBINED STATEMENTS OF RECEIPTS, DISBURSEMENTS AND FUND BALANCE

June 30, 2012 and 2011

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

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## ***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 and are categorized based on the inputs to the valuation techniques as follows (in order of priority placed on the inputs):

- Level 1: Financial instruments whose values are based on unadjusted quoted prices for identical instruments in active markets.
- Level 2: Financial instruments whose values are based on quoted prices for similar instruments in active markets; quoted prices for identical or similar instruments in markets that are not active; or pricing models for which all significant inputs are observable, either directly or indirectly, for substantially the full term of the instrument.
- Level 3: Financial instruments whose values are based on prices or valuation techniques that require inputs that are both unobservable and significant to the overall fair value measurement.

When the inputs used to measure fair value fall within different levels of the hierarchy, the level within which the fair value measurement is categorized is based on the lowest priority level input that is significant to the fair value measurement of the instrument in its entirety. Thus, a Level 3 fair value measurement of the instrument may include inputs that are observable (Level 2) and unobservable (Level 3).

As of June 30, 2012 and June 30, 2011, the Pool does not have any financial instruments measured at fair value on a non-recurring basis.

## NOTES TO THE COMBINED STATEMENTS OF RECEIPTS, DISBURSEMENTS AND FUND BALANCE

June 30, 2012 and 2011

All amounts expressed in millions of 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 June 30, 2012 and June 30, 2011. 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 modified cash basis trust funds' share of the Pool's financial instruments may comprise varying proportions among the three levels.

	Fair Value Measurement on a Recurring Basis as of June 30, 2012			
	Level 1	Level 2	Level 3	Total
Government and agency obligations	\$4,506	\$8,400	\$-	\$12,906
Time deposits and money market instruments	529	8,145	-	8,674
Asset-backed securities	-	3,349	1	3,350
Securities purchased under resale agreements and securities sold under repurchase agreements, net	50	(20)	-	30
Derivatives, net	-	76	-	76
<b>Total of financial instruments in the Pool at fair value</b>	<b>\$5,085</b>	<b>\$19,950</b>	<b>\$1</b>	<b>\$25,036</b>

	Fair Value Measurement on a Recurring Basis as of June 30, 2011			
	Level 1	Level 2	Level 3	Total
Government and agency obligations	\$3,794	\$6,783	\$-	\$10,577
Time deposits and money market instruments	903	10,390	-	11,293
Asset-backed securities	-	3,586	7	3,593
Securities purchased under resale agreements and securities sold under repurchase agreements, net	-	(752)	-	(752)
Derivatives, net	-	(154)	-	(154)
<b>Total of financial instruments in the Pool at fair value</b>	<b>\$4,697</b>	<b>\$19,853</b>	<b>\$7</b>	<b>\$24,557</b>

During the fiscal years ended June 30, 2012 and June 30, 2011 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 COMBINED STATEMENTS OF RECEIPTS, DISBURSEMENTS AND FUND BALANCE

June 30, 2012 and 2011

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

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## ***Risk management related to the Pool***

The modified cash basis trust funds are exposed to credit risk on its share of the cash and investments in the Pool. IBRD, on behalf of the Bank, 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 instruments - issued or guaranteed by financial institutions whose senior debt securities are rated at least A-;
- Asset-backed securities - minimum rating must be AAA; and
- Derivatives - counterparties must have a minimum rating of A+.

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

Under resale agreements, IBRD, on behalf of the World Bank Group, has received securities as collateral with a fair value of \$75 million and nil as of June 30, 2012 and June 30, 2011, respectively and is permitted to sell or repledge these securities. No securities have been sold or repledged as of June 30, 2012. As of June 30, 2012 and June 30, 2011, the carrying amount of securities pledged as collateral under repurchase agreements was \$45 million and \$751 million, respectively.

The fair value of collateral received related to derivatives was \$128 million and \$1 million as of June 30, 2012 and June 30, 2011, and IBRD, on behalf of the World Bank Group, is permitted to repledge the entire amount. As of June 30, 2012 and June 30, 2011, no collateral received related to derivatives has been repledged. The carrying amount of collateral paid to the counterparties was nil and \$0.9 million as of June 30, 2012 and June 30, 2011, respectively.

## NOTES TO THE COMBINED STATEMENTS OF RECEIPTS, DISBURSEMENTS AND FUND BALANCE

June 30, 2012 and 2011

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

### **Modified cash basis trust funds' share of cash and investments in the Pool**

The modified cash basis trust funds' share of cash and investments in the Pool, which was allocated to sub-portfolios based on the specific investment horizons, risk tolerances and other eligibility requirements pursuant to the legal agreements entered into with the donors, has a fair value of \$11,737 million as of June 30, 2012 (2011: \$10,364 million).

The following table presents investment holdings at fair values in the sub-portfolios of the pool in terms of the counterparty credit risk exposure and investment categories as of June 30, 2012 and June 30, 2011:

Counterparty credit ratings	2012	2011
AA or greater	65%	53%
A- or greater	100%	100%
<b>Types of financial instruments</b>		
Government and agency obligations	57.42%	52.50%
Time deposits and money market securities	40.21%	49.20%
Asset-backed securities	1.90%	1.87%
Securities purchased under resale agreements and securities sold under repurchase agreements, net	0.16%	(2.51%)
Derivatives, net	0.31%	(1.06%)
<b>Total</b>	<b>100.00%</b>	<b>100.00%</b>

### **Note 11 – Guarantees**

There are three investment guarantee trust funds, which are administered by MIGA, included in the Statements. MIGA, on behalf of these trust funds, issues guarantees against loss caused by non-commercial risks to eligible investors on qualified investments in the countries specified in the trust fund legal agreements entered into with the donors. These guarantees expire between September 2012 and June 2022. At June 30, 2012, the maximum potential amount of future payments of the guarantees, which are fully backed by the funds of the respective trust funds, is \$15 million (June 30, 2011: \$2.5 million).

## NOTES TO THE COMBINED STATEMENTS OF RECEIPTS, DISBURSEMENTS AND FUND BALANCE

June 30, 2012 and 2011

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

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### **Note 12 - Subsequent events**

Management has evaluated subsequent events through September 28, 2012, the date the Statements were available to be issued and there are no subsequent events that would require adjustment to or disclosure in the Statements.

### **Note 13 - List of Trust Funds included in the Statements**

Annex 1 provides the listing of individual trust funds, which are administered by the Bank and are accounted for and reported using the modified cash basis of accounting, as described in Note 2, and therefore are included in the Statements. Certain trust funds are included in the fiscal year ended June 30, 2011, but not in the fiscal year ended June 30, 2012 because they were closed during the fiscal year ended June 30, 2011. Similarly, certain trust funds are included in fiscal year 2012 but not in fiscal year 2011 because they were created and activated during the fiscal year 2012.



## Trust Fund Glossary

Term	Definition
<b>Administration Agreement</b>	An agreement or arrangement between the World Bank, as trustee, and a donor, setting forth specific terms for the receipt and use of a specific contribution for a specific trust fund.
<b>Bank-executed trust fund</b>	Trust fund for which the World Bank has spending authority and that support the Bank's work program.
<b>Cash contributions</b>	Contributions received by the Bank in the form of cash and proceeds from encashment of promissory notes.
<b>Co-financing</b>	Any arrangement under which funds provided by third parties are associated with IBRD/IDA funds or guarantees provided for a particular project or program.
<b>Commitment</b>	Amount of financing approved for project(s) or activity(ies) at the grant level.
<b>Contributions receivable</b>	Any portion of a contribution that is not a qualified contribution to be received in the form of cash or promissory note.
<b>Disbursements</b>	Payments made from a trust fund account to eligible recipients; also referred to as cash <i>transfers</i> in the case of FIFs, and as <i>expenditures</i> in the case of IFC trust funds.
<b>Donor</b>	Any entity that makes funds available to be held in trust by the WBG, including sovereign governments, intergovernmental institutions, private nonprofit entities, and private for-profit organizations. The WBG itself is considered a donor when contributing to trust funds from its own net income.
<b>Financial Intermediary Funds</b>	Funds that involve financial engineering or complex finance schemes, or where the Bank provides a specified set of administrative, financial or operational services.
<b>Free-standing trust fund</b>	A trust fund established to support a specified set of projects or activities agreed at the time of establishment.
<b>Funds Held in Trust</b>	Fund balance (i.e. cash and investments) plus promissory notes receivable.
<b>Grant</b>	The funds provided from a trust fund to an external recipient or to the Bank to implement the trust fund activities. A grant normally carries no repayment obligation when used for the agreed activities. When a grant is provided to an external recipient, the recipient agrees to implement the grant activities by signing a grant agreement.
<b>Grant Agreement</b>	An agreement between a World Bank entity, as trustee, and a recipient for the granting of funds by the trustee to the recipient under terms that involve trustee responsibility (including supervision) post-transfer.
<b>IBRD/IDA trust fund</b>	A trust fund for which IBRD/IDA implements or supervises the activities financed. IBRD/IDA trust funds disburse through BETFs or RETFs.
<b>IFC trust fund</b>	A trust fund for which IFC manages the funds in support of IFC advisory services and investment initiatives.
<b>Multi-donor trust fund</b>	A trust fund that may receive contributions from more than one donor, whose funds are pooled under a single set of agreed terms.
<b>Programmatic trust fund</b>	A trust fund for which donor(s) and trustee agree to a framework and criteria in support of a program of projects or activities. Funds are subsequently allocated to specific projects or activities for program implementation based on the framework and criteria.
<b>Promissory note</b>	A document consisting of a promise to pay that is non-interest bearing and payable on demand.
<b>Recipient</b>	Any entity that receives trust fund monies, including governmental, quasi-governmental, nongovernmental, or private institutions. The Bank may itself be the recipient of a trust fund in support of Bank activities.
<b>Recipient-executed trust fund</b>	Funds that the Bank passes on to a third party and for which the Bank plays an operational role—i.e., the Bank normally appraises and supervises activities financed by these funds.
<b>Trust fund</b>	A financing arrangement set up to accept contributions from one or more donors to be held and disbursed/transferred by a World Bank Group entity as trustee in accordance with agreed terms.









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