2013 TRUST FUND ANNUAL REPORT

THE WORLD BANK GROUP

Concessional Finance and Global Partnerships Vice Presidency

Message from the Vice President

Joachim von Amsberg
Vice President

Concessional Finance and Global Partnerships
The World Bank Group

I am pleased to present the 2013 Trust Fund Annual Report of the World Bank Group. This report highlights the trends and performance of the portfolio of the World Bank Group's trust funds and partnerships during the fiscal year ending June 30th, 2013 (FY13). The results described in this report contribute to the strength of the World Bank Group's deployment of core resources, to knowledge generation for client countries, and to global consensus-building through effective partnerships.

Financing outcomes were strong in FY13. While contributions to World Bank Group-administered trust funds have declined by about one tenth due to ongoing budget constraints impacting development partners, disbursements and transfers have reached over $10 billion - their highest level in the past five years. Funds held in trust at the end of the year remained almost unchanged at $29 billion, of which FIFs continued to account for the largest share (63 percent), followed by IBRD/IDA trust funds (32 percent) and IFC trust funds (2 percent).

During FY13, the Bank's management deepened the reform of trust funds and partnerships, to ensure that these tools can be deployed to their full potential, to deliver innovative and transformative development solutions for our clients. We are now embarking on additional reforms that will strengthen the alignment of trust funds and partnership programs with the WBG's core strategy and priorities. These reforms will promote greater selectivity; simplify fund architecture through a smaller number of standardized models; streamline establishment and strengthen management of all programs; and fully integrate trust funds in the business planning and budgeting process. With these reforms, we hope that the World Bank Group's efforts to end extreme poverty within a generation and promote shared prosperity will continue to benefit from the sustained contributions of our development partners.

I hope this report contributes to your understanding of the trust fund and partnership portfolio of the World Bank Group.

2013 TRUST FUND ANNUAL REPORT

Fiscal Year Ended June 30, 2013

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Photography:

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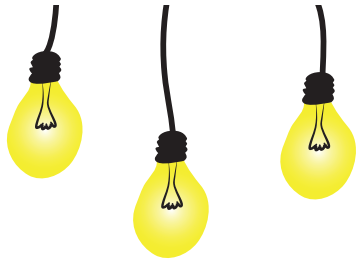
Abbreviations and Acronyms

A2F	Access to finance
AMC	Advance Market Commitments
ARTF	Afghanistan Reconstruction Trust Fund
BETF	Bank-executed trust fund
BNPP	Bank-Netherlands Water Partnership Program
CDM	Clean Development Mechanism
DAC	Development Assistance Committee of the OECD
EFA-FTI	Education for All–Fast Track Initiative
ESMAP	Energy Sector Management Assistance Program
FIF	Financial intermediary fund
GAVI	Global Alliance for Vaccines and Immunization
GEF	Global Environment Facility
GFA	GAVI Fund Affiliate
GPEF	Global Partnership for Education Fund
ha	hectare
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
JSDF	Japan Social Development Fund
MIGA	Multilateral Investment Guarantee Agency
MSMEs	Micro, small, and medium enterprises
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
RETF	Recipient-executed trust fund
SMEs	Small and medium enterprises
TA	Technical assistance
tCO_2e	Tonnes of carbon dioxide equivalent
TF	Trust fund
UN	United Nations
WBG	World Bank Group

Development Results

The World Bank Group continues to make major strides in how it monitors and reports on results. The projects supporting the results list below, reported between 2009 and 2013, are financed from various sources, including trust funds, which both complement and are being supported by non-earmarked contributions from a large number of development funders and the World Bank Group's lending operations. Learn more at http://www.worldbank.org/results/



265,000 villagers
in Kyrgyz Republic gained access to a functioning primary health facility.

/Kyrgyz Republic Village Investment Projects/

125,000 hectares
of degraded lands have been regenerated and

430,000 hectares
of primary forest have been conserved to protect biodiversity in 15 countries.

/Carbon Finance/

6.9 million people
in Sub-Saharan Africa have improved access to clean lighting.

/WBG Lighting Africa project/

15.6 million individuals
gained access to rural sanitation in 12 countries.

/The Water and Sanitation Program (WSP)/

182,500 people
in Iraq gained access to improved irrigation and water supply, and 32,000 people received jobs.

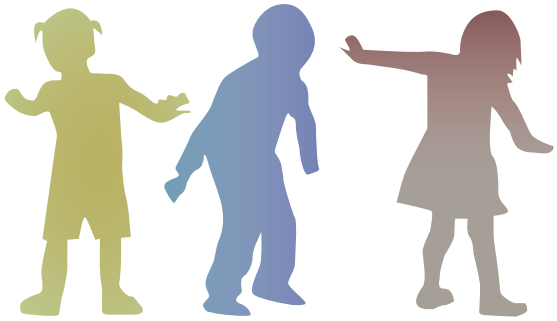
/ Bank-Netherlands Water Partnership Program (BNPP)/

60,000 farmers in Rwanda
active in the tea sector saw significant increases in net income (10-50%).

/IFC Rwanda Agribusiness project/

80 percent of children
are now receiving basic vaccination in Bangladesh.

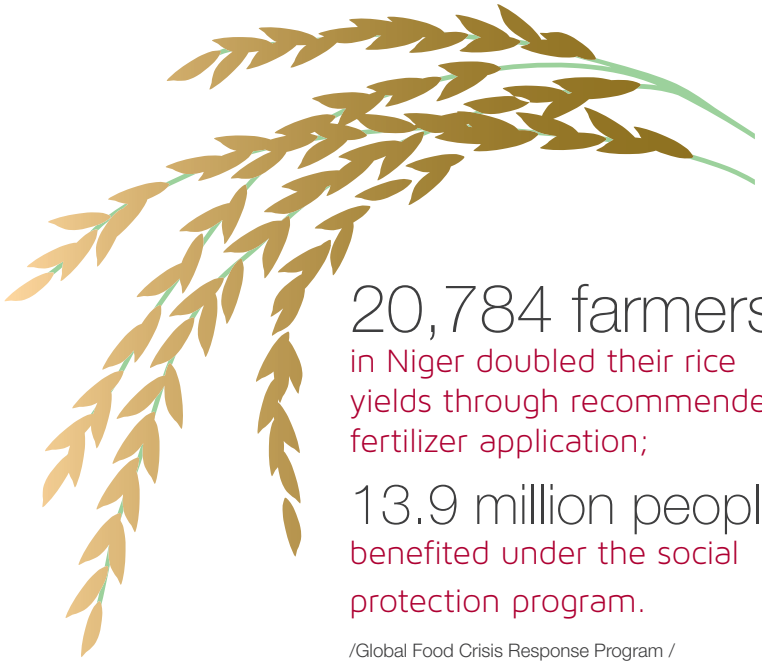
/Bangladesh Health Sector Development Program /



212,602 children

in Zimbabwe were fully immunized in just over a year.

/Zimbabwe Health Results-Based Financing Project/



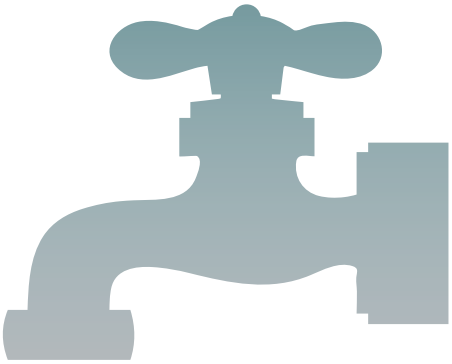
20,784 farmers

in Niger doubled their rice yields through recommended fertilizer application;

13.9 million people

benefited under the social protection program.

/Global Food Crisis Response Program /



1,000,000 people

in Senegal gained access to potable water.

/The Long-term Water Sector Project/

$9.8 billion

in recoverable revenues (part of which the government was able to recover) were uncovered in Nigeria.

/The Extractive Industries Transparency Initiative (EITI)/

15,000

housing units

in Indonesia have been rebuilt or rehabilitated for 35,000 people affected by the tsunami.

/Multidonor Trust Funds for Aceh and Nias/North-Sumatra/

Over 920 SMEs

received IFC assistance to access finance, resulting in a reported 44 percent increase in sales and creation of 3,500 direct and 5,100 indirect jobs.

/IFC DRC SME Development Program/

3.8 million

individuals in Africa gained access to affordable off-grid and low-cost lighting.

/Energy Sector Management Assistance Program (ESMAP)/

Section 1.

Trust Funds in Fiscal Year 2013

265,000 villagers in Kyrgyz Republic gained access to a functioning primary health facility.

/Kyrgyz Republic Village Investment Projects/

125,000 hectares of degraded lands have been regenerated and 430,000 hectares of primary forest have been conserved to protect biodiversity in 15 countries.

/Carbon Finance/

60,000 farmers in Rwanda active in the tea sector got significant increases in net income (10-50%).

/IFC Rwanda Agribusiness project/

1.1 Introduction

Trust Funds and Development Assistance

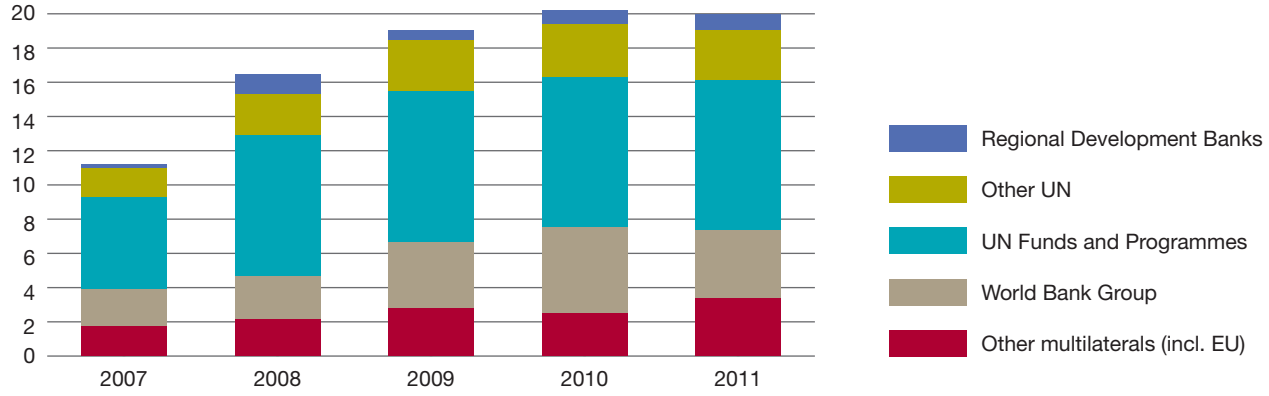
Trust funds and the partnerships they support have become important tools to help the World Bank Group (WBG) adapt to the fast-changing landscape of development finance. Partnership programs are increasingly used to "crowd-in" nongovernmental and private sector partners and link their knowledge and financing to the WBG's capacity to deliver solutions in client countries. In the last five years, the volume of the trust fund portfolio has almost doubled, while the WBG's engagement in various types of programs has multiplied through diverse arrangements. These trends mirror the growing importance of partnerships and their financing instruments for multilateral organizations: from 2007 to 2011, the total volume of official development assistance (ODA) grew from $11 billion to almost $20 billion (Figure 1).

For the WBG, FY13 represented a transition year as the organization focused on the need to improve the alignment of its current and future global engagements, which include the trust fund and partnership program portfolio, to its emerging strategic objectives and modalities. During the year, two papers prepared for a Board discussion summarized progress in past trust fund reform implementation, spelled out the future direction of reform, and proposed a framework for managing partnership programs, including those supported by financial intermediary funds.

Progress to Date and Implementation of the New WBG Strategy

During FY13 the Bank's management deepened the reform of trust funds and partnerships, to ensure that these tools can be deployed to their full

Figure 1: Multi-Bilateral ODA to Multilateral Institutions, 2007–2011[1] ($ billions)



Source: OECD-DAC.

1. The share of multilateral ODA—core contributions from DAC members to multilateral organizations such as IDA—has remained relatively stable at about 30 percent.

potential in delivering innovative and transformative development solutions to our clients. Updates on the reform and a description of the future alignment and selectivity agenda have been summarized in two Board Papers, completed in June, "Trust Fund Reforms: Progress to Date and Future Directions", and the new "Management Framework for World Bank Partnership Programs and Financial Intermediary Funds".

Earlier reforms of the World Bank's trust fund business have led to its integration into regular World Bank business processes: IT, training, investment lending, and human resources management. This has created a robust basis for the current effort to fully incorporate the management of the trust fund and partnership program into the WBG's strategy and budget planning processes. The resulting corporate oversight would reduce the risk of fragmentation and maximize opportunities to leverage bilateral ODA resources and IDA, making every dollar more effective. Given the core role of trust funds as vehicles to organize this leverage, the current program of reform will help the WBG respond in a focused and agile manner to the global community's demand for global public goods and to client countries' demand for the delivery of services for development.

The next phase in the evolution of the management of trust funds will center on the need for strategic alignment with the twin goals of the World Bank Group's strategy: ending extreme poverty by 2030 and boosting shared prosperity. Management will draw on several tools to align trust funds with the WBG's core strategy and goals, while promoting greater selectivity. First, trust funds will be subject to the dynamic selectivity framework that captures their innovative and transformative potential. Second, according to the principles of the new Management Framework for World Bank Partnership Programs and Financial Intermediary Funds, the WB will follow a lifecycle approach to the management of all trust-funded programs, including robust results frameworks, stronger risk management, and clear entry and exit decision processes. Third, a new strategy-driven budget process will provide opportunities for integrated revenue and expenditure planning, strengthening the alignment of trust funds and partnership programs. Finally, cost recovery measures and fee simplification will accompany the integration of trust funds in the business planning and budget process.

The Complementary Role of Trust Funds

From the perspective of bilateral development partners and other contributors, trust funds provide targeted financial support in thematic areas where there is significant overlap between the Bank's priorities and their own development objectives, or in countries where they have a limited presence or no delivery capacity of their own. Development partners have used IBRD- or IDA-managed trust funds to enhance their cost-efficiency and the visibility of their financial contributions. Cofinancing and parallel financing of trust fund activities under a Bank-supported project have enabled partners to reduce fragmentation of aid while scaling up their financial support in partnership with the Bank. Multi-donor trust funds are the primary source of finance for Bank-managed programs in fragile and conflict-affected situations (FCS). Contributors also value the Bank's sector expertise in a given geographic region—for example, when financing an economic study in a particular country. Moreover, development partners recognize and appreciate the Bank's fiduciary systems for trust funds: its financial controls, IT systems, management oversight, investment management, monitoring of financial risks, and financial reporting.

From the recipients' perspective, trust funds bring down transaction costs and reduce the proliferation of bilateral programs. Trust funds are an important vehicle for supporting client country priorities.

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 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 IFC trust funds (see Box 1).

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

(1) When the Bank's resources are limited by IDA's assistance envelope (as in FCS), or by the availability of IBRD's lending resources;
(2) 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;
(3) 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);

Box 1: Types of WBG Trust Funds

1. **IBRD/IDA trust funds*** – finance activities that IBRD/IDA implements or supervises. Disbursements are made through BETFs and RETFs:

- **Bank-executed trust funds (BETFs)** – the Bank controls BETF disbursements and uses them to support its work program.
- **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 or partnerships. In FIFs, the World Bank acts as a financial trustee and provides financial intermediary services such as receiving, holding, and transferring funds to multiple implementing entities. The Bank does not always play a role in implementing FIF- supported program partnerships; when it does, the Bank may be one of multiple agencies and implementers.

3. **IFC trust funds** – funds, managed by IFC that support IFC advisory services and investment initiatives.

* Includes MIGA trust funds, which provide political risk insurance to private sector investors and lenders.

(4) To scale up work on global public goods such as knowledge or climate change;
(5) To provide immediate assistance in response to natural disasters or other emergencies; and
(6) To pilot innovations that are later mainstreamed into the Bank's operations.

With 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.
IFC Trust Funds[2] are the main source of financing IFC's advisory services. Trust funds help IFC improve the investment climate; foster vital public-private partnerships; raise environmental, social and corporate governance standards; build inclusive supply chains; and strengthen local expertise. Trust Funds are increasingly being used as a mobilization tool for IFC's Investment Initiatives to address global challenges.

FY13 Highlights and Trends

- At $28.9 billion, the amount of WBG funds held in trust on June 30, 2013 has decreased slightly from the level recorded a year earlier. FIFs continued to account for the largest share (63%), followed by IBRD/IDA trust funds (32%) and IFC trust funds (2%).
- Funds held in trust for IBRD/IDA trust funds experienced a 5% decrease from FY12, reversing the upwards trend of the past few years.
- Cash contributions to IBRD/IDA trust funds dropped to $3.5 billion, the lowest mark in the past five years, decreasing by 21 percent from $4.4 billion in FY12.
- IBRD/IDA trust fund disbursements remained at around $4 billion, with a marginal drop of 5% from FY12 but reflecting an overall increase of 12% since FY09.
- Funds held in trust in FIFs[3] amounted to $18.6

2. This report does not include trust funds that support IFC's Special Initiatives and Investment Programs, which are managed separately by IFC and do not form part of the investment portfolio maintained by IBRD for trust funds.
3. Includes AMC, which is a FIF but not a trust fund and is included in the 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. This excludes transfers to IBRD as implementing agency.

billion. Approximately 80 percent of this amount is held for the Climate Investment Fund (CIF), the Global Fund, and the GEF.

- Cash contributions to FIFs[4], at $7.2 billion in FY13, remained relatively unchanged from the previous year and 50% higher than in FY09 with more than half of this amount being allocated to the health sector.
- Cash transfers from FIFs[5] to third parties have almost doubled from FY09, reaching $5.8 billion at end-FY13.
- From FY09 through FY13, the United Kingdom was the largest development funder to the IBRD/IDA trust funds, followed by the United States, the European Union, Australia, and the Netherlands, collectively accounting for almost half of the total cash contributions. The United States remains the largest development funder to FIFs.
- As part of ongoing consolidation efforts, the number of IBRD/IDA trust funds continued to decline, from a peak of 780 at end-FY10 to the five-year low of 685 at end-FY13. In addition, the share of multi-donor trust funds increased further to 52 percent, the highest in five years.
- In FY13, 90 percent of IFC Advisory Services expenditures were made via trust funds. These expenditures have grown by 47 percent in the past five years and by 18 percent in FY13, to $232 million, with 65 percent concentrated in IDA countries and 18 percent in Fragile and Conflict-affected States.
- Over the past five years, in aggregate, the United Kingdom has been the largest contributor to IFC Advisory Services trust funds (15% of total signed contributions), followed by Switzerland, the Netherlands, Canada and Austria.
- In FY13, five development funders made record high multiyear commitments to IFC Advisory Services trust funds: Australia, Canada, Switzerland, Luxembourg, and New Zealand.

1.2 Trust Fund Achievements

Trust funds are flexible vehicles that allow the World Bank to contribute to cross-cutting activities such as large reconstruction and recovery programs in FCS, 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 WBG's engagement with nonmember countries or entities, including civil society. This section highlights selected achievements of trust funds in some of these cross-cutting areas.[6]

The showcased stories represent examples of the results achieved by trust funds managed by various Regional and Network Vice-Presidencies (VPUs) of the World Bank Group during FY13, and, in some cases - as of end-FY13. These examples may not necessarily represent all VPUs that are working with trust funds. Rather, these stories are meant to illustrate how trust funds are filling important gaps in these areas and helping make a difference on the ground.

6. The results stories from FIFs provided across the report represent only stories from those FIF activities for which the Bank served as implementing agency.

Assisting Fragile and Conflict-Affected States

Trust funds play a key role in providing financing and targeted support to FCS, and are essential for the success of critical recovery activities and a balanced preparation of future long-term development support programs.

The Second Emergency Demobilization and Reintegration Project in Rwanda. This project, funded by the Government, IDA and two MDTFs provides demobilization and reintegration support to armed groups of Rwandan origin based in the Democratic Republic of the Congo (DRC). Results in FY13 include the following:

- 3,932 ex-combatants were repatriated from the DRC to Rwanda, demobilized, and returned to their communities of choice;
- 10,552 dependents of ex-combatants received resettlement kits;
- 2,604 disabled ex-combatants received medical support;
- 976 ex-combatants received psychiatric assistance;
- 7,769 ex-combatants received economic reintegration support such as small grants and vocational training;
- 2,424 vulnerable ex-combatants received additional vocational training and other education support;
- 38 houses were built for severely disabled ex-combatants, and 385 houses for less severely disabled ex-combatants were subsidized by the Government; and
- 222 children were reunited with their families.

Thanks to reintegration support, I was able to open this little shop. I sell rice, salt, beans, sugar, and lots of other daily necessities.

—Anatolie, ex-combatant, Rwanda


10,552 dependents of ex-combatants received resettlement kits, in Rwanda

Responding quickly in Lebanon to rebuild damaged infrastructure and alleviate the impact of recent hostilities in Syria. Established in 2006 and originally funded from IBRD's surplus ($70 million), the Trust Fund for Lebanon responded to the Government' s request to rebuild the country's infrastructure through the Lebanon: First Municipal Infrastructure Project (FMIP). In FY13, an additional grant of $30 million to FMIP enabled the World Bank to respond quickly to the Government's renewed request to help rebuild the damage inflicted on the country's infrastructure by recent hostilities in Syria, and help alleviate the impact of the conflict on Lebanese municipalities.

Overall, the project contributed to short- and medium-term reconstruction and economic recovery and directly benefitted an estimated 375,427 people with restored basic services and economic development opportunities. FMIP technical assistance reduced municipal dependence on transfers, further strengthening the recovery efforts. FMIP benefitted 178 municipalities (96 percent of the target) through 440 subprojects; in record time it restored the basic infrastructure in transport, access to water, and street lighting to pre-conflict, or even better, conditions. As of end-FY13, the aggregate results from FMIP are as follows:

- 17 municipal buildings reconstructed;
- 175 km of roads rehabilitated and repaired;
- 4,684 streetlight poles erected;
- 10.7 km of storm drains repaired;
- 48.7 km of retaining walls built;
- 15 public facilities built in 15 municipalities;
- Municipal finance studies conducted;
- Municipal Observatory built and equipped; and
- The Government's Municipal Finance Strategic Framework prepared on the basis of FMIP's studies.

Afghanistan Reconstruction Trust Fund. The Afghanistan Reconstruction Trust Fund (ARTF) was established in 2002 to provide a coordinated aid mechanism for Afghanistan. In 2013, the ARTF remains the largest single source of on-budget financing for Afghanistan's development and the vehicle of choice for pooled funding, with low transaction costs, excellent transparency, and high accountability, providing a well-functioning arena for policy debate and consensus building.[7] The ARTF delivers important results in key sectors, such as education, health, agriculture, rural development, infrastructure, and governance. It is the World Bank's largest multi-donor trust fund; as of June 30, 2013, the ARTF had received contribution payments of $6.4 billion from 33 development funders.

As the development agenda shifts from the immediate post-conflict assistance towards long-term development assistance, focusing on improved and

7. External Evaluation 2012, "ARTF at a Cross-Roads."

The ARTF will continue to be a key part of our strategy for engagement in Afghanistan for the foreseeable future. In particular, its ability to partner with the Afghan state and pool donor efforts and interests makes it an invaluable part of the development architecture.

—Dr. Paul Healey, Head, WB Unit, International Financial Institutions Department, UK DFID.

sustainable results, the ARTF has evolved to respond to Afghanistan's changing needs by redistributing the weight between its 2 mechanisms - The Recurrent Cost Window (RCW) and the Investment Window (IW), which together disbursed $5.2 billion since 2002, and introducing the Incentive Program - a policy reform program focusing on fiscal sustainability. As the RCW has decreased as an overall share of the ARTF, the IW has grown to a total of $2.3 billion disbursed since 2002 to support 23 investment projects in five areas: Agriculture, Rural Development, Human Development, Infrastructure, and Governance. As of end-FY13, the key results from the ARTF portfolio include:[8]

- 7.7 million children (38% girls) gained access to education;
- 3.2 million people can access electricity;
- 7 million people received access to water and sanitation services;
- 34 clinic and pharmacy buildings opened;
- 12,813 km of rural roads built or repaired, providing 5.7 million villagers access to all-season roads;
- 762 traditional irrigation schemes were rehabilitated, serving over 687,000 ha of rehabilitated land;
- 138,000 ha of additional land are now irrigated, substantially increasing crop yields;
- 1,204 ha of new orchards have been planted and 1,000 ha rehabilitated; and
- 8,000 schemes for "kitchen gardening" have proved highly successful, improving the food security and income generation of the rural population;
- Prenatal care coverage increased from 16% in 2003 to 49%, and institutional deliveries from 14% to 39%;
- Maternal mortality rate dropped from 1,600 per 100,000 births in 2000 to 327; and
- The under-5 mortality rate dropped from 257 per 1000 live births to 97.

– Through its Incentive Program, ARTF has worked toward policy reform and helped improve Afghanistan's public financial management systems and laws. In particular, it has promoted transparency in the mining sector, facilitated progress on good practice on internal and external audits, introduced a higher number of procurement-certified ministries, strengthened budget transparency, improved the investment climate, and helped to harmonize the civil service pay scale and development partner-funded positions.

Skills training for young women in Liberia. Launched in late 2009, the Economic Empowerment of Adolescent Girls and Young Women (EPAG) project in Liberia was the first pilot to launch under the Bank's Adolescent Girls Initiative. Funded by $5.2 million from three multi-donor gender trust funds—the Adolescent Girls Initiative, EPAG, and GENFUND—EPAG generated the following results as of end-FY13 in its first two rounds:

- Nearly 2,500 girls and young women had been trained in business skills, job skills, and life skills; and
- Compared with a control group of young women who had not yet participated in the program, trainees' employment rate increased by 47 percent, their average weekly income by 80 percent, and their average savings by $44.

In FY13, the World Bank's Umbrella Facility for Gender Equality provided $2 million of development partner financing to Round 3 of EPAG, which will train an additional 1,000 young women aged 16-24 with literacy, life skills, and job and business

This is our chance to be independent. This is my chance to learn new things, and be a leader in my community—and one day, teach other girls. We can't allow our fear to overcome us.

—Princess Sheriff, EPAG program participant from New Kru Town, Liberia

8. All data in this section are based on ARTF project results, updated as of June 30, 2013.

skills and provide placement assistance. EPAG Round 3 is also expanding to more rural areas in Grand Bassa, and is targeting younger adolescent girls and those with lower literacy levels. EPAG is considered to be one the most successful and effective youth economic empowerment programs in the country, and is providing lessons to other youth skills training programs globally.

Helping to improve the investment climate in FCS. Through the WBG's $155 million Facility for Investment Climate Advisory Services (FIAS) and IFC's $40 million Conflict-Affected States in Africa (CASA) initiative, IFC has helped promote private sector growth and job creation by alleviating barriers to business.

In FY13, FIAS supported projects in 17 fragile- and conflict-affected states[9], including implementation of 24 investment climate reforms in 12 countries. Highlights of their achievements:

- The World Bank Group's Doing Business 2014 report ranks Burundi among the top 10 most improved economies for the third year in a row;
- In Togo, a one-stop shop to register business has reduced the number of days to register a business from 84 in 2012 to 19;
- In Togo, the cost of business registration fell from 177 percent to 119 percent of income per capita between 2012 and 2013;
- Côte d'Ivoire took major strides in implementing legislative changes to lower business entry and property transfer costs and increase women's equality in property rights; and
- In Haiti, FIAS-supported industry-specific investment climate activities helped leverage $59 million in garment sector investment.

CASA projects developed the legal foundation for commercial activities in FCS in Sub-Saharan Africa. These projects :

- Channeled $143 million to fund micro, small, and medium enterprises (MSMEs);
- Introduced 50 investment climate reforms, 20 of them in FY13 alone;
- Developed capacity in 330 MSMEs and trained 7,700 individuals;
- Helped Burundi become a top reformer as assessed in the WBG's Doing Business Report;
- Assisted the Government of South Sudan with drafting, enacting, and publishing more than 15 laws, and helped establish business registries in the cities of Juba, Malakal, and Wau, with 28,000 businesses registered to date;
- Strengthened the capacity of local small and medium-sized enterprises (SMEs) in Sierra Leone and increased their access to finance by creating a functioning leasing market;
- Worked with the Government of Liberia to facilitate the development of a commercial code and court; and Partnered with the *Financial Times* to deliver a "Business after Conflict" conference in Nairobi that gathered more than 150 business leaders, government officials, and civil society delegates.

It is urgent and critical for fragile and conflict states to transform their business environments by creating an attractive environment for investments and promoting key areas of growth and job creation. We are pleased to see the leadership of FIAS in this area—FIAS is supporting the implementation of strategic investment climate reforms that are helping to establish stability, grow the private sector, and lift people out of poverty in these countries.

—Cory O'Hara, Division Chief, Office of Trade and Regulatory Reform, U.S. Agency for International Development

9. This includes: Afghanistan, Bosnia and Herzegovina, Burundi, Central African Republic, Chad, Comoros, Congo Republic, Côte d'Ivoire, DRC, Guinea, Guinea-Bissau, Haiti, Kosovo, Liberia, Nepal, Timor-Leste, and Togo.

Fostering Innovation in Development

Many trust funds support innovation in development, allowing the WBG to test new approaches to address client needs and to scale them up through regular Bank operations. Knowledge services and innovative projects can have a transformative impact on sectors that are key to reducing poverty and extending equitable services.

Efficient Securities Markets Institutional Development Africa Initiative. The Public-Private Infrastructure Advisory Facility estimates Africa's gap in financing infrastructure at $31 billion annually over the next 10 years.[10] Bond markets are increasingly needed to help finance this infrastructure. The joint IFC-WB Efficient Securities Markets Institutional Development (ESMID) Africa initiative, in partnership with the Swedish International Development Cooperation Agency, is assisting East Africa and Nigeria to build local currency bond markets to help finance work in priority sectors such as infrastructure, housing, and microfinance. ESMID Africa has advised on improving local regulations; procedures for issuing, investing in, and trading bonds; and the knowledge and capacity of all securities markets participants, including regulators; and on building an East Africa regional marketplace that would attract larger issuance and investment. ESMID's Africa initiative major achievements as of end-FY13 are as follows:

- Laws, regulations, and guidelines for issuing and trading nongovernment bonds have been introduced or reformed in East Africa and Nigeria, influencing the local bond market issuance of $2.7 billion;
- A Regional Securities Industry Training Institute has been established to strengthen the knowledge of market participants throughout East Africa;
- Over 2,500 market participants have been trained in East Africa and Nigeria;
- The time for bond issuance in Kenya and Tanzania has been reduced from 270 days to 30-60 days;
- Technical support has been provided, with demonstration transactions worth $101 million in East Africa and $362 million in Nigeria; and
- East African countries have developed and begun implementing a roadmap for regional market integration and cooperation, including implementing a single framework for regional bond issuance.

Global Index Insurance Facility: An innovative response to natural catastrophes. Natural disasters have cost the global economy $2.5 trillion since 2000, according to a recent report by the UN Office for Disaster Risk Reduction.

The Global Index Insurance Facility (GIIF), a partnership managed by IFC and implemented jointly with IBRD with the support of the European Commission, the Netherlands and Japan, introduced an innovative response to weather and natural catastrophes such as droughts, floods, and earthquakes, which can cause irreparable damage to households in poor communities.

- The GIIF Program, global in reach, supports projects in Africa, Asia, Latin America, Caribbean and Pacific. In many developing countries, traditional agricultural and natural catastrophe insurance is prohibitively expensive or unavailable. GIIF insures a number of villages under one risk rather than at the individual farmer level, which allows for more affordable coverage and expedient processing of claims. The GIIF's index-based insurance pays out quickly—in 1-2 weeks after the catastrophe event, versus 12-18 months by traditional insurance.
- The Syngenta Foundation for Sustainable Agriculture, one of GIIF's partners, has created a brand called Kilimo Salama ("safe farming" in Swahili) to market its index insurance products for beans, maize, sorghum, coffee, potato, and wheat. Since its inception, Kilimo Salama has grown from 200 farmers insured in Kenya in 2009 to 185,000 farmers insured in Kenya, Rwanda and Tanzania in 2013.A $2 million collaboration with Barbados-based reinsurance provider MiCRO will provide close to 70,000 women micro-entrepreneurs in Haiti with affordable catastrophic weather index-based insurance.
- GIIF has been widely recognized for its innovative approaches to solving development challenges. In May 2012, the agriculture group of G20 recognized GIIF's role in addressing global food security and food price volatility. The project with Kilimo Salama has also won the Financial Times IFC Sustainable Finance Award in the technology category for using mobile phones to help insure farmers against poor harvests caused by adverse weather.

10. Public Private Infrastructure Advisory Facility (PPIAF) is a multi-donor trust fund managed by the World Bank to facilitate private sector investment in infrastructure.

China Hai Basin Integrated Water and Environment Management Project. This innovative project, fully financed by the Global Environment Facility, or GEF ($17 million), aims to reduce pollution in the Bohai Sea by developing an integrated approach to water resource management and pollution control. To do this, it will test advanced management and technological approaches to integrated water and environmental management in 16 counties. Results achieved in FY13 are as follows:

- The "real water savings" concept, which reduces the consumption of water in agriculture, was introduced and has proved to be particularly effective in areas of water scarcity such as the Hai Basin;
- 266 million m3/year of groundwater overdraft for irrigation purposes was reduced in pilot counties, considerably exceeding the target of 42 million m3/year; and
- Environment departments in project areas were equipped to control pollution. Discharge targets of pollution loads from provinces, cities, and counties to rivers and the Bohai Sea have been set up and used as control indicators by national pollution control standards.

Turkey: Private Sector Renewable Energy and Energy Efficiency Project. The promotion of renewable energy and improved energy efficiency are integral components of the Turkish Government's new energy strategy, which is designed to address three key development issues: (a) improve the security of energy supply, (b) contain environmental impacts, and (c) eliminate market barriers to renewable energy (RE) and energy efficiency (EE) investments. The Private Sector Renewable Energy and Energy Efficiency Project supports the Government's strategy by providing credit lines to the privately owned Industrial Development Bank of Turkey and the Government-owned Development Bank of Turkey. The project was launched in 2009 with financing from a $100 million grant from the Clean Technology Fund (CTF) and a $1 billion loan from IBRD. As of end-FY13, the project has disbursed $737 million of the IBRD loan and $99 million of CTF funds. This attracted another $564 million of investments, which together financed almost $1.4 billion worth of RE/EE projects.

In our village, one irrigation cycle has been reduced from 20–30 days to 7 days, and labor hours for irrigation were reduced by 35 percent.

—Villagers in Beidonggu Village of Guantao County, Hebei Province

Major results from the project:

- 44 RE and 29 EE projects were financed, supporting such large national industries as paper, petrochemicals, plastic, and iron and steel;
- RE projects with a total capacity of 1,225 MW have been completed or are under construction and are estimated to reduce greenhouse gas emissions by 4.2 million tons per year; and
- Innovative investments in small hydro, wind, geothermal and solar projects helped promote and attract the following new investors into the RE market in Turkey:
  - two local banks have taken on the EE agenda and obtained loans from other institutions for this purpose;
  - The European Bank for Reconstruction and Development has established the Turkey Sustainable Energy Financing Facility to support small-scale RE and EE through five commercial banks;
  - Agence Française de Développement and Kreditanstalt für Wiederaufbau have provided support, mainly through financial institutions, to EE investments;
  - Turkey's largest banks—Akbank, Garanti Bank, Deniz Bank, Is Bank, Seker Bank, and TEB—have opened credit lines specifically for EE products; and
  - The WBG has expanded its support for EE financing by launching the Small and Medium Enterprise Energy Efficiency Project through credit lines to Halkbank, VakifBank, and Ziraat Bank.

Energy Sector Management Assistance Program. The Energy Sector Management Assistance Program (ESMAP) is a global, multi-donor technical assistance program implemented by the World Bank to provide analytic and advisory services to low- and middle-income countries in support of affordable, reliable, and sustainable energy solutions. Here are some of ESMAP's achievements as of end-FY13:

- ESMAP's Tool for Rapid Assessment of City Energy (TRACE) has been used to help city planners in 25 cities in Africa, Latin America, Asia, and Eastern Europe identify and prioritize energy efficiency improvements. In Romania, TRACE has been deployed in seven fast-growing cities to identify interventions to be financed under a regional development program funded by the European Union. In Turkey, TRACE findings have informed the World Bank's $300 million Sustainable Cities Project to finance long-term infrastructure investments. In Rio de Janeiro, city officials are using TRACE to develop energy efficiency strategies for the 2014 FIFA World Cup and the 2016 Summer Olympic Games. This work builds on the success of another Brazilian city, Belo Horizonte, where the TRACE assessment resulted in improvements in the transport sector, including traffic flow optimization.
- ESMAP's Global Geothermal Development Plan (GGDP) is helping catalyze a major scale-up of geothermal energy in developing countries by removing one of the primary obstacles to expansion of this renewable resource: the high


ESMAP's TRACE Tool has informed 25 cities in Africa, Latin America, Asia and Eastern Europe in energy efficiency strategies, long-term infrastructure investments, and transport sector, including traffic flow optimization

up-front cost and risk of exploratory test drilling. Thirty-six promising sites in 16 countries have already been identified under the GGDP. The first test drilling project cofinanced under the GGDP was approved by the World Bank to assess the commercial geothermal potential of the Fiale Caldera in the Lake Assal region in Djibouti. The new initiative is informed by the *Geothermal Handbook*, published in FY13 by ESMAP, which contains global best practices in planning and financing geothermal power projects.

- In China, a newly approved $12 million World Bank/GEF project, designed by ESMAP using global best practice for urban spatial planning that can reduce cities' energy consumption, is helping the Beijing and Ningbo municipalities to promote sustainable spatial planning and accelerate the adoption of energy efficiency and renewable energy in urban areas in China.
- The World Bank is aligning its expert and advisory services to meet client countries' growing demand on renewable energy. In FY13, ESMAP conducted a comprehensive renewable energy training program for more than 250 WBG staff. This program is designed to train staff to provide high-quality advice to clients in the areas of policy development and structuring of public and private investment operations. Topics include wind power; solar photovoltaic power; geothermal energy; policy incentives and support mechanisms; financing options; grid integration, transmission, and distribution; concentrated solar power; and biofuels.

Lighting Africa Program Expansion. Nearly 600 million people and more than 10 million micro-enterprises in Africa are not on the electricity grid. Most rely on expensive, polluting, and dangerous lighting such as kerosene lamps, candles, and battery-powered torches, which curtail their socioeconomic activities once darkness falls. Lighting Africa, a joint initiative of the World Bank and the IFC, works with the off-grid lighting industry to develop commercial and sustainable markets for cleaner, affordable, and high-quality lighting solutions. Modern portable solar lanterns, mobile charging features, and "pay-as-you-go" credit schemes are becoming alternatives for households without electricity, or with unreliable grid connections. As of end-FY13, the program has achieved the following results:

Lighting Africa Program has supported the development of innovative lighting products that have reached nearly 7 million people, far surpassing the initial goal of reaching 2.5 million by 2012.

- Innovative lighting products have reached nearly 7 million people, far surpassing the initial goal of reaching 2.5 million by 2012;
- 49 products have met or surpassed Lighting Africa's quality and performance standards;
- 1.3 million products have been sold in 20 African countries;
- 1,900 companies and 2.5 million individuals have benefited from business support services such as access to finance and various forms of business facilitation;
- 22 million people at 1,500 village forums have participated in awareness campaigns for solar products; and
- 12 governments in Africa have been engaged toward developing local markets for small photovoltaic systems, leveraging some $10 million from IDA financing for technical assistance, upstream analytic work, and deployment of such innovative mechanisms as "lantern libraries" in public schools.

As Lighting Africa Program expands and continues to be mainstreamed into the WBG's lending and investment operations, it is on track to meet its target of supporting the private sector and supplying 250 million people in Africa with better lighting products by 2030.

Support to Global Public Goods

The World Bank Group's trust funds are an important mechanism for financing global public goods. The examples in this section illustrate the outcomes of activities supported by trust funds in the areas of global knowledge sharing, climate change, and access to water and sanitation.

Pioneering carbon markets. The Kyoto Protocol's first commitment period ended in December 2012, and the World Bank is drawing lessons learned from over a decade of pioneering work in the carbon market. Since the establishment in 2000 of the world's first carbon fund—the Prototype Carbon Fund—with contributions from six governments and 17 companies representing Japan, Canada and the European Union, the World Bank has become the trustee for a total of 15 carbon funds and facilities, managing a $2.3 billion portfolio of 160 projects in 47 countries. Of these countries, 16 have first-ever carbon finance projects under the Clean Development Mechanism (CDM). The World Bank's initial role was to catalyze the development of the carbon market by facilitating the procurement of carbon emission reductions from projects in its client countries by funds participants who were seeking to meet their obligations under the Kyoto Protocol. In the past decade, in addition to developing and implementing the carbon projects for clients—mostly private entrepreneurs—the World Bank has helped to shape the regulatory framework for market mechanisms, and has established 50 new carbon accounting methodologies, including breakthroughs on quantifying emission reductions from rural electrification and sustainable agriculture land management.

By the end of 2012, the World Bank had overall delivered 167 million tons of CO2-equivalent (CO2e) reduction from its projects, which span a wide variety of sectors—energy efficiency, renewable energy, solid waste management, and reforestation. As part of the Bank's approach to landscapes, and with support from the BioCarbon Fund, about 125,000 hectares of degraded lands have been regenerated through sustainable forest and agricultural activities, and 430,000 hectares of primary forest have been conserved to protect biodiversity in 15 countries and five regions of the world.

Partnering with the private sector. Using carbon finance as a policy instrument for climate change mitigation, the World Bank played a key role in attracting new sources of development finance, particularly from the private sector. The Bank has created a results-based model for global public-private partnerships, helping to unlock an estimated $8.5 billion in underlying project finance from 56 private firms and 23 governmental organizations. Approximately $1.3 billion in cumulative financial flows from payments for emission reductions have been disbursed from the World Bank's carbon funds to its clients in developing countries.

Next-generation carbon markets. Continuing in its pioneer role, the World Bank has established five "next-generation" carbon initiatives to strengthen the impact of and scale up low-carbon activities. Next-generation initiatives provide technical and financial support to help countries explore and implement cost-effective and innovative approaches to greenhouse gas mitigation, such as domestic emissions trading schemes, new carbon crediting instruments, and carbon taxes. These innovative approaches will have high development benefits and will use technologies that deliver primarily community and household-level results—biogas, household solar, and micro-hydro power.

Looking ahead, the Bank will focus on climate-smart development and effective blending of carbon finance with Bank lending—that is, achieving development benefits and climate change mitigation at the same time. Momentum is building among developing and emerging-market countries to take domestic mitigation action, and the World Bank is actively designing initiatives to leverage it.

IFC, on its part, is finding ways to unlock private capital for climate-smart projects. IFC helps finance the development of innovative technologies and encourages a shift toward energy efficiency and renewable energy. It also provides financing and advice to help countries mitigate and adapt to climate change.

Examples of some successful carbon projects as of end-FY13:

- The Community-Based Renewable Energy Development Project in Pakistan installed 90 micro- and mini-hydropower plants in Northern Areas and Chitral, providing electricity to 51 remote rural communities and 150,000 households, and generating 78,000 carbon credits annually. Constructed, managed, and operated by the communities themselves, hydropower plants provide electricity for domestic uses such as cooking, heating, household appliances, and lighting to extremely remote and poor communities that have no access to basic infrastructure services. Routine household chores typically assigned to women are now less labor-intensive and time-consuming. Women are using the time saved to make handicrafts and clothes, which they can then sell to increase their household income. This has led to a rise in their status in the household and strengthened their roles. Other benefits include reductions in indoor smoke and in household monies spent on traditional fossil fuels.
- Indocement, a cement producer in Indonesia, reduced thousands of tons of CO2e by implementing technologies and techniques never before applied in the local cement industry. The incentive from CDM revenue helped the company overcome consumer and other market barriers to blended cement. This lower-carbon process gained the company increased recognition and market share in Indonesia.

The revenues from CDM were essential for our company's decision to take on the risk of a new technology that has helped transform the sector and made our company a world leader in the use of blended cement.

—Oivind Hoidalen, former Technical Director of Indocement.

- Guangrun Hydropower Project in China has used carbon revenues to help finance three small-sized hydro stations, providing access to energy to the rural poor in a region where 95 percent of the population lives without electricity. In addition, the project has supported the construction of 16 km of roads, irrigation and drinking water systems benefiting five villages (4,400 people), nine classrooms in a local elementary school, and a village clinic.
- Nepal Biogas Program helped 225,000 families across the country install easy-to-operate, small-sized biogas plants in their backyards, converting human waste and animal dung to methane for cooking. These projects are expected to generate about 170,000 carbon credits per year, which is equivalent to avoiding emissions from approximately 60,000 cars every year. The program reduces the time spent collecting firewood and, since women are no longer exposed to the indoor smoke from burning firewood in traditional stoves, it also dramatically improves the health of women and their children. Other important benefits of the program are decreased pressure on forests and reduced greenhouse gas emissions.
- Bangladesh Solar Home Program, the world's largest off-grid renewable energy program, is supported by the World Bank's Community Development Carbon Fund, a $93 million loan from IBRD, and approximately $71 million from other development partners. It has installed 2.2 million solar home systems in rural households in Bangladesh.
- Plantar Reforestation Project in Brazil has issued more than 4 million metric tonnes of carbon emission reductions, the first forestry project in the world to issue credits under the Kyoto Protocol's CDM. This project is growing 11,600 hectares of sustainably managed tree plantations on degraded lands, sequestering carbon dioxide and providing a source of carbon-neutral charcoal. The project also supports the protection of native *cerrado* forests and biodiversity, helping the iron and steel sectors become more sustainable.

The Soil Conservation Project has been first and foremost an example for local communities on how to extract the added value from adequately managing their lands, whilst protecting the environment.

—Dumitru Galupa, Head of the Project Implementation Unit and Director of the Forestry Research and Management Institute of Moldova

- Moldova Soil Conservation Project issued 851,911 metric tonnes of carbon emission reductions. This was only the second land-use and land-use change project to be registered with the United Nations Framework Convention on Climate Change (UNFCCC). Some communities are replicating land-management practices established by the project, generating tangible benefits for local farmers and members of the community.

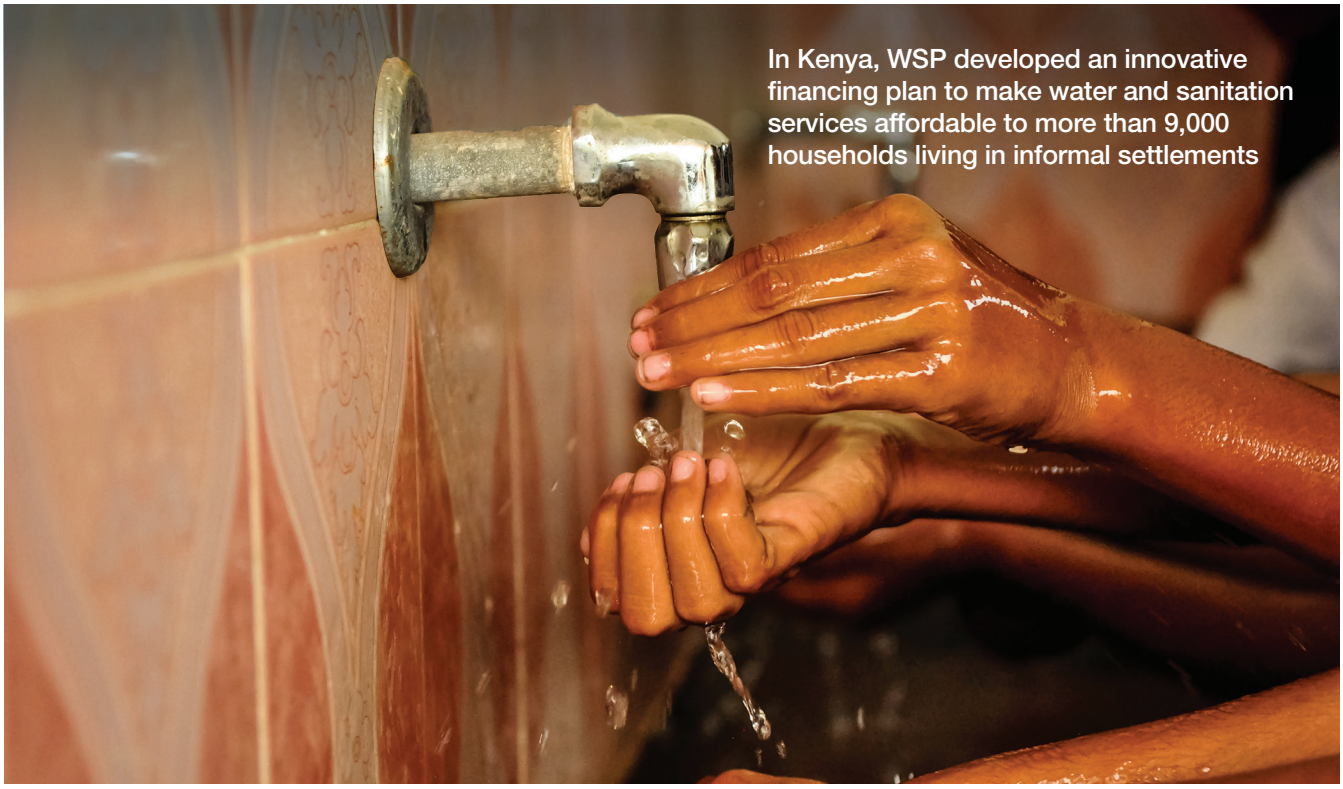
Water and Sanitation Program. The Water and Sanitation Program (WSP) uses innovative knowledge management techniques to transform local learning into knowledge that can be used by partners and the global public. Over 768 million people in the world remain without sustainable access to drinking water, and 2.5 billion people without access to improved sanitation, with severe economic, health, environment, and social consequences. WSP continuously seeks to innovate program approaches and methodologies, foster strategic partnerships, and promote effective knowledge-sharing efforts and their effective replication in client countries. Major achievements as of end-FY13 include the following:

- WSP's $200 million budget provides support to 33 countries across four regions,[11] with a network of approximately 144 staff;
- WSP has helped governments increase 22.5 million poor people's access to improved water and sanitation services and keep 19 million people from defecating in the open; and
- WSP's technical assistance and knowledge work has helped leverage over $120 million in investments by development partners, governments, private sector, communities, and households, as well as influencing around $8.3 billion in World Bank financing.

Promoting knowledge as a global public good. In FY13, WSP's large-scale impact evaluations and cutting-edge research contributed to developing critical knowledge in the sector—for example, highlighting the strong links between poor sanitation and the high prevalence of stunting and limited cognitive development among children. WSP received eight international awards and several recognitions, among them the World Economic Forum's Creative for Good initiative award and several Knowlympics Public Choice Awards.

Delivering water and sanitation services in FCS. WSP supports 10 FCS in Africa, East Asia, and Latin America in generating tools and models for delivering water and sanitation services in challenging environments, while developing an understanding on the sector's role in peace- and state-building. In FY13, WSP's technical assistance in Zimbabwe contributed to the launch of the National Water Policy. WSP also helped develop water service mapping and investment evaluation frameworks in Sierra Leone, Republic of Congo, and DR Congo. WSP's analytic work highlighted the importance of investing in urban water and sanitation in Haiti, Sierra Leone, and Zimbabwe, countries with some of the lowest sanitation access and quality in the world. In Liberia, WSP supported the Water and Sewer Corporation in rebuilding its database of customers, mapping over 15,000 households and small businesses in the area.

11. WSP works with client governments in Latin America and the Caribbean, Sub-Saharan Africa, South Asia, and East Asia and the Pacific, which includes 23 focus countries with full-time staff and 10 additional non-presence countries under the fragile states initiative.


In Kenya, WSP developed an innovative financing plan to make water and sanitation services affordable to more than 9,000 households living in informal settlements

Embracing operational innovations. The keystone of WSP's operations is testing and scaling innovations. In FY13 WSP piloted a series of programmatic innovations to improve service delivery and forge innovative partnerships on a global scale to enhance awareness in the sector. In West Africa, WSP used mobile technologies to improve services through the mWater Program—a mobile-to-web platform that helps local piped water operators provide technical and other information to ease regulation and monitoring. In Kenya, WSP developed an innovative financing plan to make water and sanitation services affordable to more than 9,000 households living in informal settlements. In Bangladesh, WSP partnered with American Standard to build human-centered designs to provide ultra-low-cost sanitation and hygiene solutions for poor people.

Mitigating the impacts of climate change on water and sanitation. WSP works with governments in Asia and Latin America to identify the impacts of climate change on water and sanitation and develop climate change adaptation and disaster risk management approaches for the sector. In Vietnam, WSP facilitated the development of a provincial-level Climate Change Vulnerability Assessment and Adaptation Strategy. In Central America, WSP convened baseline assessments of disaster risk management strategies for water and sanitation in seven countries; the findings have provided member countries the opportunity for cross-regional knowledge sharing and learning on climate change adaptation and disaster risk management.

Engagement with Civil Society

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

Supporting inclusive financial services and access to markets. Women and youth usually bear the brunt of conflict in the Middle East and North Africa Region (MENA), as most cultural and traditional systems in the MENA countries are not developed to provide gender-specific services. The continuing conflict across MENA has deteriorated the macroeconomic environment, disproportionately affecting the engagement of women and youth in enterprises. Despite women's good track record of loan repayment, women-owned businesses in MENA are considered to be riskier and more vulnerable. The IBRD's trust-funded $9 million Middle East and North Africa - Micro, Small and Medium Enterprises (MSME) Regional Technical Assistance is implemented by the World Bank in Egypt, Jordan, Morocco, Tunisia, Libya, Lebanon, and West Bank and Gaza in close collaboration with local NGOs and civil society, such as chambers of commerce, federations of industries, and business associations. It targets marginalized groups, such as women and youth, and underserved areas and poor villages, supporting inclusive development of MSMEs and improved access to markets for women and youth through three pillars: (a) improving the regulatory and institutional environment; (b) building the capacity of financial intermediaries; and (c) training and mentoring MSMEs. To achieve these goals, the facility supports local banks with design and product development that address cultural and traditional barriers limiting access to finance for women and youth. Key achievements in FY13:

- $9 million in IBRD grants for technical assistance and capacity building helped leverage:
  - $470 million in World Bank loans: $300 million to Egypt, $70 million to Jordan, $50 million to Tunisia, and $50 million to Morocco; and
  - $150 million in external funding from the Arab Fund for Economic and Social Development for Egypt and Jordan;
- $522 million of financing was disbursed to 471,046 MSMEs—35 percent of beneficiaries were located in previously marginalized areas and poor villages, 56 percent were women, and 60 percent were youth;
- 85,000 jobs, of which 30 percent were for women, were created in MENA countries as a result of capacity building of financial intermediaries;
- 11 financial institutions received advice on improved delivery of financial services;
- 110 enterprises received capacity-building training;
- 300 women entrepreneurs in poor rural areas received training in financial management, marketing, and product innovation;
- An interactive MSME website was created and was seen by 38,384 unique visitors; and
- 29 previously marginalized governorates in Egypt and 8 in Jordan (beyond Amman) have been transformed, with help from local NGOs, Apex institution in Egypt and the Social Fund for Development, to improve the quality of and access to services in poor villages and marginalized areas.

Eight previously marginalized governorates in Jordan and 29 in Egypt have been transformed to improve access and quality of services to poor villages and marginalized areas.

Promoting transparency and accountability in the governance of resources in Nigeria. In the 2008 Afrobarometer Survey in Nigeria—a public attitude survey on democracy, markets, and civil society—the vast majority of respondents gave low ratings to the performance of their local government in providing citizens with information about the budget and in allowing them to participate in its decisions; and only 3 percent of respondents thought that their elected local government officials are not involved in corruption.

Recognizing the mistrust and lack of information between citizens and public servants, in FY13 the World Bank provided almost $100,000 from the Civil Society Fund to support the Public and Private Development Centre, a Nigerian civil society organization, in increasing citizens' participation in public sector governance and improving accountability and transparency in the oil and gas sector. Key achievements in FY13 include the following:

- Enhanced procurement observation and reporting by procurement oversight networks via a mobile phone platform that monitors field activities and provides federal agencies with real-time data, including information on procurement bids;
- 28 organizations received capacity building in public procurement monitoring in the oil and gas sector;
- Partnership agreements with civil society groups were formalized to empower them to act as intermediaries between Bank operations, clients, and citizens to monitor sector activities and submit reports; and
- Online connectivity with field monitors was established as an information-sharing platform.

Leveraging school feeding to achieve education goals in Guyana. In Guyana's rural communities, food insecurity and low access to basic services impede children's participation in schools, limiting their development and employment opportunities. Funded by the Bank's $32.9 million Education for All-Fast Track Initiative (EFA-FTI) multi-donor trust fund for Guyana, the School Feeding Program (SFP) received a $12.7 million grant to achieve universal primary education for girls and boys by 2015, supporting the Government's Millennium Development Goals. The grant provided nutrition and technical assistance to schools in Guyana's underserved communities, and catalyzed future funding to ensure the sustainability of the results achieved. As


In Guyana, 16,625 children received nutritionally balanced meals at schools

part of a larger global education effort (the Global Partnership for Education, previously named Education for All Fast Track Initiative), Guyana's EFA-FTI Program benefited from a network of 50 developing countries, development funder governments, international organizations, the private sector, and civil society and NGOs. The European Union-funded Guyana Micro Projects assisted the SFP by building school kitchens at primary schools. The beneficiaries of the grant were primary school children, teachers, communities, and regional education officers in the hinterland areas. The project closed in FY13 with the following results:

- 16,625 children received nutritionally balanced meals at schools;
- 5,173 students enrolled in schools, an increase of 16 percent since the start of the program in 2007;
- Children benefitting from the SFP grew 0.8 centimeters more than children attending schools without the SFP;
- Test scores in English increased by about 30 percent among children receiving school feeding;
- Math, reading, science, and social studies scores of students receiving school feeding all increased up to 8.1 points compared to those of students who did not receive school feeding;
- Diet diversity and food frequency was enhanced in households with children receiving school feeding; and
- The purchasing power of households where children received school feeding was stabilized during food price shocks.

1.3 Financial Trends of Trust Funds

Overview

At $28.9 billion, the amount of WBG funds held in trust on June 30, 2013—the end of FY13—has decreased slightly from the level recorded a year earlier. FIFs continued to account for the largest share (63 percent), followed by IBRD/IDA trust funds (32 percent) and IFC trust funds (2 percent).

The number of active trust fund accounts in the WBG decreased in FY13, from 1,064 to 1,030, while the volume remained largely unchanged. This decrease reflects a continued decline in the number of IBRD/IDA trust funds (from 720 to 685). The number of IFC trust funds remained unchanged at 290, breaking the upward trend of the past five years. The number of FIFs remained almost unchanged at 55.[12]

The amount of funds held in trust in FIFs grew by 34 percent between FY09 and FY13 (see Figure 2): existing FIFs, such as the GEF, Climate Investment Funds, and the Global Partnership for Education Fund, expanded, and new FIFs—such as the MENA Transition Fund—were added in FY13. Beginning in FY11, funds held in trust in FIFs have leveled off at approximately $18 billion, reaching the highest mark of $18.3 billion at end-FY13.

Cash contributions to FIFs, at $7 billion in FY13, remained relatively unchanged from the previous year and were 50 percent higher than in FY09 (see Figure 3). Cash transfers from FIFs to third parties have almost doubled from FY09, reaching $5.8 billion[13] at end-FY13 (see Figure 4).

12. This number represents 20 FIF programs; Debt Relief Trust Fund, CGIAR, and Adaptation Fund comprise multiple accounts.
13. This excludes transfers to IBRD as implementing agency.

Figure 2: Funds Held in Trust, FY09-FY13[14] ($ billions)

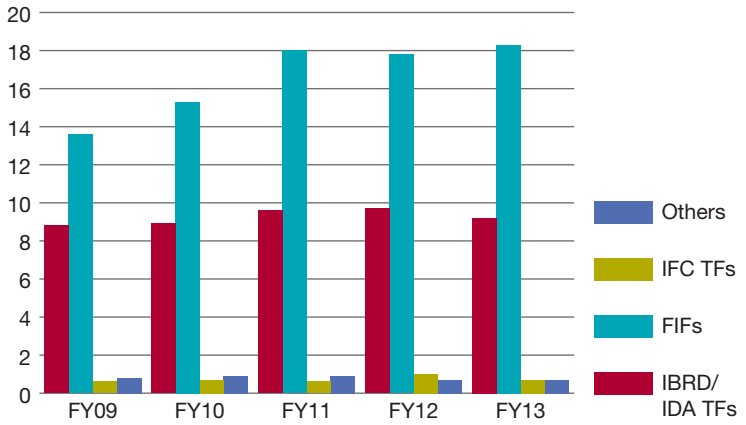


Figure 3: Cash Contributions to Trust Funds, FY09-FY13[15] ($ billions)

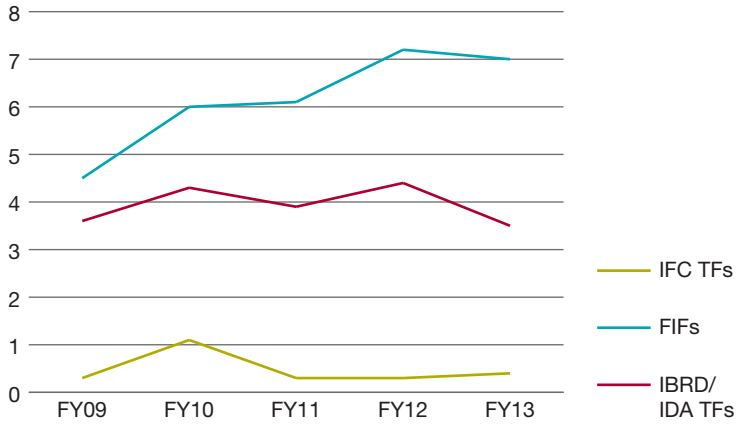
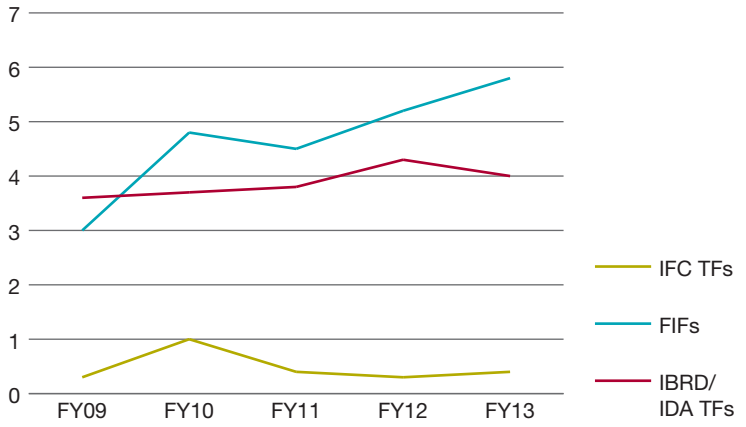


Figure 4: Disbursements and Cash Transfers from Trust Funds, FY09-FY13 ($ billions)



As Figure 2 shows, funds held in trust for IBRD/IDA trust funds leveled off at $9.2 billion on average for the past three years, with a slight drop of 5 percent from FY12. Cash contributions to IBRD/IDA trust funds dropped to $3.5 billion, the lowest mark in the past five years, decreasing significantly by 21 percent from $4.4 billion in FY12 (Figure 3). IBRD/IDA trust fund disbursements remained at $4 billion, with a marginal drop of 5 percent from FY12 and an increase of 12 percent since FY09 (Figure 4).

In terms of disbursements, the top three IBRD/IDA trust funds in FY13 were the Afghanistan Reconstruction Trust Fund ($793 million), Carbon Funds ($356 million) and the Global Partnership for Education Trust Fund ($332 million)[16]; together they accounted for 37 percent of IBRD/IDA trust fund disbursements.

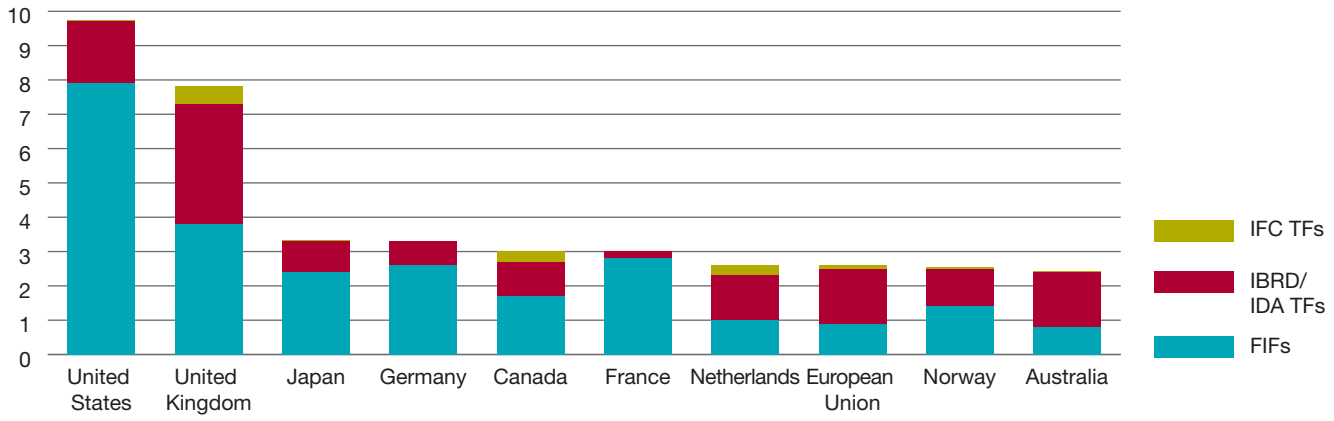
Funds held in trust for IFC trust funds amounted to $0.7 billion as of end-FY13, a 28 percent decrease since end-FY12 (Figure 2). This decrease is mainly due to the repayment of fund balances to development funders as part of the process of closing several large trust funds from the Global Trade Liquidity Program.

From FY09 through FY13, 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 development funder to the IBRD/IDA trust funds, followed by the United States, the European Union, Australia, and the Netherlands. Together, these five development funders accounted for almost half of the total cash contributions to IBRD/IDA trust funds since FY09. The United States remains the largest development funder to FIFs, both cumulatively over the five years and in FY13.

Sovereign development funders remain the major contributors to the WBG trust funds, accounting for 80 percent of total cash contributions received in FY13 for IBRD/IDA trust funds, 95 percent for FIFs, and 67 percent for IFC trust funds.

14. (1)Financial Intermediary Funds discussed in this section exclude Advance Market Commitment (AMC), which is a FIF but not a trust fund and is included in IBRD's financial statements; (2) "Others" include amounts held in escrow on behalf of International Centre for Settlement of Investment Disputes (ICSID), development funder balance accounts, balances on administration accounts and unapplied receipts.
15. Include cash receipts from the Adaptation Fund's Certified Emission Reductions (CERs) sales.
16. The Global Partnership for Education (GPE) includes GPETF (formerly EFA-FTI TF, an IBRD/IDA TF) and GPEF (a FIF). GPEF was established as a FIF in FY12 as part of the reform of the Education For All Fast Track Initiative (EFA-FTI).

Figure 5: Cumulative Cash Contributions by Top Ten Development Funders,[17] FY09–FY13 ($ billions)



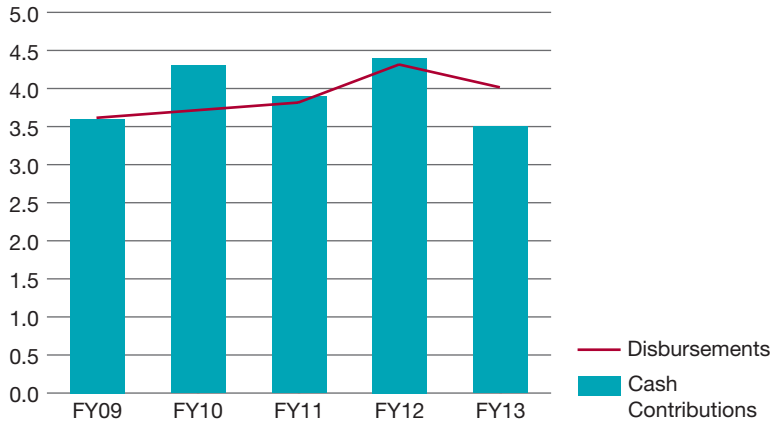
IBRD/IDA Trust Funds

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). 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 rise in FY12, cash contributions to IBRD/IDA trust funds dropped to $3.5 billion in FY13, the lowest level in the past five years (see Figure 6). The value of contributions under new agreements signed with development funders decreased by 21 percent over the past year, reaching $3.5 billion for FY13. This drop was primarily due to the decline in contributions for the ARTF from $1.7 billion in FY12 to $421 million in FY13. In FY13 the top three trust-funded programs, by received contributions, were Ethiopia Protection of Basic Services Program ($755 million), ARTF ($421 million), and the Palestinian Recovery and Development Plan Fund ($188 million).

The IBRD/IDA trust fund portfolio includes MIGA trust funds. Funds held in trust in the MIGA portfolio remained practically unchanged in the past five years, amounting to $48 million at end-FY13, or 0.5 percent of the total amount of funds held in trust in the IBRD/IDA trust funds. In FY13, MIGA launched an $80 million Facility for Conflict-affected and Fragile Economies.

Figure 6: IBRD/IDA Trust Funds: Annual Cash Contributions and Disbursements, FY09–FY13 ($ billions)



In the past five years the United Kingdom was the largest contributor to IBRD/IDA trust funds ($3.5 billion), followed by the United States ($1.8 billion) and the European Union ($1.6 billion). In FY13 alone, the United Kingdom contributed over $730 million to IBRD/IDA trust funds. Other top contributors in FY13 were Norway ($335 million) and Australia ($307 million). While the United States remains the second largest contributor to the IBRD/IDA trust funds, its cash contributions in FY13 decreased sharply to $67 million from $828 million in FY12 (see Figure 7).

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

Figure 7: Cumulative Cash Contributions by Top Ten IBRD/IDA TF Development Funders, FY09–FY13 ($ billions)

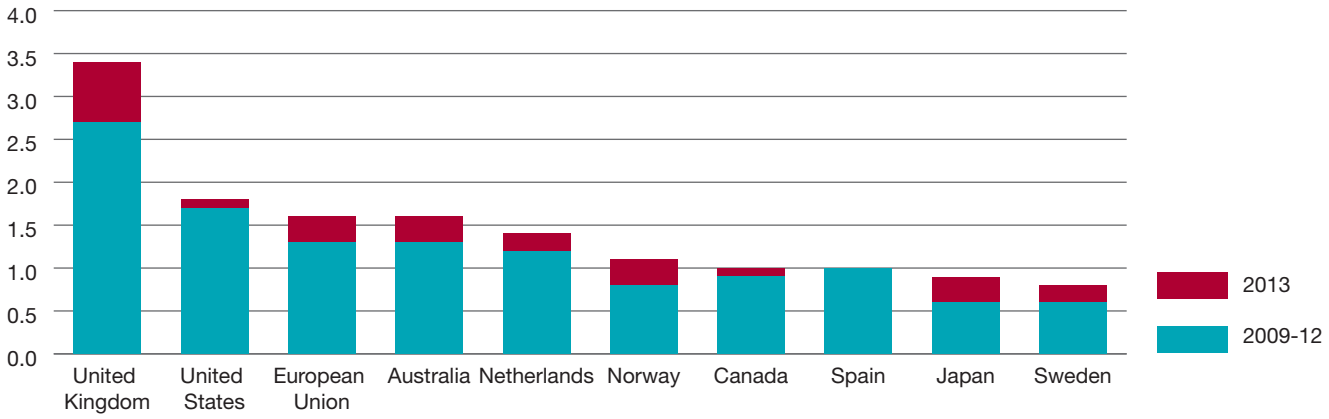


Figure 8: Multi-donor and Single-Donor IBRD/IDA Trust Funds, FY09–FY13 (percent)

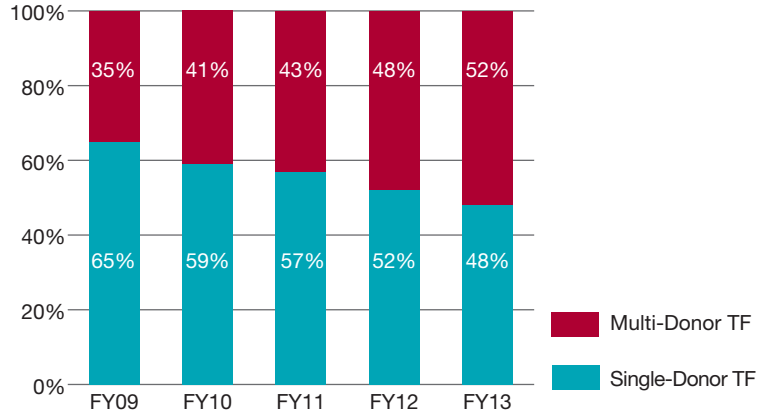
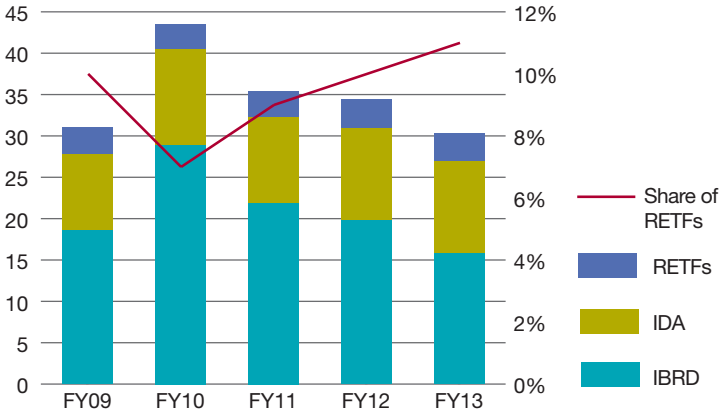


Figure 9: Disbursements from IBRD, IDA, and RETFs, FY09–FY13 ($ billions)



As part of ongoing consolidation efforts, the number of IBRD/IDA trust funds continued to decline, from a peak of 780 at end-FY10 to the five-year low of 685 at end-FY13. In addition, the share of multi-donor trust funds increased further to 52 percent, the highest in five years, from 48 percent in FY12 and 35 percent in FY09 (see Figure 8). In FY13, 68 new IBRD/IDA trust funds were established and 103 existing funds were closed. Of the new funds, the largest were the Ethiopia Promoting Basic Services Program Phase III, the Korea World Bank Group Partnership Facility, the State and Governance Reform Project, the Single-Donor Trust Fund for the Energy Efficiency and Youth Corps Program, the Colombia Mainstreaming Sustainable Cattle Ranching Additional Financing Project, and the Malawi Agricultural Sectorwide Approach Support Project Multi-donor Trust Fund.

RECIPIENT-EXECUTED TRUST FUNDS

RETFs provide project financing for third-party recipients, whose projects are prepared and supervised by the Bank.[18] In FY13, RETF disbursements accounted for 11 percent of the World Bank's total project financing (see Figure 9), up from 10 percent in FY12. The gain in share reflected primarily a decline in IBRD disbursements, which peaked in FY10 in the context of the global financial crisis. During FY13, RETF disbursements decreased by 6 percent to $3.3 billion from $3.6 billion in FY12. Most of this decrease was linked to lower disbursements from the Global Partnership for Education

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

Trust Fund (GPETF)[19] and Disaster Recovery and Social Protection in Pakistan—decreases of 28 percent and 100 percent, respectively.

RETFs are an important source of financing for investments and technical assistance in FCS (see Figure 10). RETF disbursements to FCS have bounced back after a drop in FY12, increasing from $1.3 billion in FY12 to $1.4 billion in FY13 and accounting for 42 percent of total RETF disbursements during FY13, 7 percent more than in FY12. In FY13 Afghanistan accounted for 56 percent of total disbursements to FCS, followed by the West Bank and Gaza with 17 percent. About 47 percent of RETF disbursements are concentrated in five areas: Afghanistan, Ethiopia, West Bank and Gaza, Bangladesh, and Indonesia.

Some two-thirds of RETF disbursements in FY13 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, Africa continued to be the largest beneficiary of RETFs in FY13, followed by South Asia, East Asia and Pacific, and the Middle East and North Africa (see Figure 11).

In FY13, RETFs provided financing primarily for three economic sectors: (a) public administration, law, and justice, which include the Bank's work on governance and anticorruption; (b) education; and (c) health and social services (see Figure 12).

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 (analytic and advisory work). In FY13, BETF disbursements continued to increase, albeit at a slower pace, reaching $669 million, or 23 percent of total Bank administrative expenditures,[20] the highest in the past five years. On average, 47 percent of total BETF disbursements in FY09–FY13, and 52 percent in FY13, were used to fund knowledge-related activities. The share of BETF disbursements used to fund project preparation and supervision was stable over the past five years at around 15 percent.

Figure 10: RETF Disbursements in Fragile and Conflict-Affected States, FY09–FY13 ($ billions)

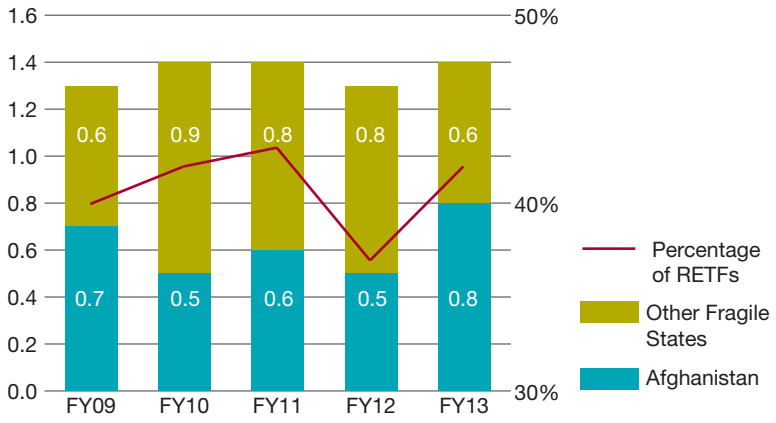


Figure 11: Regional Shares of RETF Disbursements, FY13

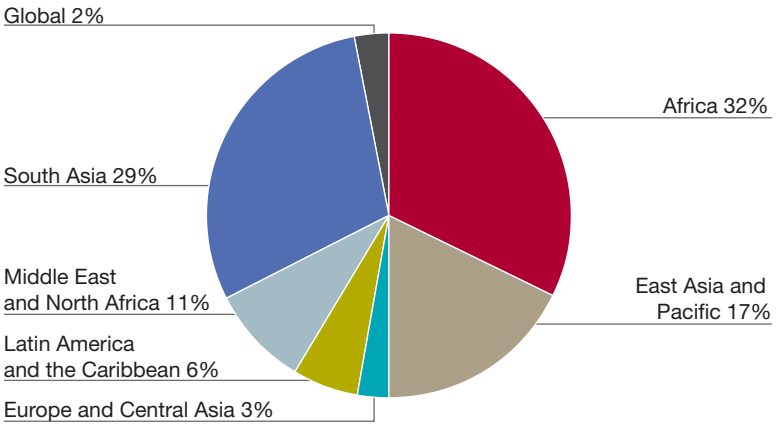
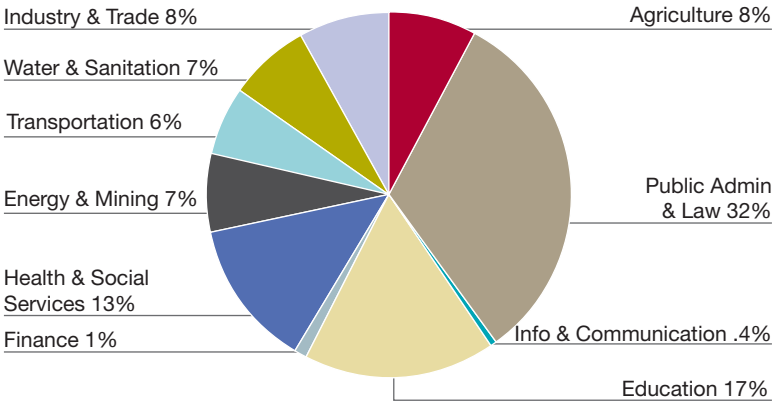


Figure 12: Sectoral Allocation of RETF Disbursements, FY13



19. As part of the reform of the Education For All Fast Track Initiative (EFA-FTI), this program was renamed the Global Partnership for Education (GPE), and the EFA-FTI TF (an IBRD/IDA TF) was renamed the Global Partnership for Education Trust Fund (GPETF) in FY12. Global Partnership for Education Fund (GPEF) was established as a FIF in December 2011 to channel most new funding for GPE.

20. 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.

Figure 13: Share of BETF Disbursements by Main Activity, FY09–FY13 (percent)

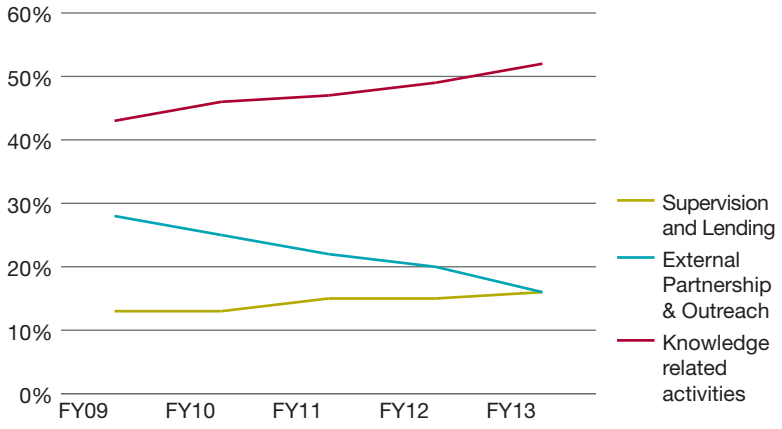
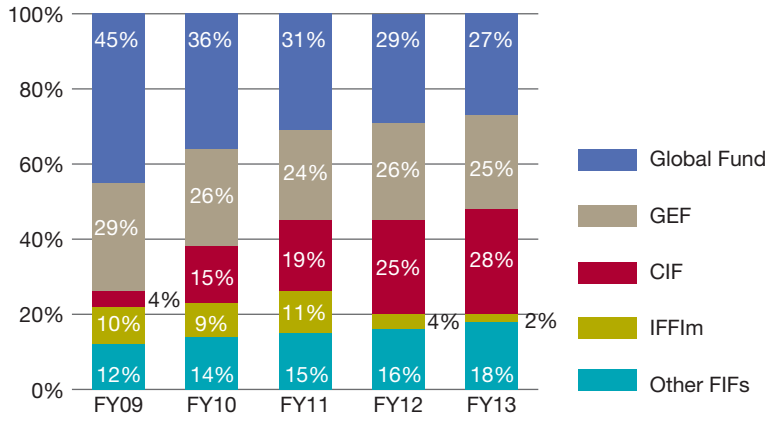


Figure 14: FIF Funds Held in Trust, by Fund (percent)



These BETFs serve mainly to fund the preparation and supervision of RETF-funded projects, and their growth over the past five years has broadly followed the increase in RETF disbursements. At the same time, the share of BETFs coded to the more general category of external partnerships, outreach, and resource mobilization has been gradually declining, reaching its five-year low of 16 percent in FY13, down from 20 percent in FY12, and 28 percent in FY09 (see Figure 13).

Knowledge activities funded by BETFs involve mostly knowledge for clients, such as nonlending technical assistance (TA), economic and sector work, training, and impact evaluation. Just as the Bank's budget for nonlending TA has grown in response to increased client demand, nonlending TA has been the main driver of growth in BETFs in FY09–FY13. About 65 percent of nonlending TA is delivered to country clients; the remainder consists of global and regional products. Nonlending TA to IDA countries has been the fastest growing component, with funding rising sharply from $19 million in FY09 to almost $58 million in FY13. The bulk of this funding benefits Somalia ($5.6 million), Nigeria ($4.6 million) and Bangladesh ($4.1 million).

Financial Intermediary Funds

The Bank may play different roles in FIFs. The main role is that of a financial trustee providing financial management services such as receiving, holding, and transferring funds to multiple implementing entities and recipients. The Bank does not always play a role in implementing FIF-supported partnerships; when it does, it may be one of multiple agencies and implementers.

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 in FIFs[21] in FY13 amounted to $18.6 billion. Approximately 80 percent of this amount was held for the Climate Investment Fund (CIF), the Global Fund, and the GEF (see Figure 14).

Two new FIFs were established in FY13: the MENA Transition Fund to support country-led reforms in MENA, and the AgResults Initiative to help smallholder farmers improve food security and promote climate-smart agriculture.

More than half of FY09–FY13 cash contributions to FIFs were allocated to the health sector (see Figure 15). The Global Fund, the largest fund in this sector, received $15 billion in the last five years. The environment and climate change sector grew from 18 percent in FY09 to 25 percent in FY13. Other sectors—agriculture and food security, and education—have also expanded in the past five years. Overall, cash contributions to FIFs[22] reached $7.2 billion in FY13, up 49 percent from FY09. The growth between FY09 and FY13 was driven primarily by cash contributions to the Global Fund, the GEF, the Consultative Group on International Agricultural Research Fund, the GPEF, and the Global Agriculture and Food Security Program.

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

FIFs tend to have a flexible design, they often involve innovative arrangements, and their structures are customized, depending on the needs of the partnership and agreement with the Bank. FIFs may use innovative approaches to fund-raising and deployment of funds. For example, the International Finance Facility for Immunisation (IFFIm) is the first development funder supported initiative that uses long-term development funder contributions to support front-loaded financing for vaccination and immunization by raising funds in the capital markets. In FY13, the IFFIm (through the Bank as the Treasury Manager) issued $878 million in bonds to fund programs of GAVI (Global Alliance for Vaccines and Immunization). IFFIm's total outstanding bond obligations as of end-FY13 amounted to $2.4 billion. Another example is the Clean Technology Fund (CTF), the first WBG trust fund to accept development funder contributions in the form of concessional loans. As of end-FY13, total development funder loan contributions to CTF amounted to $1.1 billion, which represents nearly one-third of total contributions to the CTF trust fund. The Advance Market Commitment for pneumococcal vaccines (AMC)—a "pull mechanism" designed to provide incentives to pharmaceutical companies to produce vaccines adapted to the needs of developing countries' populations—uses IBRD's balance sheet to provide assurance of development partner funding to vaccine manufacturers.

In FY13, total cash transfers from FIFs to implementing and supervising entities, trustees, and FIF secretariats amounted to $6.7 billion,[23] close to double the $3.4 billion transferred in FY09 (see Figure 16). The largest share of transfers in FY13 was from the Global Fund ($3.9 billion, or 58 percent of the total FIF cash transfers), followed by the GEF ($827 million, or 12 percent), CGIAR ($584 million, or 9 percent), and the CIF ($389 million, or 6 percent).

Figure 15: FIF Cash Contributions, by Sectors/Themes ($ billions)

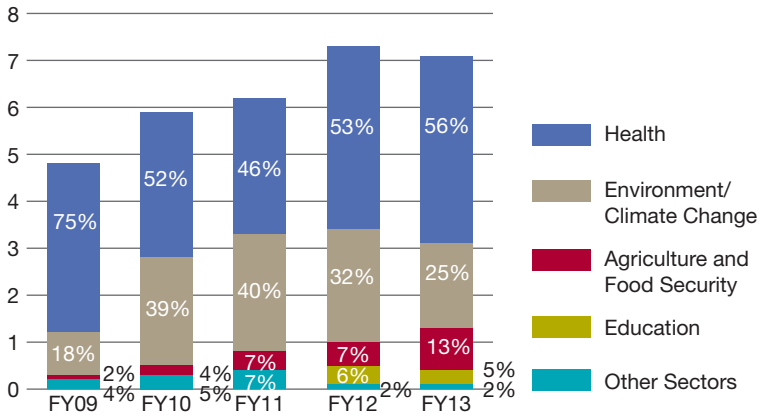
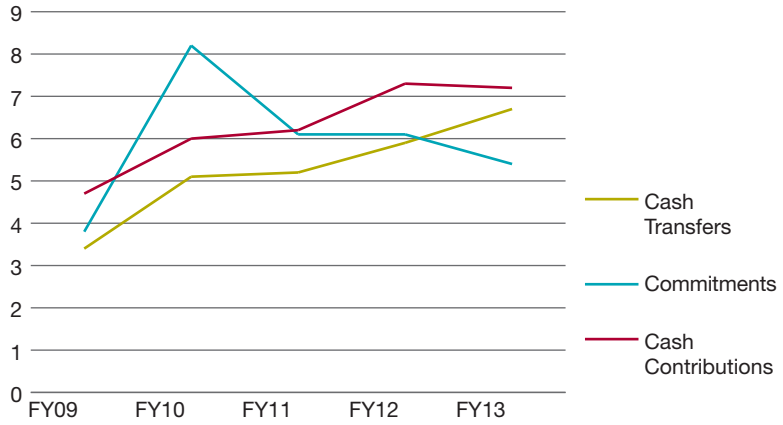


Figure 16: Cash Contributions, Commitments, and Cash Transfers from FIFs, FY09–FY13($ billions)



As of end-FY13, the United States remained the largest contributor to financial intermediary funds, with five-year cumulative cash contributions of $7.9 billion, followed by the United Kingdom ($3.9 billion), France ($2.8 billion), Germany ($2.6 billion), and Japan ($2.4 billion) (see Figure 17).

23. FIF cash transfers include transfers from FIFs to (i) the World Bank as implementing entity and (ii) the WBG for administrative expenses as implementing entity and trustee, and for the 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 17: Top 10 Development Funders' Cumulative Cash Contributions to FIFs, FY09–FY13 ($ billions)

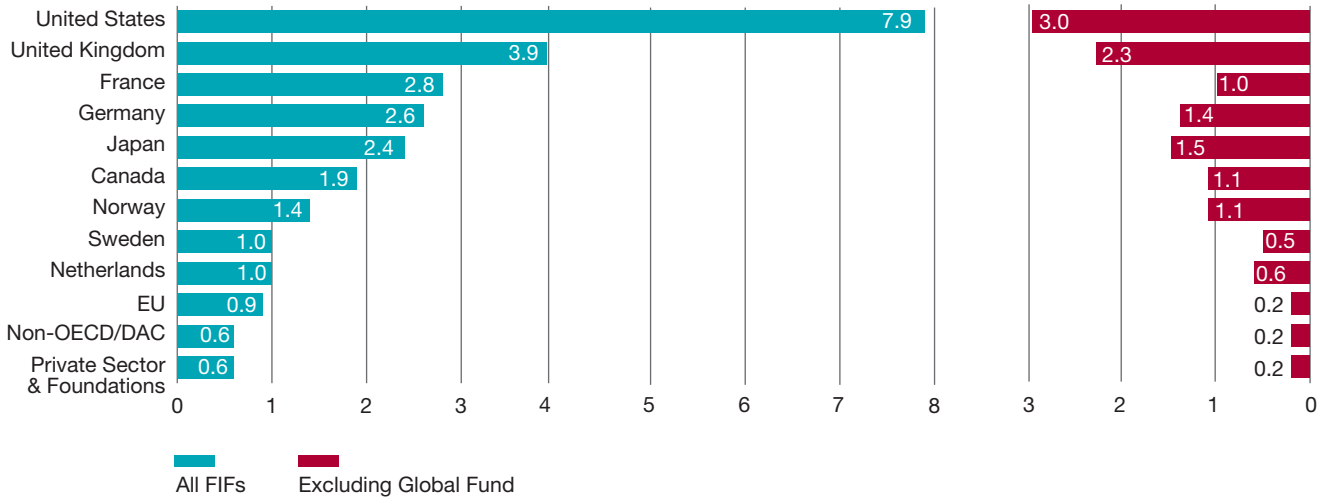


Table 1: IFC Advisory Services Project Expenditures and Share in IDA Countries

Category	FY09	FY10	FY11	FY12	FY13
Project expenditures ($ millions)	158	167	182	197	232
Share of Advisory Services project expenditures in IDA countries (percent)[a]	52%	62%	64%	65%	65%

Source: IFC.
a Excludes global projects.

IFC Trust Funds

The IFC offers Advisory Services to businesses and governments in 105 countries through more than 660 active projects. Funding comes from development funder partners, the IFC, and clients. IFC trust funds are the main instrument for financing Advisory Services; in FY13, 90 percent of IFC Advisory Services expenditures were made via trust funds. IFC Advisory Services program expenditures have grown by 47 percent in the past five years and by 18 percent in FY13, to $232 million, with 65 percent concentrated in IDA countries and 18 percent in FCS (see Table 1).

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

IFC helps increase the availability and affordability of financial services for individuals and for MSMEs. It helps provide broad-based financial services to financial clients and build the financial infrastructure necessary for sustainable growth and employment. At end-FY13, the A2F portfolio consisted of 263 projects in 72 countries and had a total value of $343 million. Advisory program expenditures for A2F amounted to $63 million, of which 61 percent were in IDA countries and 13 percent in FCS. About 21 percent of disbursements for A2F activities in FY13 supported microfinance products.

IFC's investment climate activities help governments implement reforms that improve the business environment and encourage and retain investment, thereby fostering competitive markets, economic growth, and job creation. IFC also helps resolve legal and policy weaknesses that inhibit investment. At end-FY13, IFC's investment climate portfolio consisted of 143 projects in 65 countries, and had a total value of $289 million. Advisory program expenditures for investment climate activities amounted to $75 million, of which 76 percent were in IDA countries and 29 percent in FCS. About 26 percent of disbursements for these activities in FY13 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-FY13, the PPP portfolio consisted of 103 projects in 53 countries and had a total value of $126 million. Advisory program expenditures for PPPs amounted to $40 million, of which 59 percent were in IDA countries and 15 percent in FCS. About 82 percent, or $32 million, of disbursements for PPP activities in FY13 were made to Advisory Mandate products, which include expanding access to public services such as power, water and sanitation, transport, health, and education services.

IFC works with clients to promote sound environmental, social, governance, and industry standards; catalyze investment in clean energy and resource efficiency; and support sustainable supply chains and community investment. Working in such sectors as agribusiness and forestry; manufacturing and services; infrastructure; oil, gas, and mining; and financial markets, IFC helps advance women in business, strengthens small-scale farms and agribusinesses, and engages the private sector in climate-change solutions. At end-FY13, the IFC sustainable-business portfolio consisted of 157 projects in 58 countries with a total value of $280 million. IFC advisory program expenditures in this area totaled $55 million, of which 59 percent were in IDA countries and 10 percent in FCS. More than a quarter of these disbursements went toward training for farmers and SMEs.

In FY13, the overall volume of IFC disbursements for advisory services reached a five-year high of $338 million—an increase of $72 million (nearly one-third) since FY09 and an increase of $50 million (17 percent) since FY12 (see Figure 18). About 80 percent of the FY13 increase was due to spending on various programs in Sub-Saharan Africa and A2F programs.

In the past five years, in aggregate, the United Kingdom was the largest contributor to IFC Advisory Services trust funds (15 percent of total signed contributions), followed by Switzerland (14 percent) and the Netherlands (13 percent) (see Figure 19). As in FY12, Switzerland remained the top development funder in FY13, contributing 25 percent of the signed contributions for the year, followed by Canada (19 percent), the United Kingdom (14 percent), Australia (9 percent), and the Netherlands (9 percent). In FY13, five development funders made record high multiyear commitments to IFC Advisory Services trust funds: Australia, Canada, Switzerland, Luxembourg, and New Zealand.

Figure 18: IFC Trust Funds — Advisory Services, FY09-FY13 ($ millions)

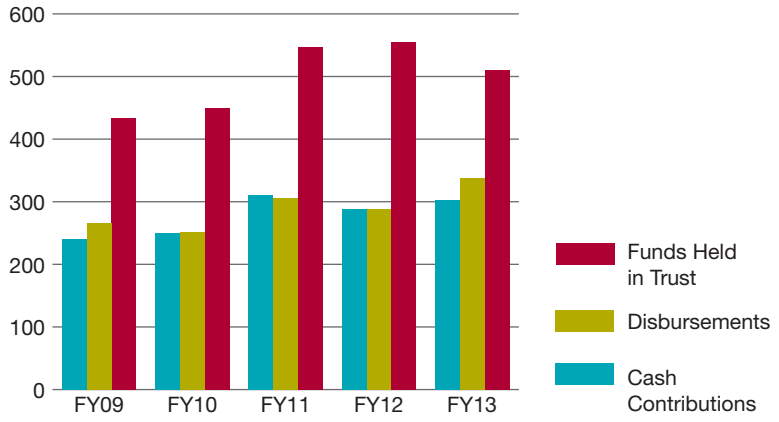
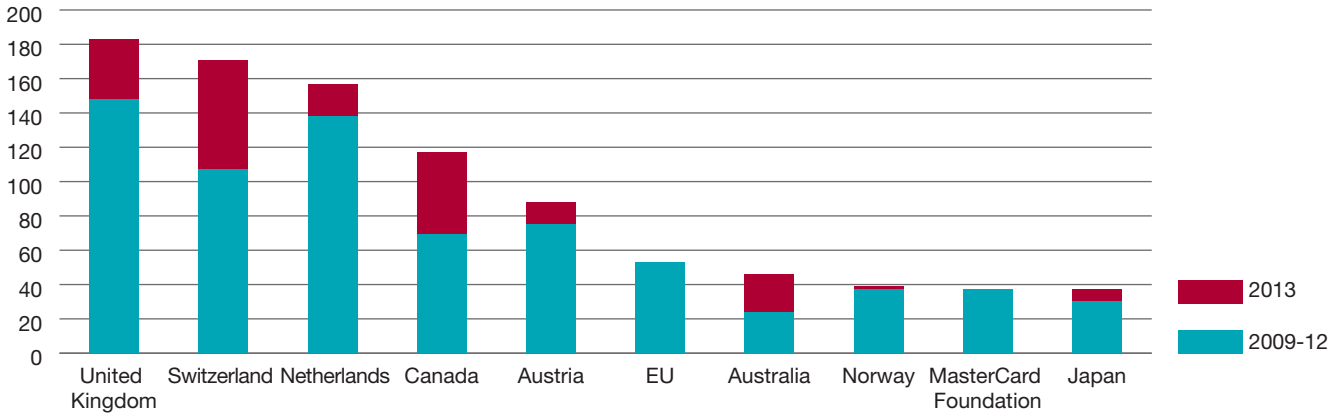


Figure 19: Top 10 Development Funders' Contributions to IFC Advisory Services Trust Funds, FY09-FY13 ($ millions)



In addition to partnering with sovereign development funders, IFC has strengthened its partner base through cooperation with 14 nongovernmental partners—multilateral institutions, foundations, corporates, and a nonprofit entity—that committed $14 million to various IFC advisory programs in FY13. As a result of IFC's innovative approach to partnership-building, SABMiller, Coca Cola, Nestlé, and PepsiCo foundation have joined IFC as contributors to the 2030-Water Resource Group, a consortium of public and private sector and civil society entities helping countries address the challenge of water security. In addition, the Blue Moon Fund and Marie Stopes International joined IFC's community of development partners in FY13, providing financial support to IFC Advisory Services.

In FY13, several strategic partnerships were launched or extended and strengthened by IFC in cooperation with the global development funder community to maximize development impact through blending flexible financing, leadership and knowledge sharing. The Canada-IFC Partnership Fund was created to address pressing development issues in the extractive and financial sectors, and to promote gender equality worldwide. The Luxembourg-IFC and Ireland-IFC Partnerships have continued to promote sustainable business and corporate governance, build robust investment climate, and support conflict-affected states in Africa. The Netherlands-IFC Partnership was extended to enhance the collaboration on sustainable business, investment climate, access to finance, public-private partnerships, and conflict situations. The Pacific Partnership with Australia and New Zealand was established to help drive regional private sector development. The partnership with Japan has been deepened to support private sector development activities in Asia and Sub-Saharan Africa.

MIGA Trust Funds

MIGA was created as part of the World Bank Group to promote foreign direct investment in developing countries to help support economic growth, reduce poverty, and improve people's lives. MIGA provides political risk insurance to private sector investors and lenders.

In recent years, MIGA has been actively exploring partnerships with trust fund development funders to leverage its limited resources and to gain flexibility in developing innovative insurance products. In partnering with development funders to establish specialized guarantee trust funds, MIGA (a) works with external partners to develop new products aimed at addressing the evolving needs of the private sector, including emerging market investors; (b) mobilizes guarantee capacity in FCS, where it could not otherwise operate, and (c) underwrites certain highly developmental projects that it could not otherwise support because of restrictions in the MIGA Convention.

As of end-FY13, MIGA's portfolio consisted of four active trust funds, with total contributions of $48 million. Three of the trust funds—about 97 percent of the funds—are being used to provide guarantees and assist with attracting private investment flows for the reconstruction and economic development of three FCS: Afghanistan, Bosnia and Herzegovina, and West Bank and Gaza. The fourth trust fund is for technical advice to improve the social and environmental performance of MIGA's projects in Africa. These trust funds are included in the IBRD/IDA trust fund portfolio.

1.4 Financial and Risk Management of Trust Funds, Controls, and Information Technology Systems

As trustee, the World Bank Group uses strong fiduciary standards and sound financial and risk management to ensure the prudent management of development partner funds. The Bank is responsible for investing the development partner funds in the capital markets and for ensuring that they are available for disbursement when required. For IBRD/IDA and IFC trust funds—for which the WBG has an operational role—the Bank also provides assurance that development partner funds are used for agreed purposes.

Financial Risk Management and Control Frameworks

The WBG exercises comprehensive risk management of the financial risks for trust funds—including basis of commitment, liquidity, investment, counterparty exposure, development partner funding, and currency risk. Bank staff monitor, manage, and regularly report on financial risks to the Board and senior management. The Bank has robust policies and procedures in place to mitigate these risks. It monitors each fund's liquidity levels to ensure that a fund disburses to the extent it has sufficient liquid assets. To manage counterparty risk, the Bank conducts active eligibility review and approval of counterparties with sound credit ratings. For currency risk, the WBG has developed good practices for addressing future commitments with respect to currency fluctuations: it supports practices such as matching the contribution currency with the holding currency of the fund. In addition, to protect against the risk of over-commitment due to currency volatility, commitments are limited to a percentage of future receivables for those trust funds where there is currency risk. For some FIFs, specific reserves and other methods including foreign currency hedging are used. WBG has no obligation to hedge trust fund currency risk unless otherwise contractually agreed. The Bank is developing additional risk management tools to identify and address partnership programs.

In addition, the WBG has established a comprehensive internal control framework for trust funds to ensure that development partner funds are available for development purposes. This fiduciary assurance framework is based on a robust governance structure, comprehensive policies and procedures, and ongoing oversight and monitoring mechanisms to ensure compliance throughout the lifecycle of a fund's operations. Using a risk-based approach that focuses on a fund's financial, procurement, and disbursement management, the Bank evaluates each fund operation at inception and throughout implementation to determine the extent of supervision and mitigation required. In addition to supervision, trust funds undergo independent evaluation and audits. Trust funds that are reported using the modified cash basis of accounting are typically included in the annual Single Audit Report. In addition, audited financial statements are prepared separately for a few large FIFs. Furthermore, most recipient and project implementing entities are subject to project level audits on an annual basis to review financial viability.

Investment Management

From the time development funder contributions are received until those funds are disbursed for project activities, the WBG invests these resources conservatively in the international capital markets. Trust fund assets are commingled in a common pool, but maintained separately from Bank assets. To ensure that funds are available for disbursement when needed, capital preservation is the primary investment objective for the trust fund liquidity portfolio. In addition, the Bank aims to maximize investment income subject to a conservative risk tolerance over the investment horizon. As of end-FY13, the total amount invested for trust funds stood at over US$25 billion,[24] down by 1 percent from FY12. The average rate of return on trust fund resources, which are primarily invested in the fixed-income markets, was 0.39 percent for the year, reflecting the low

24. Excludes Advance Market Commitments (AMC).

market yield environment.[25] The average annual rate of return for trust fund liquidity over the last three years was 0.88 percent, and 1.88 percent over the last five years, with the largest concentration of the investment portfolio in sovereign bonds (see Statistical Annex, Figure 35). The portfolio—which is primarily denominated in US dollars—continues to outperform its benchmark, with the USD portion exceeding the benchmark by 32 basis points for the year. The portfolio also has a smaller EUR portion, which was in line with the benchmark for the year.

Information Technology Systems

In FY13, the World Bank continued to focus on enhancing the quality of its information technology systems to strengthen controls and better serve the needs of trust funds and their development funders, recipients, and other partners. Initiatives included (a) further streamlining grant funding requests and new BETFs to achieve more integration with the Bank's operations; (b) integrating trust fund data into the World Bank's data warehouse for improved data reporting and analytical capabilities; (c) creating a new partnership program data management and directory tool; (d) automating the commitment authority monitoring reports in the new Liquidity and Risk Management Dashboard for trust funds; and (e) implementing the FIF IT Systems Project to support trustee financial operations as well as FIF program operations and related workflow between the trustee, secretariats, and implementing agencies. Furthermore, initial work on selecting a vendor for a new shareholder recordkeeping system for investment portfolio management is complete. This system will serve as a platform for all trust fund investment accounting information, improving client reporting and existing business processes.

Access to Information

An essential part of the Bank's risk management and controls is transparency of trust fund activities and financial information. The Bank maintains a policy of open access to information and supports four web-based applications that are available to development funders and other partners:

- *The Donor Center (http://clientconnection.worldbank.org)* provides development funders (not the public) with detailed financial data on their IBRD/IDA trust fund portfolio, in a secure, access-controlled environment.
- AidFlows *(www.aidflows.org)*, a publicly available website, provides a unique view of country-by-country data on the sources and uses of development-related funding around the world. For WBG entities and trust funds, AidFlows provides visualizations, by individual country, of commitments, disbursements, balances of undisbursed committed amounts, and sector breakdowns. For trust funds, there are project counts by country, and for trust fund commitments and disbursements, there is program-level detail and breakdowns by grant type.
- *World Bank Finances (https://finances.worldbank.org)*, a publicly available website and part of the World Bank's Open Data Initiative, provides data related to IBRD loans, IDA credits and grants, IBRD/IDA/IFC trust funds and FIFs, the World Bank's operational summary, and financial statements.
- For FIFs, a dedicated public website *(http://fiftrustee.worldbank.org)* provides financial information and trend analysis, scheduled reports, financial statements, governance documents, and links to other useful resources.

25. The rate of return for individual trust funds varies according to their participation in the different asset classes, depending on each trust fund's investment horizon and risk tolerance.

Section 2.

Statistical Annex, Fiscal Year 2013

2.1. Statistics on the WBG-administered Trust Fund Portfolio

Table 2: Key Statistics by Trust Fund Type, FY09-FY13 ($ billions)

Number of Active Main TFs	FY09	FY10	FY11	FY12	FY13
IBRD/IDA TFs	761	780	748	720	685
including MIGA	*4*	*4*	*4*	*4*	*4*
Financial Intermediary Funds	50	48	51	54	55
IFC TFs	233	247	273	290	290
Grand Total	1,044	1,075	1,072	1,064	1,030

Funds Held in Trust* (US$ billion)	FY09	FY10	FY11	FY12	FY13
IBRD/IDA TFs	8.8	8.9	9.6	9.7	9.2
including MIGA	*0.05*	*0.05*	*0.05*	*0.05*	*0.05*
Financial Intermediary Funds	13.6	15.3	18.0	17.8	18.3
IFC TFs	0.6	0.7	0.6	1.0	0.7
Others	0.8	0.9	0.9	0.7	0.7
Grand Total	23.8	25.8	29.1	29.2	28.9

Cash Contributions (US$ billion)	FY09	FY10	FY11	FY12	FY13
IBRD/IDA TFs	3.6	4.3	3.9	4.4	3.5
including MIGA	*0.003*	*0.001*	-	*0.003*	-
Financial Intermediary Funds	4.5	6.0	6.1	7.2	7.0
IFC TFs	0.3	1.1	0.3	0.3	0.4
Grand Total	8.5	11.4	10.3	11.9	10.8

Disbursements and Transfers (US$ billion)	FY09	FY10	FY11	FY12	FY13
IBRD/IDA TFs	3.6	3.7	3.8	4.3	4.0
BETF**	0.4	0.5	0.6	0.6	0.7
RETF	3.2	3.1	3.2	3.6	3.3
including MIGA	*0.0002*	*0.0003*	*0.0001*	*0.0001*	*0.0001*
Financial Intermediary Funds	3.0	4.8	4.5	5.2	5.8
IFC TFs	0.3	1.0	0.4	0.3	0.4
Grand Total	6.9	9.5	8.8	9.7	10.2

* Refers to the total balance of "cash and investments" and "promissory notes receivable" as of end-FY13; "Others" category includes amounts held in escrow on behalf of ICSID, donor balance accounts, balances on administration accounts, and unapplied receipts.
** Represents a subset of BETF disbursements; excludes grants managed by IFC and some reimbursable funds.

Table 3: RETF Disbursements by Country Eligibility, FY09–FY13 ($ millions)

Country Eligibility Category	FY09	FY10	FY11	FY12	FY13
IDA	1,901	1,774	1,808	2,080	2,016
Blend	69	153	155	214	167
IBRD	708	680	728	749	702
Other*	486	518	462	528	455
Total	3,164	3,126	3,152	3,571	3,340

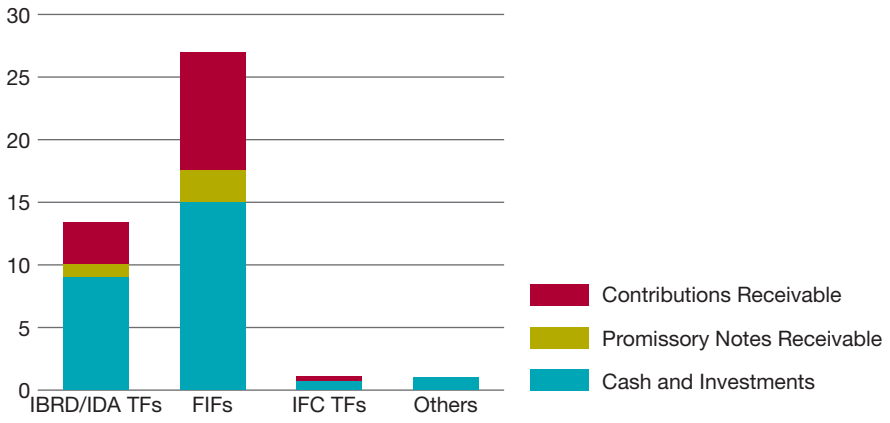
* Includes transfers from IBRD/IDA trust funds to IFC and other organizations.

Table 4: BETF *Disbursements by Country Eligibility, FY09–FY13 ($ millions)

Country Eligibility Category	FY09	FY10	FY11	FY12	FY13
IDA	90	107	121	137	160
Blend	20	34	37	43	49
IBRD	75	83	90	102	98
Other	255	306	340	357	359
Total	440	530	588	638	666

* Represents a subset of BETF disbursements and excludes grants managed by IFC and some reimbursable funds. The "Other" category includes transfers from IBRD/IDA trust funds to IFC and other organizations.

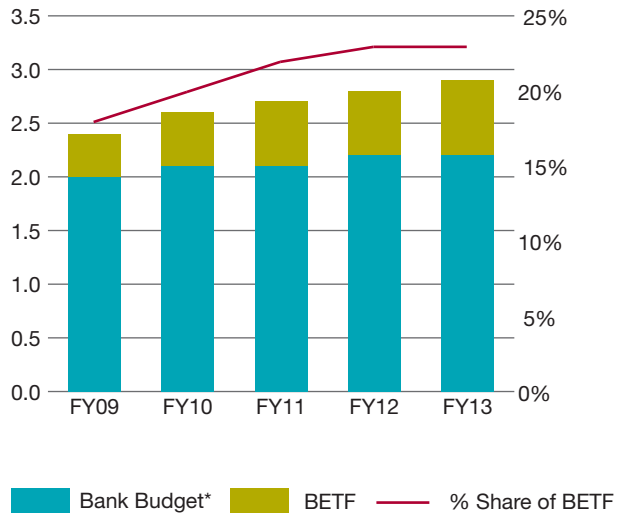
Figure 20: Cash and Investments, Promissory Notes Receivables, and Contributions Receivables, as of end-FY13 ($ billions)



Note: Excludes AMC, which is a FIF but not a trust fund and is included in the IBRD's financial statements. The "Others" category includes amounts held in escrow on behalf of ICSID, donor balance accounts, balances on administration accounts, and unapplied receipts.

2.2 IBRD/IDA Trust Funds: Tables and Graphs

Figure 21: World Bank Administrative Expenditures, FY09-FY13 ($ billions)



NOTE: Bank budget includes net administrative spending and reimbursables.

Figure 22: Africa Region Annual Project Disbursements from IBRD, IDA, and RETFs, FY09-FY13 ($ billions)

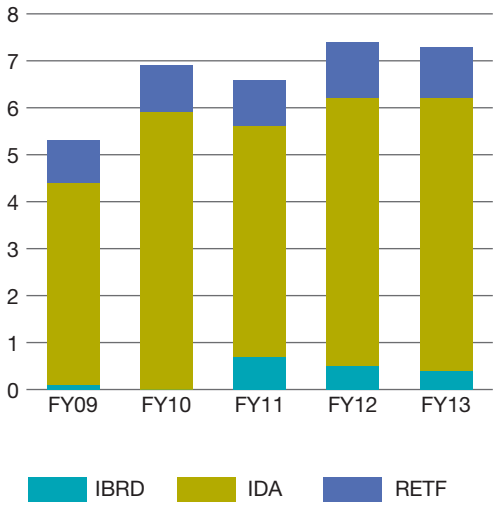


Figure 23: East Asia and Pacific Region Annual Project Disbursements from IBRD, IDA, and RETFs, FY09-FY13 ($ billions)

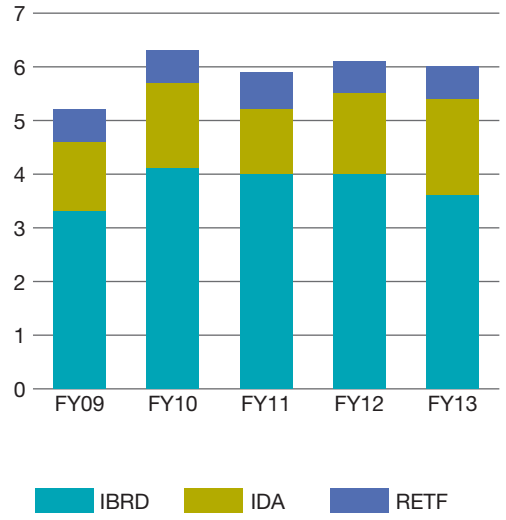


Figure 24: Europe and Central Asia Region Annual Project Disbursements from IBRD, IDA, and RETFs, FY09-FY13 ($ billions)

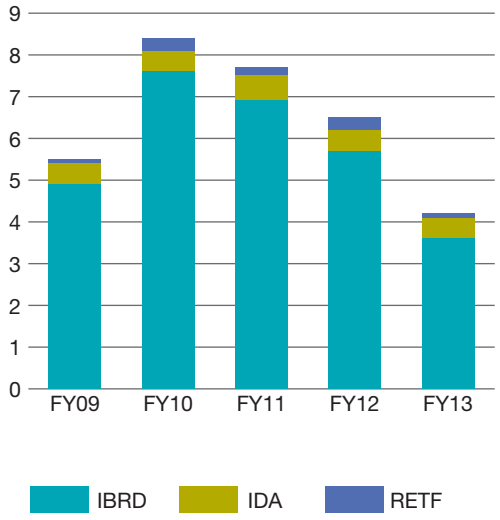


Figure 25: Latin American and Caribbean Region Annual Project Disbursements from IBRD, IDA, and RETFs, FY09-FY13 ($ billions)

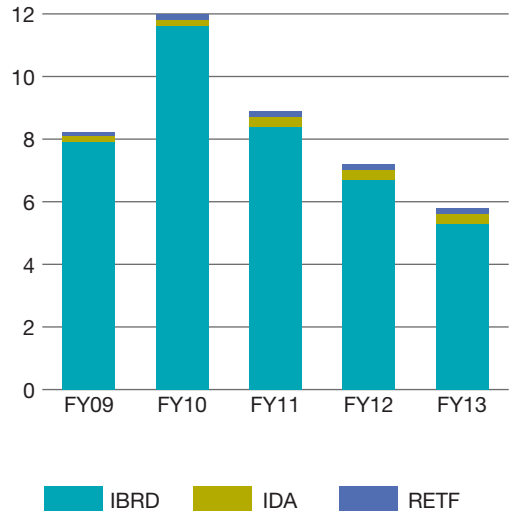


Figure 26: Middle East and North Africa Region Annual Project Disbursements from IBRD, IDA, and RETFs, FY09-FY13 ($ billions)

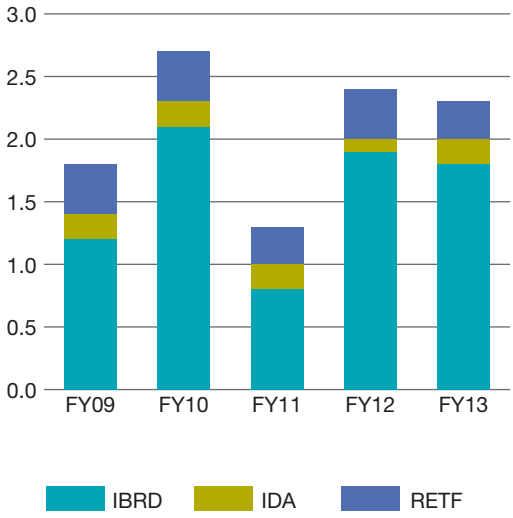


Figure 27: South Asia Region Annual Project Disbursements from IBRD, IDA, and RETFs, FY09-FY13 ($ billions)

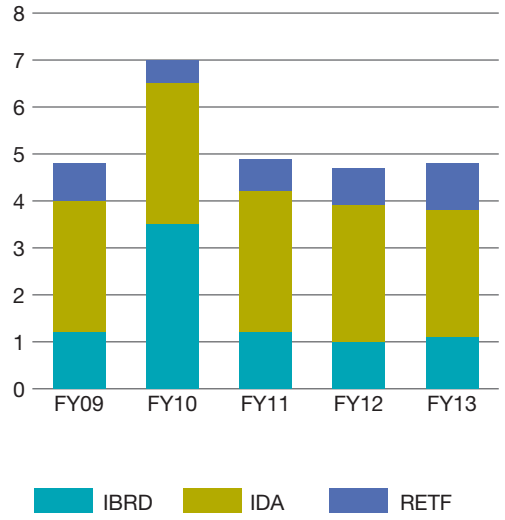


Figure 28: Africa Region RETF Disbursements, by Sector, FY13

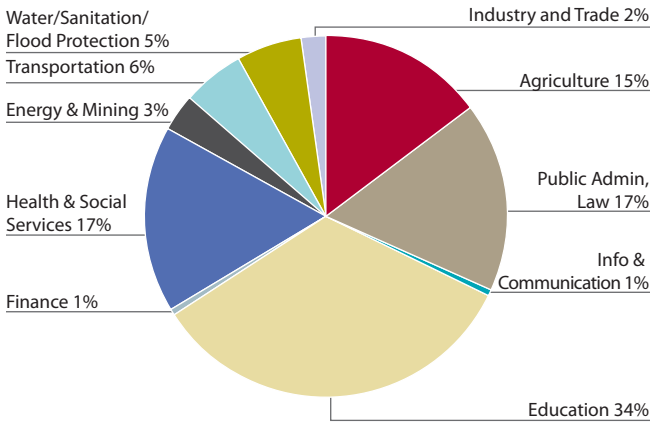


Figure 29: East Asia and Pacific Region RETF Disbursements, by Sector, FY13

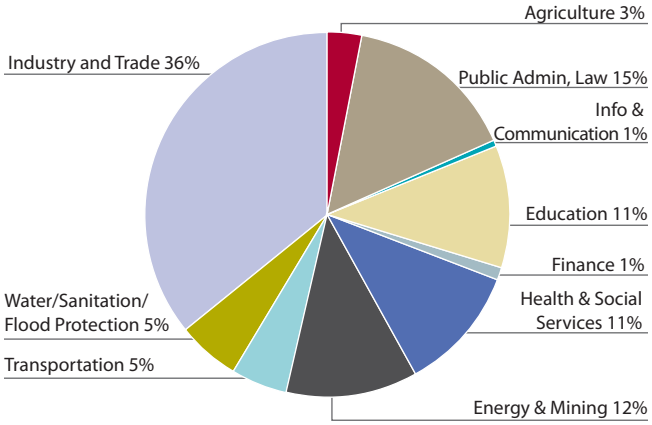


Figure 30: Europe and Central Asia Region RETF Disbursements, by Sector, FY13

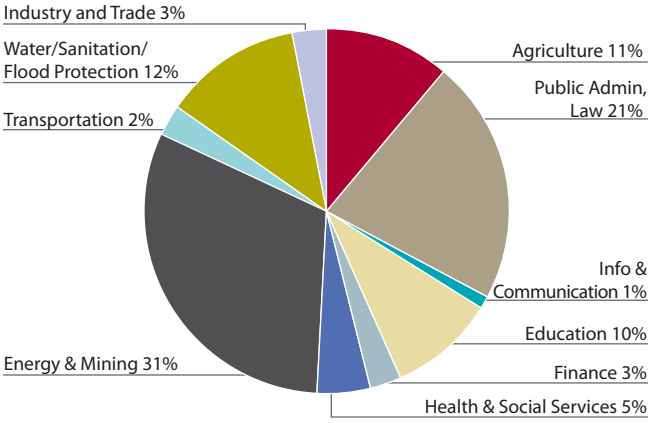


Figure 31: Latin American and the Caribbean Region RETF Disbursements, by Sector, FY13

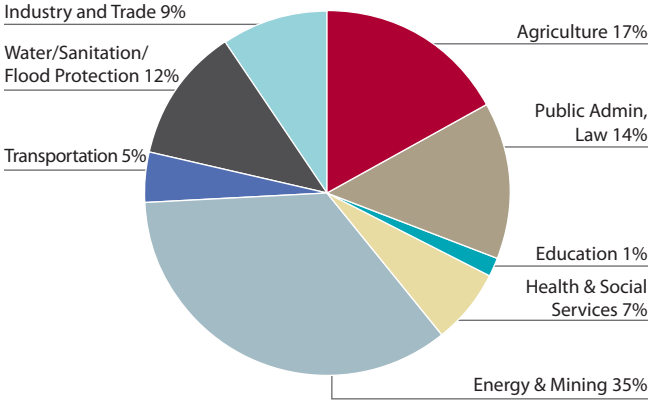


Figure 32: Middle East and North Africa Region RETF Disbursements, by Sector, FY13

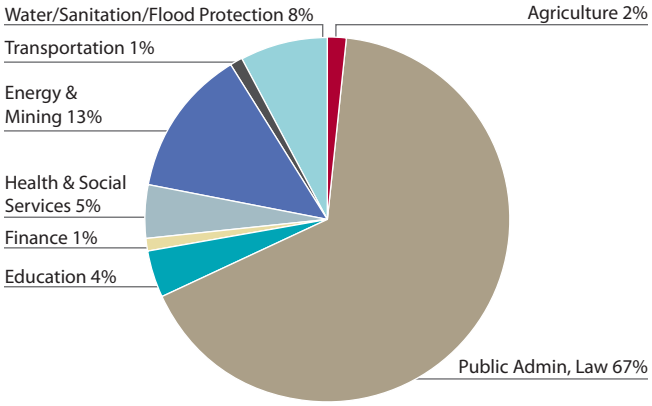


Figure 33: South Asia Region RETF Disbursements, by Sector, FY13

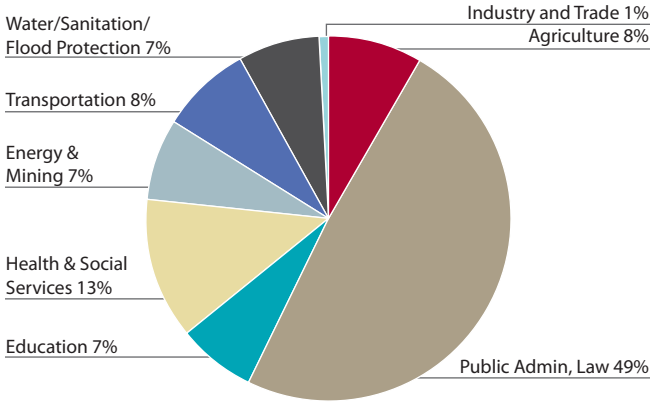


Figure 34: IBRD/IDA Trust Funds Contributions by Donor Type, FY13

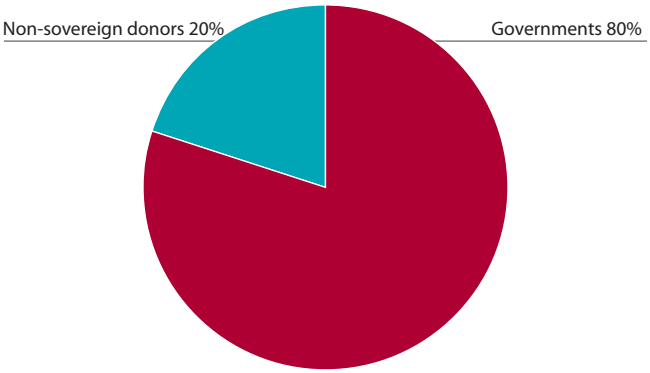
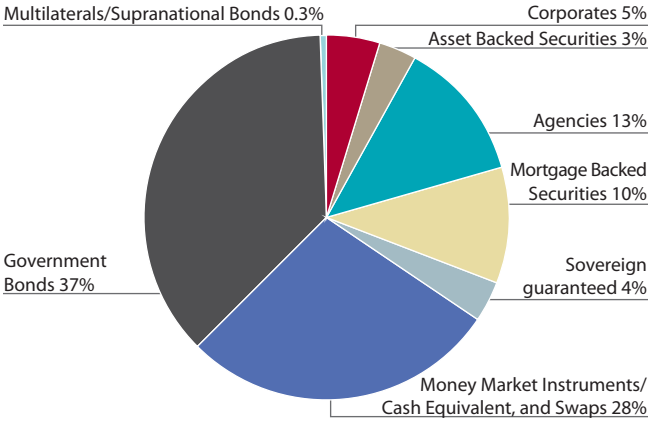


Figure 35: The Asset Mix of the Trust Fund Investment Portfolio, end-FY13



2.3 FIFs: Tables and Graphs

Table 5: The World Bank's FIF Trusteeships (as of end-FY13) ($ millions)

Fund	Established	Cumulative Funding 1/
Agriculture and Food Security		2,669
AgResults Initiative	2013	37
Global Agriculture and Food Security Program (GAFSP)	2010	973
CGIAR Fund (CGIAR) 2/	2005	1,659
Debt Relief		7,683
Debt Relief Trust Fund (DRTF)	1996	7,683
Environment/Climate Change		19,600
Adaptation Fund (AF)	2008	332
Green Climate Fund (GCF)	2012	8
Global Environment Facility (GEF)	1991	12,125
Least Developed Countries Fund (LDCF)	2002	606
Special Climate Change Fund (SCCF)	2004	244
Nagoya Protocol Implementation Fund (NPIF)	2011	16
Clean Technology Fund (CTF)	2008	3,534
Strategic Climate Fund (SCF) 3/	2008	2,669
Guyana REDD-Plus Investment Fund (GRIF)	2010	68
Health		29,584
Global Fund to Fight AIDS, Tuberculosis and Malaria (The Global Fund)	2002	26,026
"International Finance Facility for Immunisation (IFFIm)/		
GAVI Fund Affiliate (GFA) 4/"	2006	2,750
Advance Market Commitment (AMC) 5/	2009	652
African Program for Onchocersiasis Control II (APOC)	2001	157
Natural Disasters		381
Haiti Reconstruction Fund (HRF)	2010	381
Education		756
Global Partnership for Education Fund (GPEF) 6/	2011	756
Other		96
Middle East and North Africa (MENA) Transition Fund	2012	96
Total		**60,769**

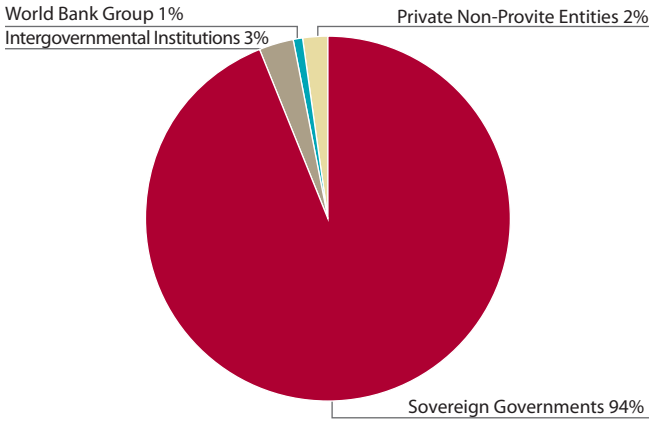
1/ Cumulative Funding represents cash contributions (cash and encashment of promissory notes) and other sources of funds such as Certified Emissions Reductions (CERs) and net funding received from bond issuances, excluding investment income.
2/ The Consultative Group on International Agricultural Research (CGIAR) was established in 1971 and began receiving donor trust fund support in 1975 as part of its funding. 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.
3/ Represents totals for SCF fund including pass-through funds for the Congo Basin Fund and Forest Carbon Partnership Facility, and excluding pass through contributions for the Clean Technology Fund.
4/ GFA is a pass-through account for IFFIm; therefore this FIF is presented together with IFFIm.
5/ The AMC is not a trust fund but is a FIF supported by the IBRD.
6/ The Education for All Fast Track Initiative (EFA-FTI) was established in 2002. The Global Partnership for Education Fund (GPEF) was established as a FIF in 2011 as part of the reform process of EFA-FTI. The number presented in this table represents cumulative funding to the GPEF since December 2011.

Table 6: Financial Intermediary Funds: Cash Contributions by Donor Type ($ millions)

Type of Donor	FY09	FY10	FY11	FY12	FY13
Sovereign Government	4,392	5,223	5,984	7,014	6,764
Intergovernmental Institutions	135	555	71	169	203
World Bank Group	2	2	52	52	51
Private Non-Profit Entities	189	162	84	83	127
Others	18	88	57	17	8
Grand Total	4,736	6,029	6,248	7,335	7,153

Note: Includes AMC, which is a FIF but not a trust fund. AMC is included and reported in the IBRD's financial statements. AMC contributions totaled $169 million in FY13, $181 million in FY12, $137 million in FY11, $72 million in FY10, and $211 million in FY09.

Figure 36: Contributions to FIFs, by Donor Type, FY13



2.4 IFC Trust Funds: Tables and Graphs

Figure 37: IFC Trust Funds Cash Contributions for Advisory Services by Donor Type, FY13

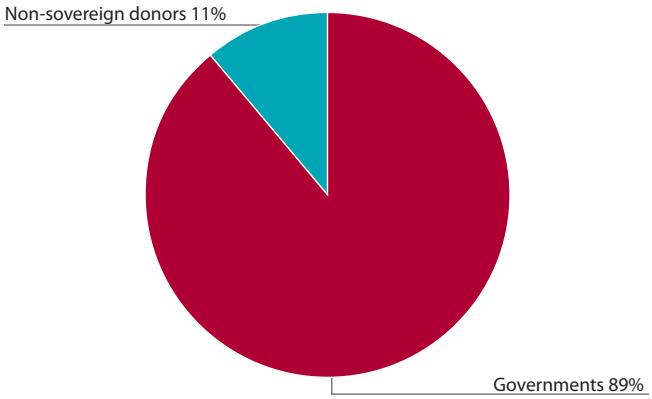


Figure 38: IFC Trust Funds Contributions for Advisory Services by Donor Type, FY13

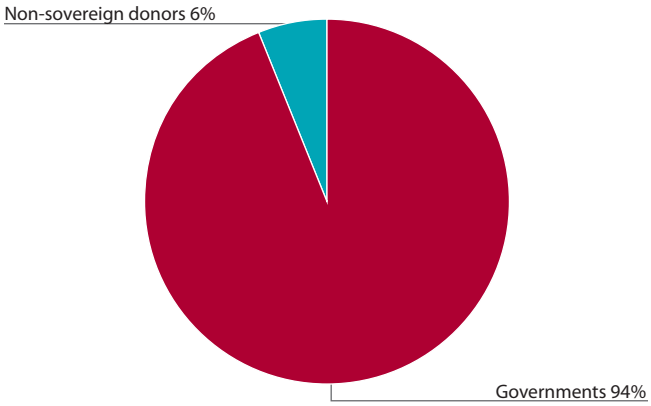
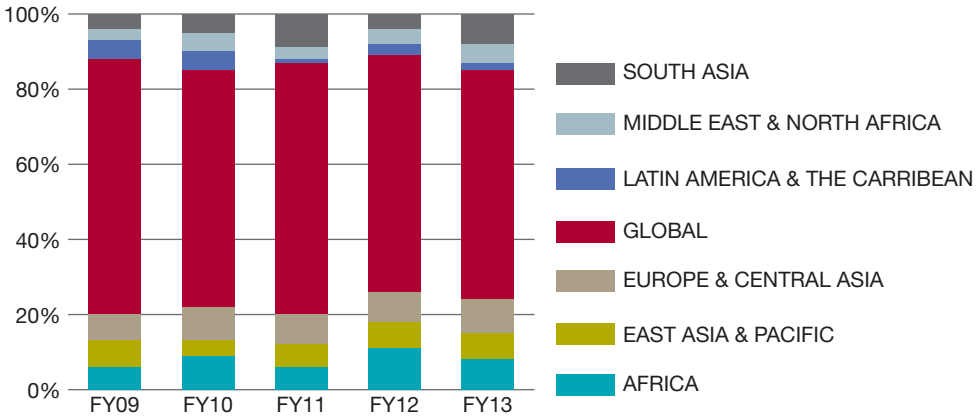
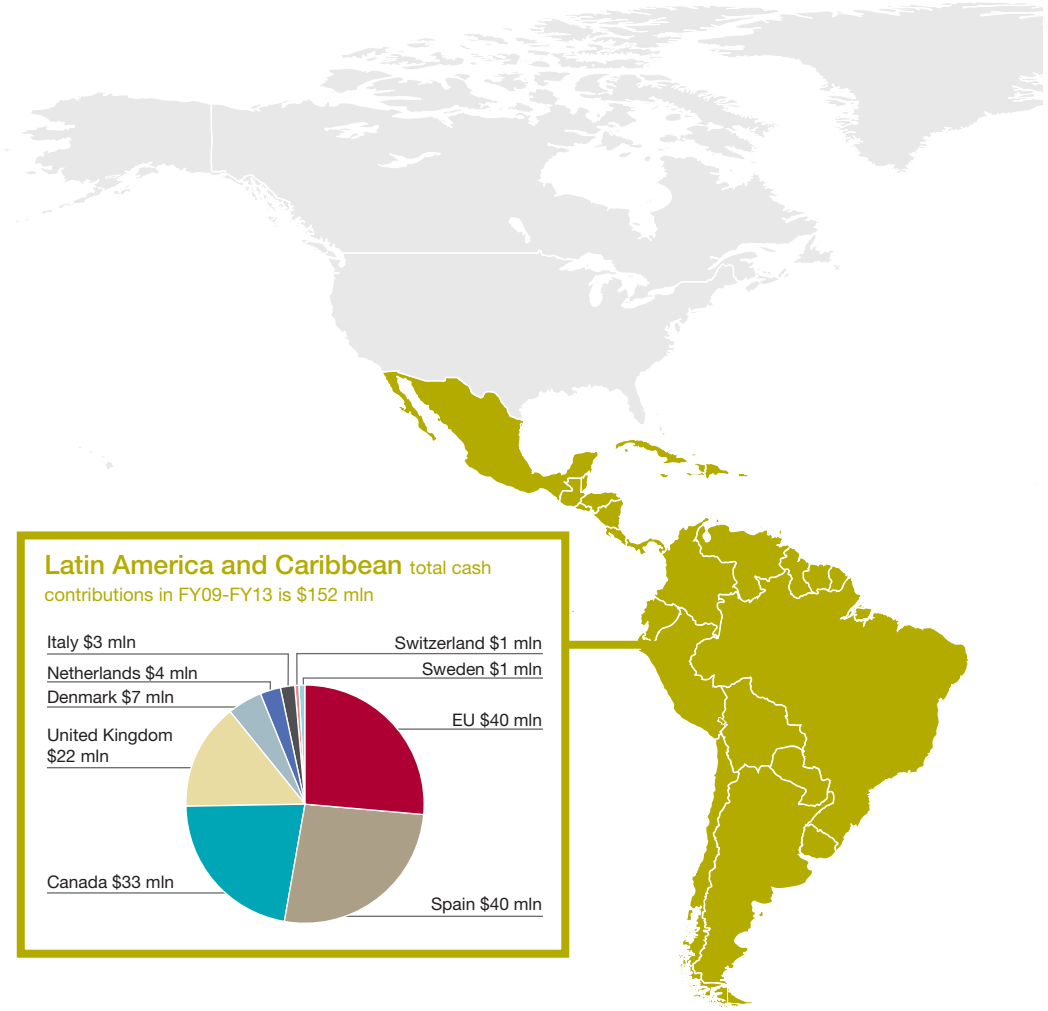


Figure 39: IFC Trust Funds Cash Contributions Regional Distribution for Advisory Services

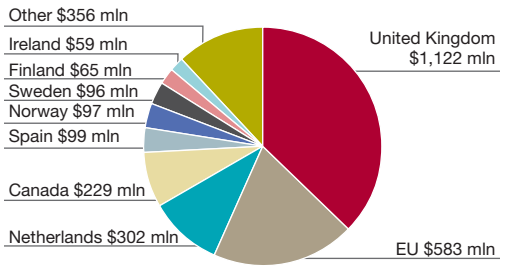


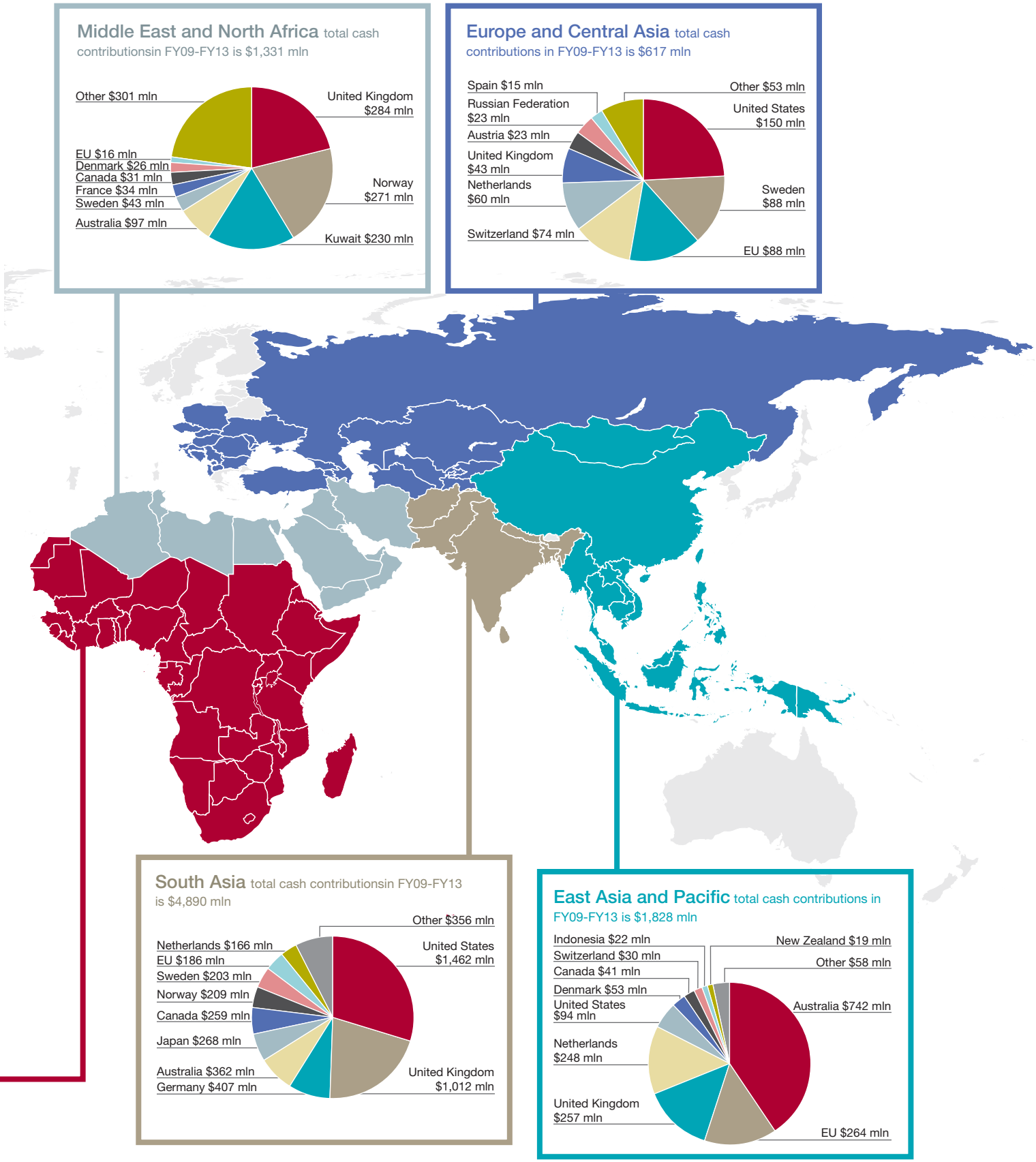
IBRD/IDA Trust Funds:
Top 10 Donors by Cash Contributions, Regional Breakdown



Latin America and Caribbean total cash contributions in FY09-FY13 is $152 mln

Africa total cash contributions in FY09-FY13 is $3,008 mln





Note: Charts exclude contributions to global programs, which account for about 40 percent of overall cash contributions to IBRD/IDA trust funds in FY09-FY13.

Section 3.

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

This section provides excerpts from 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 can be obtained at www.worldbank.org/financialresults.

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 reported using the modified cash basis of accounting are included in the Single Audit Report. A detailed list of individual trust funds that are included in the Single Audit Report is provided in Annex 1 of the full report.

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, 2013 and 2012

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

The World Bank Group
INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT
INTERNATIONAL DEVELOPMENT ASSOCIATION
INTERNATIONAL FINANCE CORPORATION
MULTILATERAL INVESTMENT GUARANTEE AGENCY
INTERNATIONAL CENTRE FOR SETTLEMENT OF INVESTMENT DISPUTES

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September 27, 2013

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 ("the Statements"), 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, 2013 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.

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

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, 2013. This assessment was based on criteria established in the 1992 *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, 2013.

Bertrand Badré
Managing Director, Finance and
Chief Financial Officer, World Bank Group

Jin-Yong Cai
Executive Vice President
IFC

Keiko Honda
Executive Vice President
MIGA

Charles A. McDonough
Vice President & Controller
IBRD/IDA

Joachim von Amsberg
Vice President
Concessional Finance and Global Partnerships
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INDEPENDENT AUDITORS' REPORT ON MANAGEMENT'S ASSERTION REGARDING EFFECTIVENESS OF INTERNAL CONTROL OVER FINANCIAL REPORTING OF THE MODIFIED CASH BASIS TRUST FUNDS

KPMG LLP
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Independent Accountants' Report

International Bank for Reconstruction and Development
International Development Association
International Finance Corporation
Multilateral Investment Guarantee Agency; together
as Administrators and/or Trustees of 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 External Financial Reporting of the Modified Cash Basis Trust Funds*, that the International Bank for Reconstruction and Development, International Development Association, International Finance Corporation and Multilateral Investment Guarantee Agency (together referred to as the Administrators and/or Trustees) maintained effective internal control over financial reporting for the modified cash basis trust funds to the combined statements or receipts, disbursements and fund balance as of June 30, 2013 (the Statements), based on criteria established in the *1992 Internal Control – Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Management of the Administrators and/or Trustees 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 External 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 Standards on Assurance Engagements 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 and/or Trustees is the modified cash basis of accounting described in Note 2 of the Statements. 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 Statements.

INDEPENDENT AUDITORS' REPORT ON MANAGEMENT'S ASSERTION REGARDING EFFECTIVENESS OF INTERNAL CONTROL OVER FINANCIAL REPORTING OF THE MODIFIED CASH BASIS TRUST FUNDS (CONTINUED)

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 and/or Trustees maintained effective internal control over financial reporting as of June 30, 2013 is fairly stated, in all material respects, based on criteria established in the *1992 Internal Control – Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

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, 2013 and 2012, and our report dated September 27, 2013 expressed an unqualified opinion on those financial statements.

KPMG LLP

Washington, D.C.
September 27, 2013

INDEPENDENT AUDITORS' REPORT ON THE COMBINED STATEMENTS OF RECEIPTS, DISBURSEMENTS AND FUND BALANCE

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

Independent Accountants' Report

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

Report on the Financial Statements

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, 2013 and 2012, and the related notes to the Statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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 in accordance with International Standards on Auditing. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the Statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the Statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the Statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the Statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the Statements.

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

Opinion

In our opinion, the Statements referred to above present fairly, in all material respects, the receipts, disbursements and fund balance of the modified cash basis trust funds listed in Annex 1 for the years ended June 30, 2013 and 2012, in accordance with the modified cash basis of accounting described in Note 2.

INDEPENDENT AUDITORS' REPORT ON THE COMBINED STATEMENTS OF RECEIPTS, DISBURSEMENTS AND FUND BALANCE (CONTINUED)

Basis of Accounting

We draw attention to Note 2 of the Statements, which describes the basis of accounting. The Statements are prepared on the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America or International Financial Reporting Standards. Our opinion is not modified with respect to the matter.

Other Matters

Annex 1

Our audits were conducted for the purpose of forming an opinion on the Statements as a whole. The accompanying supplementary information in Annex 1: List of Trust Funds Included in the Combined Statements of Receipts, Disbursements and Fund Balance as of June 30, 2013 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 audit 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 and International Standards on Auditing. In our opinion, the information is fairly stated in all material respects in relation to the Statements as a whole.

Supplemental Schedules

The supplementary information included in the Supplemental Schedules is presented for the 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.

Report on Management's Assertion Regarding Effectiveness of Internal Control Over Financial Reporting

We also have examined in accordance with 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, 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 Administrators and/or Trustees maintained effective internal control over external financial reporting as of June 30, 2013, based on criteria established in the *1992 Internal Control – Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) and our report dated September 27, 2013 expressed an unqualified opinion on management's assertion.

KPMG LLP

Washington, D.C.
September 27, 2013

COMBINED STATEMENTS OF RECEIPTS, DISBURSEMENTS AND FUND BALANCE

For the fiscal years ended June 30, 2013 and June 30, 2012

Expressed in millions of U.S. dollars

	Notes	2013	2012
Contributions	4	$ 5,377	$ 6,094
Transfers from other trust funds	6	306	347
Other receipts	5	56	554
Net investment income	2	54	80
Advances received from the Bank	10	9	6
Trust Fund brought into the Statements	3	70	-
Total receipts		**5,872**	**7,081**
Project-related disbursements	7	4,977	5,044
Refunds to donors	8	356	298
Administrative fees and expenses	9	218	236
Transfers to other trust funds	6	7	7
Advances repaid to the Bank	10	7	6
Total disbursements		**5,565**	**5,591**
Excess of receipts over disbursements before foreign currency adjustment		307	1,490
Foreign currency adjustment	2	7	(117)
Excess of receipts over disbursements after foreign currency adjustment		314	1,373
Fund Balance:			
Beginning of the fiscal year		11,737	10,364
End of period		**$12,051**	**$11,737**
Fund balance consists of:			
Trust Funds' share of the cash and investments in the Pool	11	**$12,051**	**$11,737**

The accompanying notes are an integral part of the Statements.

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

June 30, 2013 and 2012

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 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), except as mentioned below. 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 reported under (i) accounting principles generally accepted in the United States of America (U.S. GAAP), (ii) International Financial Reporting Standards (IFRS), (iii) special purpose basis of accounting, or (iv) another basis as defined and disclosed in the applicable trust fund financial statements. These trust funds are separately audited and excluded from the Statements. If the basis of reporting for these trust funds changes to modified cash basis and is confirmed by the donors, they will be included in the Statements (Note 3).

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 legal agreements with and disburses funds to those Recipients, who then exercise spending authority to meet the objectives and comply with terms stipulated in these legal agreements, including submission of progress and audited financial reports to the Bank.

Bank-executed activities

Bank-executed trust funds involve activities executed by the Bank, as described in the relevant legal agreements 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 in the pooled cash and investments (see further discussions below) 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 with the donors.

Share in the pooled cash and investments and net investment income

Amounts paid into 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 World Bank Group. The Pool also includes funds in ICSID's escrow accounts. IBRD, on behalf of the World Bank Group, maintains all trust fund assets separate and apart from the funds of the World Bank Group. The Pool is divided into sub-portfolios to which allocations are made based on fund specific investment horizons, risk tolerances and/or other eligibility requirements for trust funds with common characteristics as determined by IBRD, on behalf of the World Bank Group. These sub-portfolios may hold all or a portion of the financial instruments held by the Pool.

Generally, the Pool includes cash and liquid financial instruments such as government and agency obligations, time deposits, money market securities and asset-backed securities. The Pool may also include securities pledged as collateral under repurchase agreements as well as 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.

The Pool is a trading portfolio and is reported at fair value, with realized and unrealized gains/losses included in net investment income. The share in 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 assets held by the Pool at fair value.

Foreign currency adjustment

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 adjustment in the Statements.

Project-related disbursements made from the Bank's resources, on behalf of the modified cash basis trust funds (refer to Notes 7 and 9), 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, and such transaction gains or losses on disbursements, if any, are borne by IBRD, on behalf of the Bank.

Use of estimates

The preparation of the Statements 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.

Certain reclassifications of the prior year's numbers have been made to conform to the current year's presentation. In particular, certain administrative expenses that were previously reported under Project-related disbursements are now reported under Administrative fees and expenses (previously "Administrative fees"). For the fiscal year ended June 30, 2012, the impact of this reclassification was an increase in Administrative fees and expenses by $141 million and a corresponding decrease in Project-related disbursements.

Note 3 - Trust fund brought into the Statements

Effective January 1, 2013, pursuant to the change in the basis of reporting to the modified cash basis of accounting, the Ozone Projects Trust Fund is included in the Statements for the fiscal year ended June 30, 2013 and will be included in subsequent periods. The fund balance of this trust fund as of December 31, 2012, is reported as 'Trust fund brought into the Statements'.

Note 4 - Contributions

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

Contributions received from various donors during the fiscal years ended June 30, 2013 and June 30, 2012, are as follows:

Donor	2013	2012
Sovereign countries and European Commission		
United Kingdom	$ 1,010	$1,159
Australia	433	587
United States	424	1,053
Norway	400	346
Netherlands	355	318
European Commission	327	341
Japan	291	281
Sweden	270	246
Canada	266	211
Germany	212	226
Switzerland	153	127
Denmark	115	142
Others [1]	463	443
Subtotal	**4,719**	**5,480**
World Bank Group organizations		
IBRD	103	212
IFC	96	96
MIGA	2	3
Subtotal	**201**	**311**
Other donors [2]	457	303
Total Contributions	**$5,377**	**$6,094**

[1] Includes donors whose contributions were less than $100 million during the fiscal year ended June 30, 2013.
[2] Includes contributions received from other multilateral development banks, United Nations agencies, public and private institutions.

Note 5 - Other receipts

Other receipts comprises the following:

Receipts	2013	2012
Reimbursements of ineligible disbursements	$29	$ 2
Fees for advisory and other services	11	11
Repayment of credits by recipients of amounts previously disbursed by the Trust Fund for Gaza and West Bank	9	8
Refunds from closed projects	2	2
Loan repayments and interest receipts for loans disbursed by the Global Trade Liquidity Program Trust Fund	1	528
Others [1]	4	3
Total Other receipts	**$56**	**$554**

[1] Includes project specific receipts, investment income from agencies, etc.

Note 6 - Transfers from/to other trust funds

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

Note 7 - Project-related disbursements

Project-related disbursements represent amounts disbursed for trust fund activities consistent with the terms of the legal agreements with the donors. Project-related disbursements by trust fund type during the fiscal years ended June 30, 2013 and June 30, 2012, are as follows:

Trust fund type	2013	2012
Recipient-executed trust funds [a]	$3,257	$3,493
Bank-executed trust funds [b]	940	899
Financial intermediary funds [c]	780	652
Total Project-related disbursements	**$4,977**	**$5,044**

a. 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 $26 million (2012: $45 million) towards repayment of loans and credits, on behalf of beneficiaries.

b. 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 $273 million (2012: $230 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.

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 legal agreements with the donors 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 8 - 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, 2013 and June 30, 2012, are as follows:

Donor	2013	2012
Sovereign countries and European Commission		
Saudi Arabia [1]	$301	$ 3
European Commission	12	26
United Kingdom	10	33
Sweden	5	5
Netherlands	5	5
Others	8	219
Subtotal	**341**	**291**
World Bank Group organizations		
IDA [2]	6	6
IBRD	4	-
Other donors [3]	5	1
Total Refunds to donors	**$356**	**$298**

[1] Includes refund of accumulated loan repayments received by the Global Trade Liquidity Program Trust fund amounting to $301 million during the fiscal year ended June 30, 2013 (2012: $3 million).

[2] Represents refund of accumulated credit repayments received by the trust fund for Gaza and West bank amounting to $6 million during the fiscal year ended June 30, 2013 (2012: $6 million). In accordance with the IBRD and IDA Board resolution establishing this trust fund, the refund is made to IDA.

[3] Represents refunds to other multilateral development banks, United Nations agencies, public and private institutions.

Note 9 - Administrative fees and expenses

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 and expenses as applicable, pursuant to legal agreements with donors. The details are as follows:

Fees and expenses charged	2013	2012
Administrative expenses charged [1]	$143	$141
Fee charged as a percentage of contributions received from donors	64	86
Other fees [2]	11	9
Total Administrative fees and expenses	**$218**	**$236**

[1] Includes $99 million (2012: $98 million) towards direct staff costs, related benefits and overheads, which were reimbursed to the Bank for its estimates of costs incurred.

[2] Includes fixed fee, start-up fee for new trust funds and other fee arrangements agreed upon with the donors.

Note 10 - Advances received from/repaid to the Bank

Advances received from the Bank in the amount of $9 million represents interest-free advances provided by the Bank to the modified cash basis trust funds during the fiscal year ended June 30, 2013 (2012: $6 million) in anticipation of receipts of contributions previously committed by donors. Repayments of advances previously made amounting to $7 million occurred during the fiscal year ended June 30, 2013 (2012: $6 million).

Note 11 - 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 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 World Bank Group, has an established and documented process for determining fair values. Fair value is based upon quoted market prices for the same or similar securities, where available. Financial instruments for which quoted market prices are not readily available are valued based on discounted cash flow models. These models primarily use market-based or independently-sourced market parameters such as yield curves, interest rates, volatilities, foreign exchange rates and credit curves, and may incorporate

unobservable inputs. Selection of these inputs involves judgment. The Pool may include financial instruments such as government and agency obligations, time deposits and money market securities, asset-backed securities, securities purchased under resale agreements and securities sold under repurchase agreements, and derivatives.

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

Government and agency obligations and asset-backed securities

Where available, quoted market prices are used to determine the fair value of government and agency obligations and asset-backed securities. 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 of a short term nature and are reported at face value, which approximates fair value.

Securities purchased under resale agreements and securities sold under repurchase agreements

Securities purchased under resale agreements and securities sold under repurchase agreements are of a short term nature and are reported at face value, which approximates fair value.

Derivative contracts

Derivative contracts include currency forward contracts, currency swaps, interest rate swaps and contracts to purchase or sell TBA securities. Derivatives are valued using model based valuation techniques which include the standard discounted cash flow method with market observable inputs such as yield curves, foreign exchange rates, basis spreads, and funding spreads.

Fair value hierarchy

Financial instruments representing the pooled investments for all of the trust funds administered by the World Bank Group are recorded at fair value on a recurring basis and are categorized based on the inputs to the valuation techniques as follows (in order of priority placed on the inputs):

Level 1: Financial instruments whose values are based on unadjusted quoted prices for identical instruments in active markets.

Level 2: Financial instruments whose values are based on quoted prices for similar instruments in active markets; quoted prices for identical or similar instruments in markets that are not active; or pricing models for which all significant inputs are observable, either directly or indirectly, for substantially the full term of the instrument.

Level 3: Financial instruments whose values are based on prices or valuation techniques that require inputs that are both unobservable and significant to the overall fair value measurement.

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

The following tables present the Pool's fair value hierarchy for financial instruments measured at fair value on a recurring basis as of June 30, 2013 and June 30, 2012. 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.

In millions of U.S.dollars

	Fair Value Measurement as of June 30, 2013			
	Level 1	**Level 2**	**Level 3**	**Total**
Government and agency obligations	$5,257	$9,457	$ -	**$14,714**
Time deposits and money market instruments	905	6,204	-	**7,109**
Asset-backed securities	-	2,829	-	**2,829**
Securities purchased under resale agreements and securities sold under repurchase agreements, net	80	(46)	-	**34**
Derivatives, net	-	59	-	**59**
Total of financial instruments in the Pool at fair value	**$6,242**	**$18,503**	**$ -**	**$24,745**

In millions of U.S.dollars

	Fair Value Measurement 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**
Total of financial instruments in the Pool at fair value	**$5,085**	**$19,950**	**$1**	**$25,036**

During the fiscal years ended June 30, 2013 and June 30, 2012 neither transfers between levels nor changes in the fair value of Level 3 securities were significant; therefore, no further disclosures on these items are included.

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 at the time of purchase in the U.S. markets or equivalent as follows:

- Government and agency obligations - issued or unconditionally guaranteed by government agencies rated at least AA- if denominated in a currency other than the home currency of the issuer. Obligations issued by an agency or instrumentality of a government, a multilateral organization or any other official entity require a minimum credit rating of AA-;
- Time deposits and money market 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 $80 million and $75 million as of June 30, 2013 and June 30, 2012, respectively and is permitted to sell or repledge these securities. No securities have been sold or repledged as of June 30, 2013. As of June 30, 2013 and June 30, 2012, the carrying amount of securities pledged as collateral under repurchase agreements was $46 million and $45 million, respectively.

The following is a summary of the collateral received/paid by IBRD, on behalf of the World Bank Group, in relation to derivatives as of June 30, 2013 and June 30, 2012:

In millions of U.S. dollars

	2013	2012
Collateral received at fair value	$13	$128
Collateral permitted to be repledged	13	128
Amount repledged	-	-
Collateral paid at carrying value	8	-

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 trust fund legal agreements with the donors, has a fair value of $12,051 million as of June 30, 2013 (2012: $11,737 million).

The following table presents investment holdings at fair values in the sub-portfolios in terms of the counterparty credit risk exposure and investment categories as of June 30, 2013 and June 30, 2012:

Counterparty credit ratings	**2013**	**2012**
AA or greater	63%	65%
A- or greater	99%	100%
BBB+ or greater	100%	-
Types of financial instruments		
Government and agency obligations	65%	57%
Time deposits and money market securities	34%	41%
Asset-backed securities	1%	2%
Securities purchased under resale agreements and securities sold under repurchase agreements, net	*	*
Derivatives, net	*	*
Total	**100%**	**100%**

* Holdings of less than 0.5%.

Note 12 - Subsequent events

Management has evaluated subsequent events through September 27, 2013, the date these Statements were available to be issued and there are no subsequent events that would require adjustment to or disclosure in these 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 reported for 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, 2012, but not in the fiscal year ended June 30, 2013 because they were closed during the fiscal year ended June 30, 2012. Similarly, certain trust funds are included in the fiscal year 2013, but not in fiscal year 2012 because they were created and activated, or their basis of accounting was changed (Note 3) during the fiscal year 2013.

Trust Fund Glossary

Term	Definition
Administration Agreement	An agreement or arrangement between the World Bank, as trustee, and a development funder, setting forth specific terms for the receipt and use of a specific contribution for a specific trust fund.
Bank-executed trust fund	A fund that supports the Bank's work program.
Cash contributions	Contribution or installment provided in the form of cash, including encashments.
Cofinancing	Funding provided to supplement IBRD/IDA loans, credits, grants, or guarantees provided for a particular project or program.
Commitment	Amount of financing approved for project(s) or activity(ies) at the grant level.
Commitment authority	The amount of trust fund assets available for future commitments.
Contributions receivable	Any portion of a contribution that is not a qualified contribution, to be received in the form of cash or promissory note.
Disbursement	Cash payment to a recipient based on a commitment by the trustee; also referred to as cash *transfers* for FIFs, and as *expenditures* for IFC trust funds.
Development Funder/ Development Partner	Any entity, including a WBG entity, making a contribution to a trust fund or a FIF.
Financial intermediary fund	A fund that involves financial engineering or complex finance schemes, or for which the Bank provides a specified set of administrative, financial, or operational services.
Free-standing trust fund	A trust fund established to support a specified set of projects or activities agreed at the time of establishment.
Funds held in trust	Fund balance (i.e., cash and investments) plus promissory notes receivable.
Grant	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 signs a grant agreement, agreeing to implement the grant activities.
Grant agreement	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.
IBRD/IDA trust fund	A trust fund for which IBRD/IDA implements or supervises the activities financed.

IFC trust fund	A trust fund administered by IFC.
Multidonor trust fund	A trust fund that may receive contributions from more than one development funder; all funds are pooled under a single set of agreed terms.
MIGA trust fund	A trust fund administered by MIGA.
Partnership program	A body that (a) facilitates agreement among partners; (b) has a multicountry scope; and (c) provides dedicated funding for implementation of a program of activities over time (IBRD/IDA trust funds, FIFs, and/or grants from the Bank's administrative budget, generally made through the Development Grant Facility). May be managed internally within the Bank or externally through outside organizations.
Programmatic trust fund	A trust fund for which the development funder(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 on the basis of the framework and criteria.
Promissory note	A document consisting of a promise to pay that is non-interest-bearing and payable on demand. The balance of a promissory note not yet received in cash.
Promissory note receivable	The balance of a promissory note not yet received in cash.
Recipient	Any entity receiving funds from a trust fund or FIF.
Recipient-executed trust fund	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.
Trust fund	A financing arrangement set up to accept contributions from one or more development funders to be held and disbursed/transferred by a WBG entity as trustee in accordance with agreed terms.
Trustee	The WBG entity given the legal obligation to administer funds in accordance with agreed terms.
World Bank Group	Consists of five organizations: International Bank for Reconstruction and Development (IBRD), International Development Association (IDA), International Finance Corporation (IFC), Multilateral Investment Guarantee Agency (MIGA), and International Centre for Settlement of Investment Disputes (ICSID).

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