The World Bank Annual Report 2012

THE WORLD BANK

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The World Bank Annual Report 2012

التقرير السنوي للبنك الدولي 2012

世界银行 2012 年度报告

Banque mondiale • Rapport annuel 2012

世界銀行年次報告 2012

Banco Mundial • Relatório Anual de 2012

Всемирный банк, Годовой отчет 2012

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Une action fondée sur la somme des connaissances et des expériences nationales

グローバルな知識と経験を用いた取組み

Resposta com Conhecimento e Experiência Globais

Глобальные знания и опыт в ответ на вызовы

Responder con la experiencia y los conocimientos adquiridos en todo el mundo

The Regions

World Bank for Results 2012

Financial Statements

Income by Region

Lending Data

New Operations Approved

Organizational Information

World Bank Lending 2012
(PowerPoint Presentation)

Photo: Ray Witlin

AFRICA

Driven by higher commodity prices and exports, output in the Africa Region rose 4.9 percent in fiscal 2012. The forecast is for continued growth, of 5.2 percent in 2012 and 5.6 percent in 2013. Growth has been widespread, with more than a third of countries posting annual growth rates of at least 6 percent and another 40 percent growing between 4–6 percent.

World Bank Assistance

Support from the Bank reached $7.5 billion this fiscal year, including $7.4 billion from IDA and 147 million in IBRD commitments. The leading sectors were Public Administration, Law, and Justice ($1.9 billion), Energy and Mining ($1.4 billion), and Water, Sanitation, and Flood Protection ($1.4 billion).

Africa has experienced improved outcomes across a variety of indicators. The number of people living in extreme poverty has declined, under-five mortality and maternal mortality have both fallen, primary school completion rates have risen faster than anywhere else in the world, and the rate of HIV infection has stabilized. The business climate is improving, attracting investment in telecommunications, real estate, and retail. And remittances also increased, reaching a record high of $23 billion.

Enormous development challenges remain in Africa, however, where about half the population lives at the extreme poverty level, $1.25 a day, and governance and transparency remain weak. To improve conditions, the Bank's strategy for Africa, adopted in fiscal 2012, shifts from a more general focus on seeking economic stability and sound fundamentals. The new strategy is built on one foundation—governance and public sector capacity—and two pillars—competitiveness and employment, and vulnerability and resilience.

Improving Governance and Public Sector Capacity

In an effort to emphasize good governance and encourage citizens and their organizations to hold governments accountable, the Bank is building on citizens' feedback with projects such as the Kenya Cash Transfer for Orphans and Vulnerable Children Project. The Bank incorporates citizen report cards, participatory targeting and monitoring, citizen grievance and appeal mechanisms, biannual social audits, and transparent posting of beneficiaries and targeting information.

In Sierra Leone, the Bank has been strongly engaged in reestablishing basic public finance management capacity in the Ministry of Finance while also using parallel interventions to strengthen check-and-balance institutions such as the Anti-Corruption Commission.

Increasing Competitiveness

The Bank's work is closely aligned with the Comprehensive Africa Agriculture Development Program, an Africa-owned and -led initiative for increasing productivity in agriculture. In fiscal 2012, the Bank provided $0.9 billion in development financing for agriculture.

FIGURE 2.1

AFRICA

IBRD AND IDA LENDING BY SECTOR | FISCAL 2012

SHARE OF TOTAL OF $7.5 BILLION

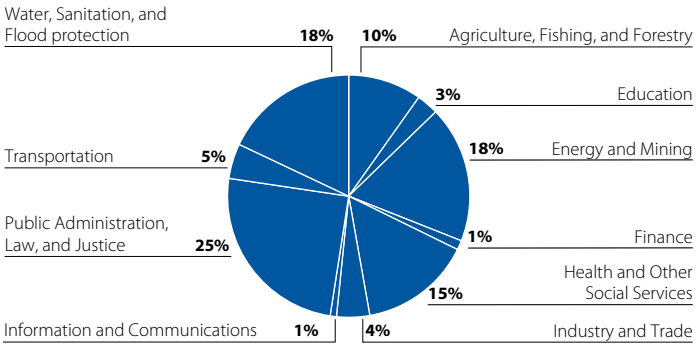
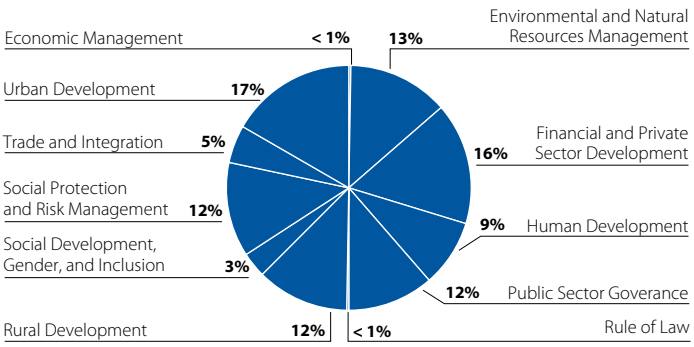


FIGURE 2.2

AFRICA

IBRD AND IDA LENDING BY THEME | FISCAL 2012

SHARE OF TOTAL OF $7.5 BILLION



COUNTRIES ELIGIBLE FOR WORLD BANK BORROWING

Angola
Benin
Botswana
Burkina Faso
Burundi
Cameroon
Cape Verde
Central African Republic
Chad
Comoros
Democratic Republic of Congo
Republic of Congo
Côte d'Ivoire
Equatorial Guinea
Eritrea
Ethiopia
Gabon
The Gambia
Ghana
Guinea
Guinea-Bissau
Kenya
Lesotho
Liberia
Madagascar
Malawi
Mali
Mauritania
Mauritius
Mozambique
Namibia
Niger
Nigeria
Rwanda
São Tomé and Principe
Senegal
Seychelles
Sierra Leone
Republic of South Sudan
South Africa
Swaziland
Tanzania
Togo
Uganda
Zambia

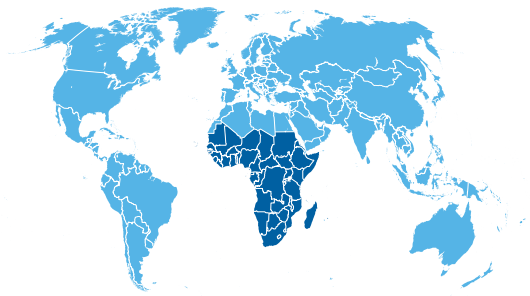
The Bank has also focused on improvements in infrastructure, especially transport corridors, to enhance trade facilitation, information and communication technologies, and energy. Bank support to energy projects provided an additional 1.4 million people with access to electricity in project countries during fiscal 2011. The Transportation sector constructed or rehabilitated an additional 6,646 kilometers of roads. The Water, Sanitation, and Flood Protection sector improved water sources for more than 8 million people.

As a result of Bank-financed projects, 28.0 million people gained access to basic packages of health, nutrition, and population services, and 2.3 million women received antenatal care for the first time. Bank support helped build or rehabilitate more than 12,000 primary school classrooms and purchase and distribute some 25 million textbooks.

To improve job skills, the Bank launched a major partnership on service delivery indicators in the Education and Health and Other Social Services sectors, so the public can demand better learning outcomes.

Reducing Vulnerability and Increasing Resilience

Climate change–related and natural disasters contributed to massive losses this fiscal year. Drought in the Horn of Africa, for example, displaced millions of people. In response, in September 2011, the Bank nearly quadrupled the amount it allocated the previous July, increasing funding to $1.88 billion over three years. In addition to helping meet immediate food needs, the Bank will invest in better weather forecasting and early warning systems, drought resilience, and other risk management measures.



In fiscal 2012, $165 million was disbursed and $944 million committed for fast-tracking drought prevention projects and programs throughout Africa. In addition to the above, in fiscal 2012, the regional Horn of Africa Emergency Health and Nutrition Project helped treat more than 35,000 malnourished children under age five living in refugee camps, with $30 million in funding from IDA's Crisis Response Window. (See **http://worldbank.org/afr**.)

AFRICA REGIONAL SNAPSHOT

Total population	0.9 billion
Population growth	2.5%
Life expectancy at birth	54 years
Infant mortality per 1,000 live births	77
Female youth literacy	69%
Number of people living with HIV/AIDS	23.5 million
2011 GNI per capita	$1,254
GDP per capita index (2000 = 100)	125

Note: Life expectancy at birth, infant mortality rate per 1,000 live births, and female youth literacy are for 2010; other indicators are for 2011 from the World Development Indicators database. HIV/AIDS data are from the 2012 UNAIDS report, "Together We Will End AIDS."

TOTAL FISCAL 2012

New commitments
IBRD $147 million
IDA $7,379 million

TOTAL FISCAL 2012

Disbursements
IBRD $488 million
IDA $5,746 million

Portfolio of projects under implementation as of June 30, 2012: $40.2 billion

AFRICA RESULTS HIGHLIGHTS

- In **Burundi,** the Bank's results-based financing program is helping to improve child and maternal health. In a single year, (from June 30, 2010 to June 20, 2011), the proportion of births at health facilities rose 25 percent, the proportion of women receiving antenatal care rose more than 20 percent, and the number of fully vaccinated children rose more than 10 percent. More than 1.6 million men, women, and children have benefited from the program. (See **http://go.worldbank.org/J0Z8NRGLN0**.)
- Average farm incomes in **Malawi** rose 60 percent, and 1.5 million people achieved food security through horticulture diversification projects that increased crop yields by as much as 75 percent in 11 targeted districts. As a result of the Irrigation, Rural Livelihoods, and Agricultural Development Project, yields rose from 1.6 tons to 2.8 tons per hectare for maize and from 1.0 tons to 1.6 tons per hectare for rice between 2006 and 2011. (See **http://go.worldbank.org/D6LFX7H6I0**.)
- In **Niger,** during the decade 2001–11, 541,000 people living in cities gained access to piped water, which is now supplied continuously throughout the service area and no longer rationed. Over the past five years, water losses decreased from 20 percent to 15 percent, and bill collection improved from 79 percent to 97 percent. As a result of the Niger Water Project, 120,000 people also gained access to improved sanitation. (See **http://go.worldbank.org/4KTG64RCA0**.)

Photo: Stephan Bachenheimer

EAST ASIA AND PACIFIC

Growth in the East Asia and Pacific region remained strong and grew by 8.2 percent (4.3 percent, not including China) in 2011, although it has slowed since post-crisis peaks. Poverty continues to fall, with the number of people living on less than $2 a day expected to decrease by 24 million in 2012. With the global slowdown likely to continue, the region needs to reduce its reliance on exports and find new sources of growth.

World Bank Assistance

The Bank approved $6.6 billion for East Asia and Pacific for 37 projects this fiscal year. Support included $5.4 billion in IBRD loans and $1.2 billion in IDA commitments, including $125 million in grants. The leading sectors were Public Administration, Law, and Justice ($2.0 billion); Water, Sanitation, and Flood Protection ($1.3 billion); and Transportation ($1.1 billion).

The Bank's regional strategy continues to focus on climate change and disaster risk management, poverty reduction, urbanization and infrastructure challenges, and improved governance, while responding to emerging challenges and new opportunities. This year, the Bank moved ahead on engagement in Myanmar, with the aim of supporting reforms that will benefit all the people of Myanmar, especially the poor and vulnerable.

Reducing Poverty

While the region has made impressive gains in poverty reduction, about half a billion people still live on less than $2 a day. Economic crises and natural disasters have given urgency to the need to help countries prepare for volatility and shocks, and the need to expand safety nets to protect the poor is increasingly important. In the Philippines, the Bank is supporting the government with the expansion of its conditional cash transfer program Pantawid Pamilyang, which has benefited more than 3 million families to date.

Managing Disaster Risk

Severe flooding in Thailand in 2011—which inundated large parts of the country, including parts of Bangkok—highlighted the importance of disaster risk management in a region prone to natural disasters and the effects of climate change. To help address the growing challenge of flooding in cities, the Bank produced a guidebook to support government efforts to build flood mitigation measures into urban planning. It is also working with partners to help Association of Southeast Asian Nations (ASEAN) member countries increase financial resilience as part of a broader program to strengthen the capacity to reduce disaster risk.

FIGURE 2.3

EAST ASIA AND PACIFIC

IBRD AND IDA LENDING BY SECTOR | FISCAL 2012

SHARE OF TOTAL OF $6.6 BILLION

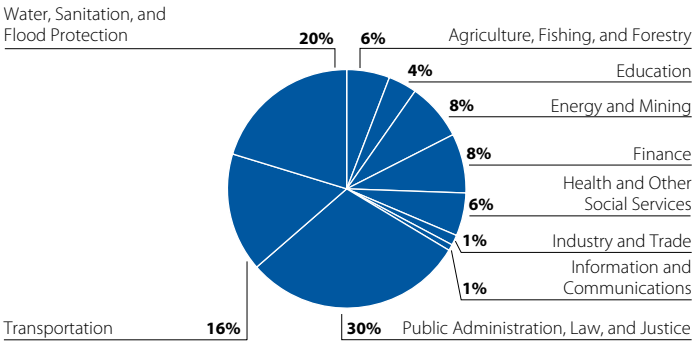
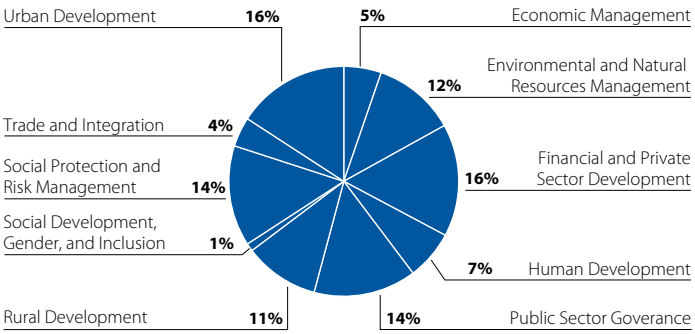


FIGURE 2.4

EAST ASIA AND PACIFIC

IBRD AND IDA LENDING BY THEME | FISCAL 2012

SHARE OF TOTAL OF $6.6 BILLION



COUNTRIES ELIGIBLE FOR WORLD BANK BORROWING

Cambodia
China
Fiji
Indonesia
Kiribati
Republic of Korea
Lao People's Democratic Republic
Malaysia
Marshall Islands
Federated States of Micronesia
Mongolia
Myanmar
Palau
Papua New Guinea
Philippines
Samoa
Solomon Islands
Thailand
Timor-Leste
Tonga
Vanuatu
Vietnam

Delivering Customized Solutions

Reflecting the diversity in the region, priorities vary across countries or country groups. In China, knowledge transfer and experience sharing has become a vital part of the Bank's partnership. *China 2030,* a joint research report with the Development Research Center of China's State Council, was released in February 2012. The book offers policy recommendations to support China's transition to a high-income economy. The majority of investment projects in China have an environmental focus, because inclusive green growth is a top priority for the country. Poverty reduction, particularly in China's interior and western provinces, remains a key challenge.

Delivering innovative solutions to meet client demand is a strong focus for the region. In Mongolia, the Bank is helping to establish a nationwide "e-health" information system based on Internet and mobile technology. Indonesia received a loan of $175 million to increase power generation from renewable geothermal resources, and to reduce local and global environmental impacts. After tropical storm Washi, the Bank provided $500 million of immediate financial assistance to the Philippines from the Disaster Risk Management Development Policy Loan with a Catastrophe Deferred Drawdown Option (Cat DDO), the first of its kind in the region.

In the Pacific Islands, the Bank is ramping up its activities on regional integration and connectivity, building resilience against external shocks, and promoting economic reform and private sector development. In fewer than five years, over one million people have gained access to affordable mobile phones. In line with World Bank corporate priorities, efforts to engage systematically with countries on gender were strengthened this year, and included the release of a regional companion volume for the *World Development Report 2012: Gender Equality and Development*.

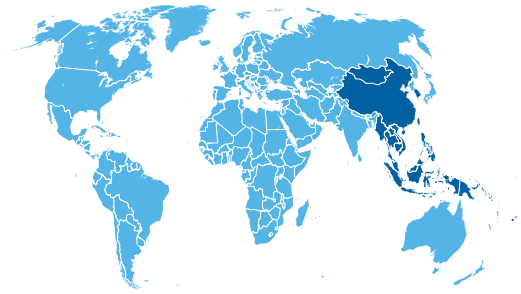
EAST ASIA AND PACIFIC REGIONAL SNAPSHOT

Total population	2.0 billion
Population growth	0.7%
Life expectancy at birth	72 years
Infant mortality per 1,000 live births	20
Female youth literacy	99%
Number of people living with HIV/AIDS	2.3 million
2011 GNI per capita	$4,235
GDP per capita index (2000 = 100)	224

Note: Life expectancy at birth, infant mortality rate per 1,000 live births, and female youth literacy are for 2010; other indicators are for 2011 from the World Development Indicators database. HIV/AIDS data are from the 2012 UNAIDS report, "Together We Will End AIDS."

TOTAL FISCAL 2012	TOTAL FISCAL 2012
New commitments	Disbursements
IBRD $5,431 million	IBRD $3,970 million
IDA $1,197 million	IDA $1,484 million

Portfolio of projects under implementation as of June 30, 2012: $30.3 billion



Cooperation with countries and bilateral and multilateral institutions, and collaboration within the Bank Group, are integral to the Bank's work in the region. The Bank is working with the Association of Southeast Asian Nations (ASEAN), the Asia-Pacific Economic Cooperation (APEC), the Pacific Island Forum, the Asian Development Bank, the Australian Government Overseas Aid Program (AusAID), the Japan International Cooperation Agency (JICA), and many other partners to expand development impact. (See **http://worldbank.org/eap**.)

EAST ASIA AND PACIFIC RESULTS HIGHLIGHTS

- With the support of the Avian and Human Influenza Control and Preparedness Project, **Lao PDR** responded effectively to contain several avian flu outbreaks. Between 2006 and 2011, all 17 provinces in Lao PDR established multisectoral avian influenza teams to mobilize in case of an outbreak; biosecurity training was conducted for 305 slaughterhouses (compared with a target of 181), 733 poultry traders, and 1,556 fighting-cock owners; and active disease surveillance was established in 156 markets (surpassing the target of 150 markets), entailing inspection at least twice a month. One hundred percent of diagnostic tests were carried out within 48 hours of samples reaching a laboratory, and 100 percent of samples reached a laboratory within 48 hours of the disease outbreak. (See **http://go.worldbank.org/YVPD2RYIF0**.)
- In **Indonesia**, the Female-Headed Household Empowerment Program has improved the lives of 20,000 women and 52,000 family members through training, scholarships, and organization and network development. The 61 early childhood education centers built by the project have provided assistance to 2,343 poor students, and the project's 92 literacy centers have taught 2,562 poor women to read. (See **http://go.worldbank.org/KVT9OMX080**.)
- By fiscal 2012, the Post-Tsunami Reconstruction Project in **Samoa** had completely restored road access for communities, serving about 5,000 people. It is also rebuilding seawalls. (See **http://go.worldbank.org/67DLXQGMK0**.)

Photo: Kubat Sydykov

EUROPE AND CENTRAL ASIA

The majority of countries in emerging Europe and Central Asia have recovered from the 2008–09 global economic crisis, but growth remains slower than before the crisis in most of the region. Estimated growth of 5.5 percent in 2011 is projected to slow to 3.4 percent in 2012, largely a result of the sovereign debt problems in the Euro Area, which are reducing cross-border financial capital flows, trade, and workers' remittances.

World Bank Assistance

World Bank support to the region reached $6.6 billion in fiscal 2012. Lending was targeted to support a regional strategy based on three pillars: deepening reforms for improved competitiveness; supporting social sector reforms for inclusive growth; and helping countries take action to improve energy efficiency and address climate change for sustainable growth.

Despite the need for adjustments, the resilience of Europe's economic growth model and its strong record of economic and social convergence are the highlights of a 2012 regional flagship report, *Golden Growth: Restoring the Lustre of the European Economic Model*. The report underscores the strong features of the European model, which has driven growth and convergence for the past five decades, notably financial and trade integration as well as social inclusion, and equally highlights reforms needed to restore competitiveness.

Increasing Competitiveness

Infrastructure and the need for skilled workers are the key bottlenecks to private-sector growth in the region, according to the 2010 Business Environment and Enterprise Performance Survey, which polled more than 10,000 firms in 29 countries in the region. Increasing competitiveness and improving productivity require improvements to governance and the investment climate, stable and effective financial intermediation, upgraded labor-force skills, better energy and transport infrastructure, and more efficient public spending.

Through operations in the region in fiscal 2012, the Bank helped stabilize the financial sector in Montenegro and FYR Macedonia and increase access to finance for small- and medium-size enterprises in Armenia, Bosnia and Herzegovina, Moldova, and Turkey. Bank operations improved critical transport infrastructure in Kazakhstan, the Kyrgyz Republic, Ukraine, and the South Caucasus; provided advisory support for modernization efforts in the public administration in Romania; and contributed to reform efforts by Armenia, Kosovo, Poland, and the Russian Federation to improve the business environment and spur innovation.

Supporting Social Sector Reforms

Countries that already had good safety nets in place before the 2009 crisis were best able to protect those in need during the crisis, which hit the region hard. To prepare countries to weather new turmoil linked to the Euro Area crisis, promote employment, and deal with the aging of the

FIGURE 2.5

EUROPE AND CENTRAL ASIA

IBRD AND IDA LENDING BY SECTOR | FISCAL 2012

SHARE OF TOTAL OF $6.6 BILLION

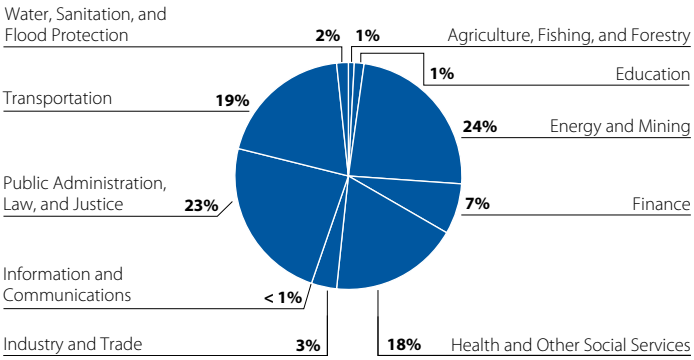
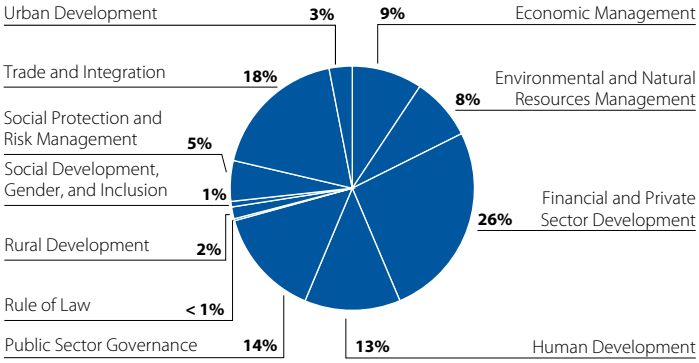


FIGURE 2.6

EUROPE AND CENTRAL ASIA

IBRD AND IDA LENDING BY THEME | FISCAL 2012

SHARE OF TOTAL OF $6.6 BILLION



COUNTRIES ELIGIBLE FOR WORLD BANK BORROWING

Albania
Armenia
Azerbaijan
Belarus
Bosnia and Herzegovina
Bulgaria
Croatia
Georgia
Kazakhstan
Kyrgyz Republic
Kosovo
Latvia
Former Yugoslav Republic of Macedonia
Moldova
Montenegro
Poland
Romania
Russian Federation
Serbia
Tajikistan
Turkey
Turkmenistan
Ukraine
Uzbekistan

population, the Bank is working with countries to improve their social safety nets.

In Romania, the Bank is working to make a comprehensive social assistance program more equitable and efficient. In Tajikistan, it is supporting the government's efforts to develop ways to identify the poor, so that it can more effectively channel support to them in times of need. Bank lending is protecting spending on social assistance and health care in several countries across the region, including Poland and Romania. It is supporting improvements to social safety nets and insurance in Albania and Armenia, and it is funding health care enhancements in Moldova. In Russia, the Bank is working with the Republic of Yakutia to modernize its early childhood network, including the latest design and technology for effective and cost-efficient construction of early childhood centers.

Mitigating and Adapting to Climate Change

ECA has some of the highest energy intensity countries in the world as a result of artificially low energy prices and limited investment in infrastructure over the past 25 years. To help the countries meet this massive challenge, the Bank is supporting investments to improve sustainability and adaptability across the region. Bank operations are backing policy reforms to provide incentives for efficient energy use in Poland, Serbia, and Turkey, and are financing investments in energy efficiency and renewable energy projects in Poland, Turkey, Ukraine, and Uzbekistan. The Bank is supporting carbon finance operations in the Czech Republic, Poland, and Romania. In addition, it is investing in improvements in the capacity to forecast climate change in Moldova, Russia, and Central Asia; disaster mitigation and climate risk management in Moldova; flood management in Poland; and urban development and water and sanitation services in multiple countries.

EUROPE AND CENTRAL ASIA REGIONAL SNAPSHOT

Total population	0.4 billion
Population growth	0.5%
Life expectancy at birth	71 years
Infant mortality per 1,000 live births	19
Female youth literacy	99%
Number of people living with HIV/AIDS	1.5 million
2011 GNI per capita	$7,610
GDP per capita index (2000 = 100)	162

Note: Life expectancy at birth, infant mortality rate per 1,000 live births, and female youth literacy are for 2010; other indicators are for 2011 from the World Development Indicators database. HIV/AIDS data are from the 2012 UNAIDS report, "Together We Will End AIDS."

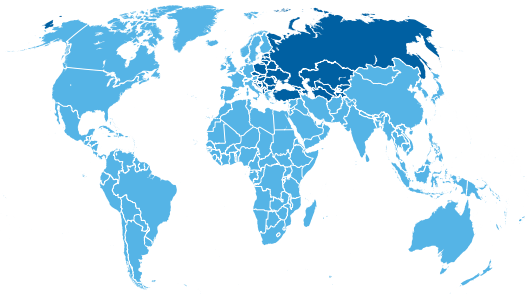
TOTAL FISCAL 2012

New commitments
IBRD $6,233 million
IDA $362 million

TOTAL FISCAL 2012

Disbursements
IBRD $5,654 million
IDA $482 million

Portfolio of projects under implementation as of June 30, 2012: $23.0 billion



Key Partnerships

The Bank partnered with the International Monetary Fund (IMF), European Union (EU) institutions, and European international financial institutions to advance the Vienna 2 Initiative, which aims to improve banking systems and coordination in EU and non-EU countries. The Bank has a close partnership with the EU, the largest trust fund donor to the ECA region. The Bank is working with the EU to improve the capacity of ECA's EU-member clients to absorb EU funds, and supports EU candidate countries' reform efforts. The Bank also has a close partnership with Russia, which is now the second-largest trust fund donor in the region, to support education, public finance management, project preparation capacity, official statistics, and global public goods in the region and beyond. (See **http://worldbank.org/eca**.)

EUROPE AND CENTRAL ASIA RESULTS HIGHLIGHTS

- Pensioners in **Azerbaijan** now receive their payments in full and on time as a result of the Pension and Social Assistance Project. The project increased the number of people contributing to the social security system by 40 percent between 2003 and 2011 to 1.87 million people. (See **http://go.worldbank.org/QN0LF5XP50**.)
- Three development policy operations strengthened the safety nets in **Georgia.** Between 2009 and 2011, the loans expanded coverage under the targeted medical insurance system from 750,000 to 900,000 people and increased the number of people receiving social assistance from 370,000 to 440,000. (See **http://go.worldbank.org/OHLI96VRF0**.)
- Seventy-three million regional energy consumers have benefited from the introduction of wholesale markets for electricity in the **Southeastern Europe Energy Community** and **Turkey**, through the Europe and Central Asia Regional Energy APL Program. The program also financed the construction or rehabilitation of 42 substations, 218 kilometers of transmission lines, and 165 kilometers of fiber-optic cable. (See **http://go.worldbank.org/YFMHWQJYO0**.)

Photo: Maria Fleischmann

LATIN AMERICA AND THE CARIBBEAN

Resilience to recent global turmoil allowed Latin America and the Caribbean to grow 4–5 percent in fiscal 2012. Growth is projected to slack to 3–4 percent as a result of the slowdown in China, the region's key trading partner and the engine behind the solid growth and market diversification of the past few years. Even more modest growth is projected in the Caribbean and Central American countries.

Unprecedented growth and economic stability over the past decade pulled some 73 million people in the region out of poverty. In spite of the global financial crisis, the region remained stable.

World Bank Assistance

Bank support for Latin America and the Caribbean reached $6.6 billion this fiscal year, of which $6.2 billion came from IBRD and $448 million from IDA, including $202 million in grants. Brazil ($3.2 billion), Mexico ($1.5 billion), and Colombia ($660 million) were the largest borrowers. The sectors of Public Administration, Law, and Justice ($2.0 billion); Transportation ($1.2 billion); and Education ($1.0 billion) received the most funding.

The development agenda in the region needs a stronger focus on increasing productivity, reducing dependence on low value-added commodity exports, addressing production capacity constraints, modernizing infrastructure, boosting innovation, and making the state more effective. The Bank supports efforts to sustain the region's economic growth while opening up opportunities for all through programs that increase the creation of quality jobs and assist people in need through conditional cash transfers, which were pioneered in the region.

Creating Opportunities

To contribute to the region's demands for sustainable and socially inclusive growth, the World Bank has upped its strategic support to individual countries in the region.

Conscious of the region's diverse development needs, the Bank delivers a suite of financial, advisory, and convening services that are tailored to each country. From straight financing of development projects, including sophisticated contingency lines of hazard-related credit, to in-depth development research, the World Bank Group has supported the region's social and economic agendas to the tune of $14.7 billion in fiscal 2012.

New strategies for Brazil and Bolivia are aligned with the countries' efforts to create more economic opportunities for the underprivileged and are built on advances of previous partnerships that expanded access to basic services, education, and health to many.

Brazil's $8 billion Country Partnership Strategy (CPS) 2012–2015 calls for close coordination with its new national extreme poverty eradication program, *Brasil sem Miséria* (Brazil without Poverty), which focuses on the northeastern states, to improve social and economic opportunities for 16 million of the country's most vulnerable people. (See **http://documents.worldbank.org/curated/en/2011/09/15273914/brazil-country-**

FIGURE 2.7

LATIN AMERICA AND THE CARIBBEAN

IBRD AND IDA LENDING BY SECTOR | FISCAL 2012

SHARE OF TOTAL OF $6.6 BILLION

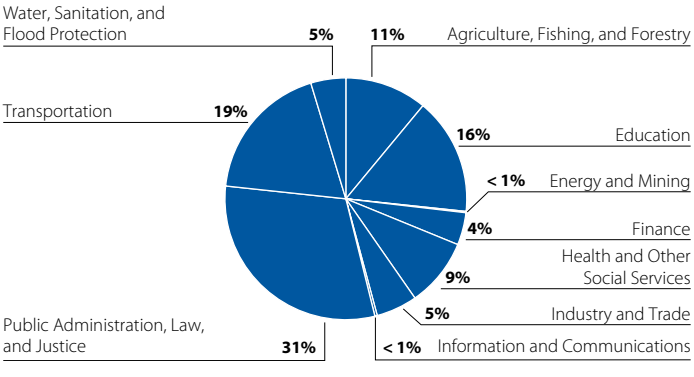
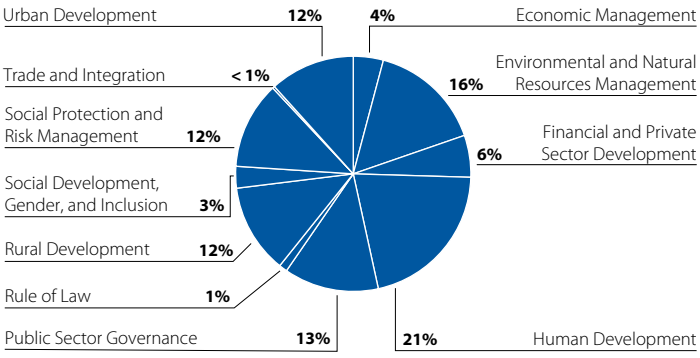


FIGURE 2.8

LATIN AMERICA AND THE CARIBBEAN

IBRD AND IDA LENDING BY THEME | FISCAL 2012

SHARE OF TOTAL OF $6.6 BILLION



COUNTRIES ELIGIBLE FOR WORLD BANK BORROWING

Antigua and Barbuda
Argentina
Belize
Plurinational State of Bolivia
Brazil
Chile
Colombia
Costa Rica
Dominica
Dominican Republic
Ecuador
El Salvador
Grenada
Guatemala
Guyana
Haiti
Honduras
Jamaica
Mexico
Nicaragua
Panama
Paraguay
Peru
St. Kitts and Nevis
St. Lucia
St. Vincent and the Grenadines
Suriname
Trinidad and Tobago
Uruguay
República Bolivariana de Venezuela

partnership-strategy-cps-period-fy2012-2015.) In turn, Bolivia's CPS will affect the lives of 3 million people, largely from rural areas, and support directly 1 million farmers in the country's impoverished north.

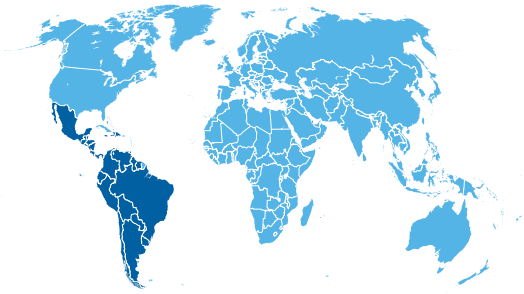
On the second anniversary of Haiti's tragic earthquake, a new interim strategy provided $225 million in grants toward the country's reconstruction efforts. This funding supports the safe return from camps of more than 22,000 displaced persons, improves neighborhoods for 75,000 people, and finances tuition waivers for about 100,000 schoolchildren.

Children continued to top the Bank's human development agenda. Five million mothers, and children from birth to age 6, benefited from programs developed throughout Latin America under the Early Childhood Initiative: An Investment for Life. After two years of operation, the initiative has approved $400 million worth of projects, doubling the initial projected funding, and surpassed the original total commitment of $300 million for the period 2010–13.

In fiscal 2012, several countries took out lines of credit as insurance against unforeseen economic circumstances and the risk of natural disasters. El Salvador activated a $50 million line of financing after massive flooding left thousands of Salvadorians homeless and caused widespread damage.

Improving Citizen Security

Crime and violence are key development challenges throughout Latin America and the Caribbean. In parts of the region, this scourge has taken a steep toll on people and local economies. In Central America, for instance, 14,257 lives are claimed annually by crime—an average of 40 people per day—costing countries up to 8 percent of their GDP.



The impact of crime and violence is so profound that experts fear development can be set back many years as a consequence.

This year, for the first time in the region, a CPS approved by the Board included a pillar on citizen security. The new CPS for Honduras, the country with the highest murder rate in the world, will support, among other things, the distribution of violence-prevention toolkits in at least 200 schools, as well as the implementation of a comprehensive security plan in at least 10 municipalities in the country's center, north, and east regions. It will also help build institutional capacity against money laundering and an improved database for crime and violence. (See **http://documents.worldbank.org/curated/en/2011/11/15506299/honduras-country-partnership-strategy-period-fy2012-2014**.)

The Bank has also contributed to addressing this issue by providing technical assistance to SICA (Central America Integration System) in developing the prevention pillar of the Central America Citizen Security Strategy and by convening key players from the private and public sectors to generate practical responses to the region's increasingly lax security. (See **http://worldbank.org/lac**.)

LATIN AMERICA AND THE CARIBBEAN REGIONAL SNAPSHOT

Total population	0.6 billion
Population growth	1.1%
Life expectancy at birth	74 years
Infant mortality per 1,000 live births	18
Female youth literacy	97%
Number of people living with HIV/AIDS	1.7 million
2011 GNI per capita	$8,544
GDP per capita index (2000 = 100)	128

Note: Life expectancy at birth, infant mortality rate per 1,000 live births, and female youth literacy are for 2010; other indicators are for 2011 from the World Development Indicators database. HIV/AIDS data are from the 2012 UNAIDS report, "Together We Will End AIDS."

TOTAL FISCAL 2012	TOTAL FISCAL 2012
New commitments	Disbursements
IBRD $6,181 million	IBRD $6,726 million
IDA $448 million	IDA $342 million

Portfolio of projects under implementation as of June 30, 2012: $33.2 billion

LATIN AMERICA AND THE CARIBBEAN RESULTS HIGHLIGHTS

- The Rio Grande do Norte Rural Poverty Reduction Project in **Brazil** has helped 90,000 poor rural families, created 12,000 jobs, provided 53,000 families with access to water, and more than tripled the agricultural productivity of beneficiaries of joint water and productive investments. The project also created 2,100 community associations, which are improving the relationship between poor communities and state and local authorities. (See **http://go.worldbank.org/3VC16UY3R0**.)
- In **Honduras**—one of the most vulnerable countries in the world to natural disasters—the Natural Disaster Mitigation Project helped improve the country's capacity for managing disaster risk and reduced local disaster vulnerability in participating municipalities. The project improved the flood early warning systems for four of the main watersheds destroyed by Hurricane Mitch and helped complete structural mitigation measures in 58 municipalities, benefiting more than 500,000 people. (See **http://go.worldbank.org/CKKYM2YDT0**.)

Photo: Arne Hoel

MIDDLE EAST AND NORTH AFRICA

Dramatic political changes occurred throughout the Middle East and North Africa in fiscal 2012, marked by revolutions, elections, and violent conflict in some countries and significant reforms in some others. A common thread across many of the countries that have witnessed the Arab Spring has been a consistent call led by the region's thousands of energized youth. They are demanding respect, dignity, and good governance and asking for jobs and socioeconomic opportunities that an inclusive growth path would bring.

The Bank also needs to operate differently in this region, as it focuses on deeper consultations with a wider group of stakeholders, particularly civil society. The consultative process is a critical foundation of the Bank's support of efforts by these countries to progress toward appropriate governance mechanisms—a move away from the cronyism and corruption of previous regimes—and a renewed focus on the role effective private sector actors can play.

Given this localized background and broader economic turbulence, especially in developed countries, economic growth in the region fell to just 3 percent in fiscal 2012. However, rising oil prices, and some economic recovery in countries affected by the revolutions are expected to increase regional growth to 4.2 percent this fiscal year. Countries that are oil exporters are expected to grow by 5.7 percent, while oil importers likely will grow by only 2.8 percent, leaving their fiscal situation tenuous.

World Bank Assistance

Bank support reached $1.5 billion in fiscal 2012, including $1.4 billion from IBRD and $80 million from IDA—entirely in the form of grants. The Bank also allocated $63 million in special financing for the West Bank and Gaza, and delivered 123 Economic and Sector Work and non-lending Technical Assistance activities.

In response to the Arab Spring, the Bank is implementing a new framework for engagement and support to the MNA countries. This framework is based on four pillars: strengthening governance; increasing social and economic inclusion; creating jobs, including for youth and women; and accelerating sustainable growth. These pillars are underpinned by the cross-cutting themes of gender, regional integration, and fostering a competitive private sector.

Creating Jobs

Jobs—particularly jobs for youth and women—are critical to development. But the region is providing too few of them. In the 2000s, Middle East and North Africa created only 3.2 million jobs per year. It needed to create 1 million more to bring unemployment down.

The growing attention to employment is reflected in the fiscal 2012 program for the region. The Arab Republic of Egypt's $200 million Emergency Labor Intensive Project focuses on temporary jobs. Tunisia's

FIGURE 2.9

MIDDLE EAST AND NORTH AFRICA

IBRD AND IDA LENDING BY SECTOR | FISCAL 2012

SHARE OF TOTAL OF $1.5 BILLION

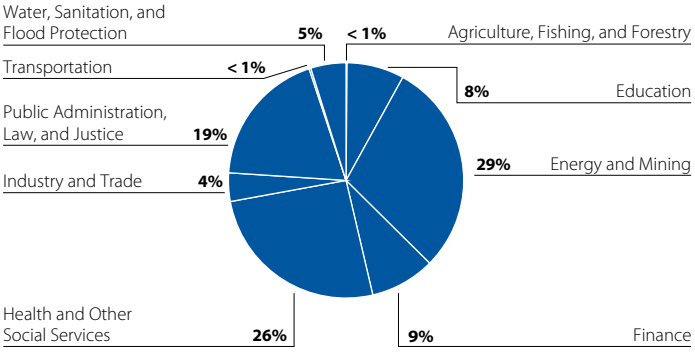
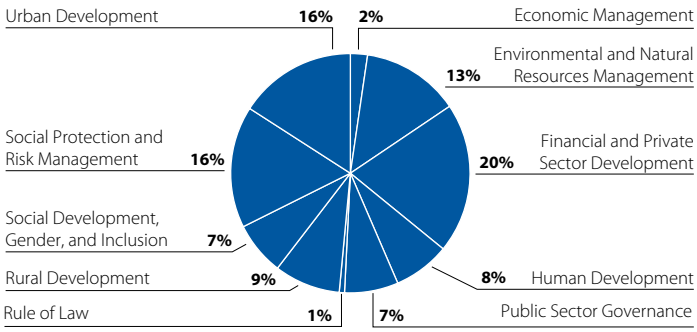


FIGURE 2.10

MIDDLE EAST AND NORTH AFRICA

IBRD AND IDA LENDING BY THEME | FISCAL 2012

SHARE OF TOTAL OF $1.5 BILLION



COUNTRIES ELIGIBLE FOR WORLD BANK BORROWING

Algeria
Djibouti
Arab Republic of Egypt
Islamic Republic of Iran
Iraq
Jordan
Lebanon
Libya
Morocco
Tunisia
Republic of Yemen

This section also reports on the West Bank and Gaza.

$50 million Micro and Small and Medium Enterprises (MSME) Project and Morocco's $50 million MSME Project concentrates on generating private sector employment. Morocco's $100 million First Skills and Employment Development Policy Loan also directly targets labor market challenges. In fiscal 2012, a $61 million Labor Intensive Public Works Project was approved for the Republic of Yemen.

Strengthening Governance

Work on governance issues in Tunisia was completed at the end of fiscal 2012, in the wake of a $500 million Governance Loan delivered in 2011. In Morocco, a $16 million Judicial Performance Project was approved, as was a $6 million Institutional Strengthening Project for Djibouti. In Jordan, the Bank is supporting technical assistance to strengthen legal aid services and community-based initiatives. In West Bank and Gaza, a $3 million Second Land Administration Special Financing Project was approved.

Increasing Social and Economic Inclusion

Morocco's $300 million National Initiative for Human Development Loan, approved in late June 2012, was the first Program for Results (PforR) for the region and one of the Bank's first two PforR loans. It focuses on enhancing services for the rural and urban poor and targets income-generating activities. Tunisia's $5 million participatory Service Delivery for Reintegration Project, as well as projects in Health totaling $5.5 million and Community Public Works ($3 million), were delivered in fiscal 2012—all targeting poorer, excluded sections of the population. In Djibouti, the Bank approved the $5 million Crisis Response Social Safety Net and the $3 million Rural Community Driven Development and Water Project.

Accelerating Sustainable Growth

The $240 million Giza North Additional Financing energy project is designed to contribute to Egypt's growth. In Jordan, the first programmatic Development Policy Loan ($250 million) was approved, as was Morocco's innovative $200 million Ouarzazate Concentrated Solar Power Project. In Djibouti, the $5.2 million Power Access and Diversification Project will help with energy sector bottlenecks. In West Bank and Gaza, a $40.0 million special financing Palestinian Reconstruction and Development Plan Support Program was approved, and an $8.0 million Electricity Special Financing Project and the $3.7 million recipient-executed Gaza Wadi Fukin Water and Wastewater Technical Assistance Program were all given the green light.

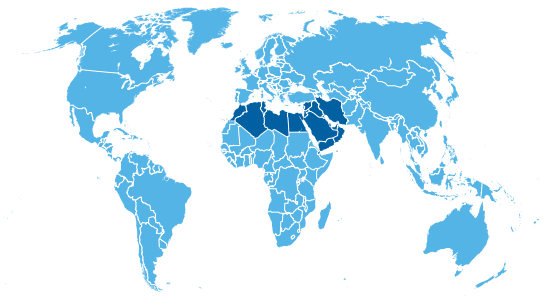
MIDDLE EAST AND NORTH AFRICA REGIONAL SNAPSHOT

Total population	0.3 billion
Population growth	1.7%
Life expectancy at birth	72 years
Infant mortality per 1,000 live births	27
Female youth literacy	88%
Number of people living with HIV/AIDS	0.3 million
2011 GNI per capita	$3,530
GDP per capita index (2000 = 100)	128

Note: Life expectancy at birth, infant mortality rate per 1,000 live births, and female youth literacy are for 2010; other indicators are for 2011 from the World Development Indicators database. HIV/AIDS data are from the 2012 UNAIDS report, "Together We Will End AIDS."

TOTAL FISCAL 2012	TOTAL FISCAL 2012
New commitments	Disbursements
IBRD $1,433 million	IBRD $1,901 million
IDA $80 million	IDA $102 million

Portfolio of projects under implementation as of June 30, 2012: $8.4 billion



Knowledge and Technical Assistance Work in the Gulf Cooperation Council Countries

The multisectoral programs in both Kuwait and Saudi Arabia grew in fiscal 2012. Work is proceeding on social safety nets in Bahrain, fiscal capacity and labor markets in the United Arab Emirates, education in Oman, and fiscal management and trade and business facilitation in Qatar. (See **http://worldbank.org/mna.**)

MIDDLE EAST AND NORTH AFRICA RESULTS HIGHLIGHTS

- In **Egypt,** the Enhancing Access to Finance for Micro and Small Enterprises investment loan has provided credit since April 2011 to more than 4,000 small and medium-size enterprises, including about 1,000 owned by women entrepreneurs. The project also removed the ceilings on the interest rate microfinance institutions, and NGOs can now charge end beneficiaries. (See **http://go.worldbank.org/ 93BSSF2E30**.)
- In **Morocco,** the Second National Program of Rural Roads helped raise the country's Rural Road Accessibility Index from 50 percent in 2005 to 70 percent in 2010. The project benefited 1.9 million rural people. (See **http://go.worldbank.org/L6115RKTJ0**.)
- In the **Republic of Yemen,** the Secondary Education Development and Girls Access Program has increased the gender parity index of secondary education in the selected districts from 0.42 to 0.61. As of May 2012, the project had trained some 30,000 teachers, 90 female staff in 50 secondary schools have been contracted, and civil works programs have been initiated in 44 schools. (See **http://www-wds.worldbank.org/external/default/WDSContentServer/WDSP/IB/2012/04/09/000386194_20120409041337/Rendered/PDF/664630PJPR0v100April04020120final0.pdf**.)

Photo: Deshan Tennekoon

SOUTH ASIA

Real GDP growth in South Asia has slowed considerably, following a promising start to fiscal 2012. Regional industrial production, exports, and capital flows began to show signs of weakness at the end of the first quarter of 2012, reflecting a slowdown in economic activity in the region's traditional export markets of the United States and Europe as well as a lack of progress on structural reforms. The renewed slowdown comes on the heels of a sharp deceleration in economic growth in the second half of 2011, which saw regional GDP growth decline to an estimated 7.1 percent for the year, from 8.6 percent in 2010.

Strong growth averaging 6 percent a year over the past 20 years has translated into declining poverty and impressive improvements in human development. Still, South Asia is home to 44 percent of the developing world's poor, with about 571 million people in the region surviving on less than $1.25 a day, the extreme-poverty level.

World Bank Assistance

The Bank is a key development partner in South Asia. In fiscal 2012, it approved 30 projects in the region, financing $1.2 billion in IBRD loans and $5.3 billion in IDA commitments, including $181 million in grants.

In fiscal 2012, the World Bank announced a new innovative financing arrangement for India, which allows the Central Bank to hold a $4.3 billion bond as collateral for additional IBRD financing beyond India's Single Borrow Limit. This new instrument will enable India to continue accessing IBRD funding for key development projects aimed at improving the lives of its people.

Honing a New Regional Update

The 2012 Regional Update summarizes the Bank's approach to addressing challenges in South Asia and provides a roadmap of country-specific strategies. The approach focuses on creating more and better jobs by loosening constraints to growth; building skills and improving health and nutrition outcomes, both closely linked to a focus on women; promoting regional cooperation; and strengthening governance.

Creating More and Better Jobs

South Asia has a young population and the second-lowest female labor force participation rate. To reduce poverty and to sustain growth in the region, South Asia faces the extraordinary challenge of creating 1.0 million–1.2 million additional jobs every month for the next 20 years. Fortunately, its young population can reap a demographic dividend if appropriate policies are adopted.

The Bank's regional flagship report, *More and Better Jobs in South Asia*, identifies three main priorities: reforming the electricity sector, in order to attract more private investment and improve the governance of utilities;

FIGURE 2.11

SOUTH ASIA

IBRD AND IDA LENDING BY SECTOR | FISCAL 2012

SHARE OF TOTAL OF $6.4 BILLION

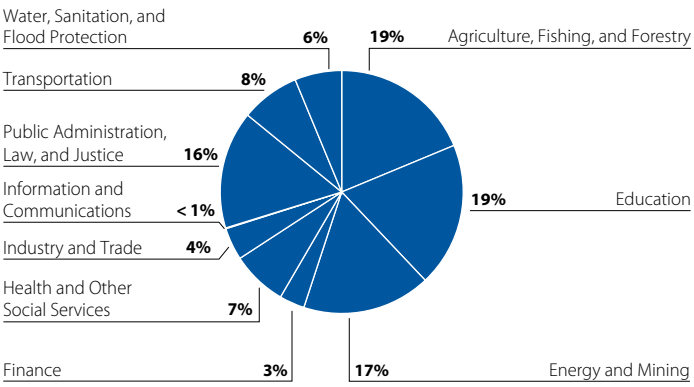
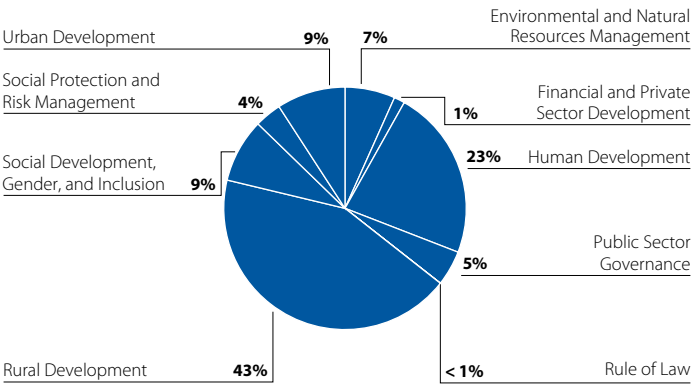


FIGURE 2.12

SOUTH ASIA

IBRD AND IDA LENDING BY THEME | FISCAL 2012

SHARE OF TOTAL OF $6.4 BILLION



COUNTRIES ELIGIBLE FOR WORLD BANK BORROWING

Afghanistan
Bangladesh
Bhutan
India
Maldives
Nepal
Pakistan
Sri Lanka

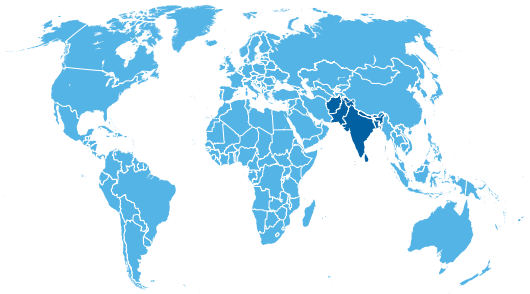
improving the quality of education, with an emphasis on early childhood development, to reduce the world's highest rates of child malnutrition; and increasing the flexibility of labor laws (to make entry and exit of labor less costly) and strengthening safety net and training programs (to help workers adjust to shocks and enhance their future earning potential).

Promoting Regional Cooperation

Regional economic cooperation can lead to major increases in growth and security in the region. To ensure that the region is part of the Asian Century, the Bank is supporting regional networks that share information and build institutional capacity through analysis, dialogue, and capacity building. It is financing projects that facilitate trade in goods, services, and electricity; strengthen regional cooperation in wildlife protection, water resource management, food security, and disaster risk management; and leverage partnerships with the donor community as well as women entrepreneurs, youth and industry groups, think tanks, and the media.

Supporting Conflict and Post-conflict Areas

The World Bank–administered Afghanistan Reconstruction Trust Fund (ARTF) is the largest single-country multidonor trust fund administered by the World Bank and one of the main instruments for financing Afghanistan's recurrent budget and investment needs. The fund, supported by 33 donor countries, has generated more than $5.3 billion since its inception in 2002.



Bank support for Afghanistan in the next two years will help ease the transition to government-led responsibility for security and development by the end of 2014. Support will focus on building the legitimacy and capacity of local government and civil society, providing equitable service delivery, and spurring inclusive growth and job creation. (See **http://worldbank.org/sar**.)

SOUTH ASIA REGIONAL SNAPSHOT

Total population	1.7 billion
Population growth	1.4%
Life expectancy at birth	65 years
Infant mortality per 1,000 live births	52
Female youth literacy	73%
Number of people living with HIV/AIDS	2.7 million
2011 GNI per capita	$1,305
GDP per capita index (2000 = 100)	172

Note: Life expectancy at birth, infant mortality rate per 1,000 live births, and female youth literacy are for 2010; other indicators are for 2011 from the World Development Indicators database. HIV/AIDS data are from the 2012 UNAIDS report, "Together We Will End AIDS."

TOTAL FISCAL 2012	TOTAL FISCAL 2012
New commitments	Disbursements
IBRD $1,158 million	IBRD $1,037 million
IDA $5,288 million	IDA $2,904 million

Portfolio of projects under implementation as of June 30, 2012: $37.8 billion

SOUTH ASIA RESULTS HIGHLIGHTS

- School enrollment in **Afghanistan** rose from 1.0 million to 7.2 million students between 2002 and 2011, as a result of the Education Quality Improvement Project. In 2001, girls in Afghanistan were not permitted to attend school; by 2011, 2.7 million girls, 37 percent of all students, were enrolled. (See **http://go.worldbank.org/FZ7MZCVSG0**.)
- In **India,** the National AIDS Control Project helped cut the number of new HIV infections in half between 2000 and 2009. Thanks to targeted prevention interventions, an estimated 3 million HIV infections will have been averted by 2015. (See **http://go.worldbank.org/MVIKK16G20**.)
- The **Pakistan** Earthquake Emergency Recovery Project constructed 80,000 seismic-resistant homes between 2006 and 2010 and received $300 million in additional financing in 2010 to continue the housing program following the unprecedented floods across Pakistan. (See **http://go.worldbank.org/46DF5P6U70**.)

WORLD BANK FOR RESULTS 2012

OVERVIEW

The World Bank has made significant improvements in managing and monitoring development results and sharpening its focus on results in its operations and strategies. It has increased its ability to collect and aggregate results data, conduct performance assessments, establish clear results reporting mechanisms, and use lessons from impact evaluations. The Bank has also improved the way it communicates development outcomes, publishing more than 645 results stories in multiple languages, using the Web, multimedia, and social media tools—putting a human face on development data.

In September 2011, the Bank released its first integrated results and performance framework, known as the Corporate Scorecard. In April 2012, the Bank launched an interactive, Web-based electronic Corporate Scorecard, giving online access to the Bank's shareholders and stakeholders. In the same year, the Bank's use of the Corporate Scorecard continued to expand rapidly: the Bank institutionalized the Scorecard by including key performance indicators in the Memoranda of Understanding between Senior Management and Vice Presidents; quarterly Scorecard Days led by Senior Management to discuss key priorities were organized; and starting the current fiscal year (fiscal 2013), the Board and Management will discuss the Scorecard twice a year. (See **corporatescorecard.worldbank.org**.)

In the same spirit, other Multilateral Development Banks (MDBs)—such as the African Development Bank, Asian Development Bank, European Bank for Reconstruction and Development, Inter-American Development Bank, International Fund for Agricultural Development, and the Islamic Development Bank—have also institutionalized multitier Corporate Scorecards. This has brought the MDBs into a common framework of integrated results and performance-based development.

This section of the Annual Report serves as a companion to the Corporate Scorecard, which covers the full spectrum of IBRD and IDA activities. It facilitates dialogue between Management and the Board on progress made and areas that need attention, all organized in four tiers. Tier I provides indicators related to the Global Development Context. These indicators show the long-term development outcomes that countries are achieving and provide the context and direction of the Bank's work. These high-level outcomes cannot be attributed directly to the Bank, because countries and their development partners all contribute to these achievements over the long term through a combination of multisector interventions, actions, and policy decisions. These indicators are also affected by external factors such as global crises. Tier II indicators measure Country Results Supported by the Bank and highlight development results that countries have achieved with Bank support. Tier III indicators measure Development Outcomes and Operational Effectiveness, and as such provide information on the effectiveness of the Bank's operations and services. Tier IV indicators measure the Bank's Organizational Effectiveness and Modernization and assess how well the Bank is functioning and adapting in order to better support countries in achieving development results.

Countries have continued to make progress on development priorities in spite of slower global growth in both 2011 and 2012 than in 2010. Average annual GDP per capita for developing countries reached $2,080 (constant year 2000 dollars) in 2011, and gender parity in primary and secondary school enrollment reached about 97 percent in 2010. The Millennium Development Goal (MDG) targets of halving extreme poverty ($1.25 a day) and halving the proportion of people without access to drinking water by 2015 as compared to 1990 levels appear to have been met in 2010, five years ahead of schedule. Progress and the benefits achieved vary substantially across and within countries, however, and the number of people living on less than $2 a day fell only slightly. More than 75 percent of people who lack access to drinking water and basic sanitation live in rural areas, a major challenge going forward. Important gains were made in several other areas.

Colombia

Photo: Scott Wallace

To support country results, the Bank provides financial, knowledge, and convening support, as well as analysis and institutional and capacity support, to more than 140 countries. It works across six main areas of engagement: institutions and governance, human development and gender, infrastructure, agriculture and food security, environment and climate change, and financial and private sector development and trade.

The Bank supports the establishment of effective institutions, recognizing that they are essential to achieving sustainable development outcomes. Between 2010–12, Bank support strengthened 64 countries in public sector management systems including civil service and public administration systems, public financial management systems, tax policy and administration systems, and procurement systems; 85 countries in 2012 were supported on asset, liability, and risk management. The Bank contributed significant results in education, health, and social protection, especially as they pertain to women and girls. The Bank has also taken the lead in promoting global collective action in these areas. Over the decade 2002–11, nearly 66 million people received basic packages of health, nutrition, or reproductive health services. Bank support for social protection benefited about 267 million people in 83 countries during 2005–11.

Bank support for infrastructure continued to grow rapidly as well. Since 2002, Bank projects have helped to provide 145 million people with improved access to water and helped finance the construction and rehabilitation of about 190,000 kilometers of roads. Over the past decade, the Bank has also supported more than 100 countries to develop information and communication technology. In agriculture, the Bank-managed $1.5 billion Global Food Crisis Response Program reached an estimated 40 million people in 47 countries. In the climate change arena, the Bank is working with 130 countries on mitigation and adaptation programs and with 74 countries on disaster risk management in the past three years. The broadening and deepening of financial markets is bringing services to underserved populations, and expanding micro-, small-, and medium-size enterprises remains a cornerstone of Bank support in more than 50 countries.

Based on the Bank's internal reviews of projects' development outcomes, the quality of project design and implementation remained stable, as did the percentage of projects with well-formulated objectives and indicators and the percentage of projects that reported on results achieved at completion. The Bank's portfolio performance was stable between 2008 and 2012, with 85.5 percent of projects considered to be performing in a satisfactory manner in 2012.

To strengthen development outcomes—which fell to 70.5 percent of projects considered satisfactory at exit in 2010, based on partial Independent Evaluation Group (IEG) reviews, below the institutional standard—the Bank is revamping its quality assurance system, which will be rolled out in fiscal 2013. Disbursement levels in fiscal 2011 remained robust at $32.2 billion, but declined in fiscal 2012 to $30.8 billion as quick response crisis projects exited the portfolio. About 71 percent of the Bank's economic and sector work and nonlending technical assistance accomplished its objectives, but could achieve greater impact and could be enhanced through improved dissemination.

The Bank has made major advances in sharing knowledge and data more effectively with its clients. The Open Data Initiative has facilitated better informed development decisions, the Open Knowledge Repository opened in April 2012, and geomapping for all Bank-supported projects has been completed. The Bank has focused on gender mainstreaming as it implements the recommendations of the *World Development Report 2012: Gender Equality and Development*. The use of country systems in Bank operations has also improved over time, as evidenced by the 2011 Paris Survey on Aid Effectiveness. The Bank met the Paris Declaration Survey targets for procurement and financial management in 2010, although there is still room for improvement.

The Bank continues to improve its organizational effectiveness by implementing its modernization program. Operating with a real flat budget since fiscal 2006, it has made continuous improvements to allocate and use its resources more efficiently. It is also working to better align the skills and capacity of its staff with its strategic priorities. In particular, it is aiming to increase staff time allocated to activities outside of their units. Staff diversity has increased, as the Bank moves toward its goal of gender parity in management.

In support of its Global Mobility approach to staff decentralization, the Bank has opened two hubs, one in Nairobi, Kenya, to support its work on fragile and conflict-affected countries, and the other in Singapore, to provide special expertise in such areas as public-private infrastructure partnerships. In the results area, the Bank has expanded the use of Core Sector Indicators to 24 sectors and themes. In fiscal 2012, the Bank also launched a new lending instrument, Program for Results (PforR), which disburses funds upon achievement of pre-agreed results. The Bank is also expanding its menu of instruments, which now includes guarantees, weather insurance, and support to local currency bond markets. At the apex level, the Corporate Scorecard is making the Bank more accountable and transparent to its shareholders and stakeholders.

GLOBAL DEVELOPMENT CONTEXT AND KEY DEVELOPMENT OUTCOMES: TIER I

Tier I indicators of the Corporate Scorecard show the long-term development outcomes that countries are achieving and provides the context and direction for the Bank's work. These high-level outcomes, such as those monitored as part of the Millennium Development Goals (MDGs), cannot be attributed directly to the Bank only, because they reflect multisector interventions, actions, and policy decisions of countries and their development partners.

Growth and Poverty

Countries continued to make progress on development priorities, despite the slowdown of global growth to 3.8 percent in 2011. Average annual GDP per capita in developing countries reached $2,080 (constant 2000 US$) in 2011. For the first time, by 2010, every region of the world saw the percentage as well as the absolute number of extremely poor people in developing countries decline. The percentage of the world's population living on less than $1.25 a day declined from 43 percent in 1990 to 22.7 percent, and the absolute number declined from 1.9 billion in 1990 to 1.29 billion in 2008. A preliminary survey-based estimate for 2010—based on a smaller sample than the global update—indicates that the global poverty rate of $1.25 a day fell to less than half of its 1990 value by 2010. If these results are confirmed by follow-up studies, the first target of the MDGs—cutting the extreme poverty rate to half of its 1990 level—would have been already achieved on the global level before the 2015 target year, despite the 2008 food, fuel, and financial crises. The recent World Bank projections also suggest that the global extreme poverty rate is expected to fall below 16 percent by 2015.

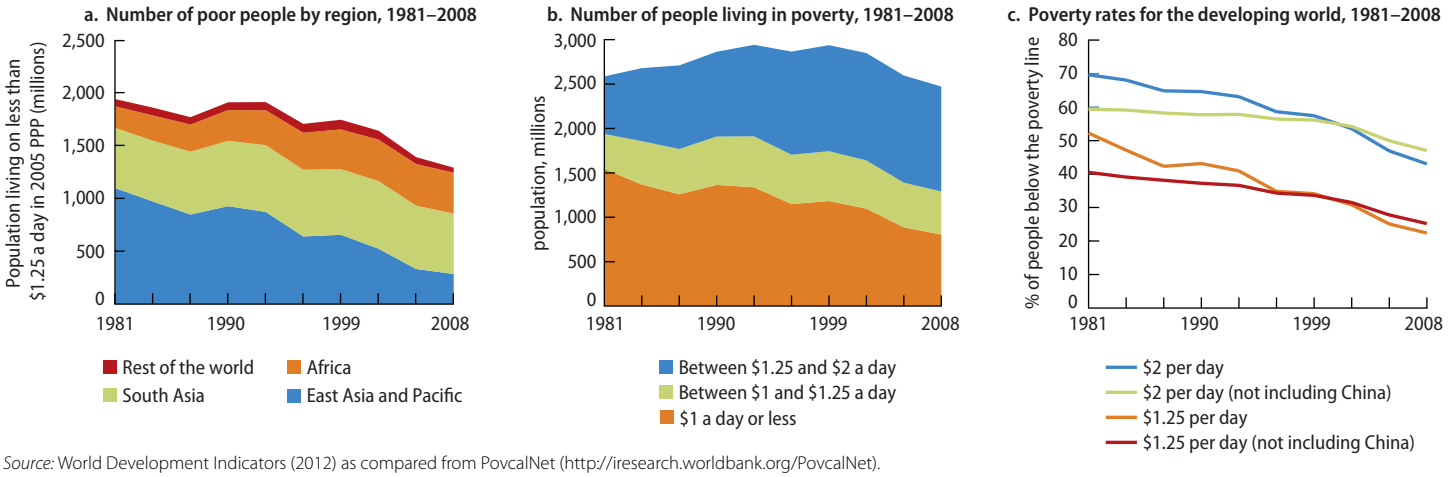
The progress in poverty reduction has been uneven across and within regions (see figure 1). In the East Asia and Pacific region, the proportion of people living on less than $1.25 a day fell to 14.3 percent in 2008, down from 77 percent in 1981, largely due to the progress in China. In Africa, the share of the population living on $1.25 a day fell to 47 percent in 2008, the first time it has ever fallen below 50 percent. Extreme poverty rates declined between 2005 and 2008, reversing the upward trend from 1981 to 2005. Less encouraging is the number of people living on less than $2 a day, which declined only modestly, from 2.59 billion in 1981 to 2.47 billion in 2008. Moreover, as income growth brought several populous countries into middle-income status, about 70 percent of the poor living below $1.25 a day are now in middle-income countries, indicating poverty reduction remains important even as countries become richer.

Progress on the MDGs

In addition to poverty reduction, a second MDG target was also met in 2010, as the proportion of people without access to improved drinking water sources declined by more than half, falling from 28 percent in 1990 to 13.6 percent in 2010. The increase in access to improved water sources demonstrates what countries can achieve with sustained commitment, adequate resources, and effective implementation approaches. As with poverty reduction, progress in meeting the water MDG has, however, been uneven, and large disparities remain across and within countries. Progress in providing access to drinking water to the poorest has been limited to Africa, and more than 75 percent of people without access to improved drinking water live in rural areas. The danger of slippage against the MDG target is real unless many countries improve their maintenance of

FIGURE 1

POVERTY DATA, 1981–2008



Source: World Development Indicators (2012) as compared from PovcalNet (http://iresearch.worldbank.org/PovcalNet).

existing assets to sustain services, which can be as important as building new infrastructure.

Important gains were made on several other MDG targets. Gender parity in primary and secondary enrollment reached nearly 97 percent in 2010, with primary school completion rates reaching over 89 percent in 2010. Thirty-two IDA-supported countries have achieved gender parity in primary and secondary enrollment. Yet more than 60 million primary school-age children are still out of school, with more than half of them living in Africa and more than a fifth in South Asia.

In contrast, progress on other MDGs has fallen short of the targets. In 2010, the maternal mortality ratio was 230 per 100,000 live births, the child mortality rate was 63 per 1,000 live births, and only 56.4 percent of the world's population had access to improved sanitation.

Progress in Other Areas

Improved transport and communications infrastructure have increased connectivity: about 51 percent of all roads were paved during 2005–09, and there were 73 mobile cellular phone subscriptions for every 100 people in developing countries in 2010. Combined with reductions in the number of days it takes to set up a business (which fell to an average of 36 days in 2011 from 50 in 2007), these improvements have helped reduce costs and logistic barriers to international and regional trade.

Progress in other areas, especially employment, governance, and biodiversity, remains mixed. Youth unemployment remains a chronic issue in several regions. Governance reforms have proved difficult to implement in many countries. Deforestation rates have declined, but there has been no increase in protected areas, and oceans are under increasing pressure, with an estimated 85 percent of fish stocks fully exploited or depleted, 40 percent of coral reefs destroyed or degraded, and 405 ocean zones identified as dead.

Expected Progress in 2012

Weaker global growth and volatile food prices may impede progress toward the MDGs in 2012. Slower than expected growth in key emerging economies or a larger and more protracted bank deleveraging in East Asia could further impede progress. Going forward, the global community will continue to work toward improved macroeconomic stability through sustained policy adjustments. In addition, it will focus on closing the gaps in access to food, health care, gender equality, education, finance, and jobs. Part of this effort will involve systematic reform and restructuring of these sectors, which will help bring medium- to longer-term gains.

In the shorter run, well-targeted safety nets and social protection programs could be useful in supporting the poorest. Dozens of countries have created new or improved existing safety nets since 2008. In the past decade, more than 40 countries have followed in the footsteps of Brazil and Mexico by using conditional cash transfer programs to encourage poor parents to send their children to school and take them for medical checkups. The cash payments are often given to the woman of the household, based on evidence that women are more likely than men to spend money on their children. The extra cash helps households buy essentials such as better food and pay for schooling. In some cases, it also increases their access to microfinance, seeds, fertilizer, and other farming inputs, and stimulates entrepreneurial activity.

Tier I of the World Bank Corporate Scorecard has been further strengthened by introducing three more indicators: domestic credit to the private sector as a percentage of GDP, an index measuring country statistical capacity to monitor progress related to the 2011 Busan building blocks, and an indicator on women's economic empowerment and equality through measuring the gap between formal bank accounts held by men and those by women.

COUNTRY RESULTS SUPPORTED BY WORLD BANK OPERATIONS AND ACTIVITIES: TIER II

The Bank provides financial resources, shares knowledge and analysis, supports institutions and country capacity, and facilitates partnerships and knowledge exchanges among developing countries to help them address development challenges. It supports countries' national development priorities, which evolve as country circumstances change. With offices in more than 120 countries, the Bank often plays a coordinating and convening role for development partners, involving other parts of the World Bank Group as needed.

This section discusses progress on results achieved by countries supported by Bank operations under the respective country programs. Results in four main areas of engagement are reviewed.

Support for Institutions and Governance

An important aspect of the Bank's engagement with countries is its long-term support for strengthening their institutions that are critical to a coun-

Sri Lanka

Photo: Dominic Sansoni

try's ability to plan and manage resources effectively and deliver services that improve development outcomes. Specifically, the Bank supports institutional strengthening of policy formulation and implementation, public financial management, procurement, tax, civil service reform and good governance, and anticorruption measures.

In order to further improve results measurement, the Bank introduced outcome indicators in its current Corporate Scorecard, replacing the output indicators. The new measures report the number of countries that have effectively strengthened the performance of their public sector management systems as relevant for achieving broader development outcomes.

According to these measures, during fiscal 2010–12, with Bank support, 28 countries strengthened civil service and public administration systems, 57 countries strengthened public financial management systems, 27 countries strengthened tax policy and administration systems, and 11 countries strengthened procurement systems.

In addition, in fiscal 2012, the Bank supported 85 countries on asset, liability, and/or risk management, which included services and transactions to preserve/enhance the value of national financial assets and strengthen official sector asset managers' capacity to manage pools of national assets, including foreign currency reserves, national pension funds, and sovereign wealth funds; strengthening sovereign and subsovereign governments' debt and risk-management capacity; and mitigating financial and other exogenous risks such as interest rate and currency risks, natural disasters, and food price volatility.

Support for Human Development and Gender

Bank support has contributed to significant results in education, health, and social protection, especially for women and girls. The Bank has also taken the lead in promoting global collective action in these areas. It will continue to engage strongly as part of its Post-Crisis Directions, which focuses on support for the poor and vulnerable.

Education

Since 2000, the Bank's support for education has focused on increasing children's access to school and enabling girls to attend school. In 2011, the Bank stepped up its focus on the development of quality education systems that result in improved learning outcomes for the entire population. It also paid increasing attention to the poorest countries to help them reach universal primary completion and gender parity in primary and secondary education by 2015. To achieve these twin objectives, the Bank has supported the recruitment and training of more than 4 million teachers since 2002. It has supported learning assessments in 29 countries during 2008–11 to measure the effectiveness of national education systems. In 2012, it financed 21 projects (including those in other sectors with education components) supporting disadvantaged children, including girls and children with disabilities, and introduced the Systems Approach for Better Education Results (SABER), a new suite of analytic tools used in a growing number of developing countries.

Going forward, the current output indicator (based on counting the number of countries that have benefited from a learning assessment) will be replaced in the Corporate Scorecard by an outcome indicator. The new indicator will measure the number of students who have benefited from a Bank-supported national learning assessment.

Health

The Bank remains committed to helping countries improve the health and nutrition of their people, especially women and children, by strengthening health systems, expanding access and quality, and controlling disease. Its support and advice aim to buttress countries' efforts to achieve health results in ways that contribute to their overall fiscal sustainability, economic growth, global competitiveness, and good governance.

The health sector was an early adopter of results-based financing as a way to implement the Bank's 2007 Healthy Development strategy. Results-based financing focuses on paying for outputs and outcomes (such as the percentage of women receiving antenatal care or having trained health workers deliver their babies) rather than inputs or processes (such as training, salaries, and medicine). In addition, since 2007, Country Pilot Grants have been made available from the Health Results Innovation Trust Fund (HRITF). So far, 12 have been approved by the Board, and 7 are in the pipeline for fiscal 2013 and 2014.

In the past 10 years, the Bank has supported countries to provide nearly 66 million people with basic packages of health, nutrition, or reproductive health services, and helped immunize 497 million children, as well as offered antenatal care to more than 188 million pregnant women. In the same period, Bank commitments have supported the delivery of antiretroviral therapies to 1.4 million adults and children with HIV, provided 125 million children with doses of vitamin A, and purchased or distributed about 35 million mosquito nets to prevent malaria. In addition, 2.7 million health personnel were trained to improve the quality of service delivery.

To complement the third dimension of food security—nutrition—the Bank will introduce a new indicator in its Corporate Scorecard: the number of pregnant/lactating women, adolescent girls, and children under the age of five reached by basic nutrition services. The new indicator will also further strengthen gender dimensions in the Scorecard.

Social Protection

The Bank's social protection activities are designed to help countries shield poor and vulnerable people from systemic shocks, reduce poverty and income insecurity, and provide economic opportunities, especially for women, young people, and children. In the wake of the lingering food, fuel, and financial crises, demand for Bank support from both middle- and low-income countries jumped. During 2005–11, Bank-supported safety net projects have directly benefited more than 266 million people, mainly through conditional cash transfer programs (94.5 million), other cash as-

sistance transfers (78.5 million), and public works (13.1 million), although the average coverage on a three-year rolling basis has remained unchanged at 114 million beneficiaries.

Gender

The Bank's approach to gender has evolved over the past decades from a focus on human development to a more holistic framework encompassing gender in all economic activities and sectors as well as a rights-based approach with more of a focus on equality. Its gender operations and analytic work focus on enhancing economic opportunity, jobs, social status, inclusion, voice, and leadership. The effects of its $70 million Gender Action Plan, implemented in 2007–10, continue to be felt in programs such as the Adolescent Girls Initiative and in rural development operations. Over the past 10 years, the Bank has supported the provision of antenatal care to more than 188 million pregnant women. Since 2006, it has supported social protection programs and targeted schemes that have benefited 183 million women and girls.

An IEG assessment of Bank support for gender found that the Bank made progress in gender integration from 2002–08, integrating gender concerns in more than half of the relevant projects. However, IEG also identified the need to establish a results framework and to restore a broader requirement for gender mainstreaming.

The gender strategy laid out following the release of the *World Development Report 2012: Gender Equality and Development* incorporates both recommendations. There has been accelerated progress on gender equality, but it has been uneven across the Bank. Changing norms associated with gender is a long-term proposition that requires addressing structural inequalities, cultural change, and attitudes.

To increase the focus on women's economic empowerment, a new indicator will be introduced in the Corporate Scorecard that will measure the percentage of women participating in Bank-supported labor market programs. The new indicator will also be useful for measuring the Bank's efforts to promote gender equality.

Support for Infrastructure

Bank support for infrastructure in the past five years vastly exceeded prior levels in response to the financial crisis and investment backlog in emerging and developing countries, which need infrastructure to boost growth, reduce poverty, and create jobs. The Bank's support focuses on helping countries get on a more sustainable development path for infrastructure by refocusing Bank engagement on access to basic infrastructure services and delivering transformational investments that optimize spatial, low-carbon, inclusive growth and cobenefits. Such projects can be regional, or can connect countries with power grids, broadband, transportation corridors, and large-scale renewable energy. A second focus is on mobilizing additional private capital through expanded public-private partnership arrangements and greater use of guarantee instruments.

Bank support (IBRD/IDA and trust funds) for country infrastructure investments rose to an average of $19.5 billion a year during 2009–12 from an average of $8.2 billion from 2004–07. In the sector of Transport, the Bank emphasizes integrated transport solutions and safe, clean, and affordable transport to support expanded trade and enhanced human development. During 2002–11, the Bank-supported projects constructed or rehabilitated 189,493 kilometers of roads. Energy projects aided by the Bank resulted in the construction or rehabilitation of 114,516 kilometers of transmission and distribution lines and about 19,000 megawatts of generating capacity to improve access to reliable energy.

In the Water, Sanitation and Flood Protection sector, the Bank supported countries' efforts to improve governance and management of the water supply and sanitation infrastructure, irrigation and drainage systems, river basin management, and transboundary water programs. Since 2002, Bank-supported projects have provided 145 million people with access to improved water sources and provided 10 million people with access to improved sanitation facilities, through the construction or rehabilitation of 340,000 improved community water points, 2 million new piped household water connections, and extended support to 302 water utilities.

Tajikistan

Photo: Gennadily Ratushenko

In more than 100 countries, the Bank has financed the development of information and communication technology—through privatization, regulatory reform, institutional capacity building, and system expansions that have included regional connectivity. Improved connectivity and access cause prices to fall, spurring growth and poverty reduction.

Support for Agriculture and Food Security

With 75 percent of the world's poor living in rural areas and most involved in farming, supporting agriculture remains a fundamental instrument for achieving economic growth, poverty reduction, economic transformation, and food security, especially in Africa. In response to the 2008 food crisis, the Bank ramped up its support to agriculture, focusing on raising agricultural productivity, reducing risk and vulnerability, improving nonfarm rural income, and strengthening the governance of natural resource use. Projects were funded under the $1.5 billion Global Food Crisis Response Program (GFRP) established in 2008. Since then, the program has reached an estimated 40 million people in 47 countries. With GFRP support in IDA countries, 381,874 people were employed under cash or food-for-work programs; 342,886 children benefited from school feeding programs; 287,503 pregnant and lactating women received nutritional supplements and education; 582,434 children received nutritional interventions; 173,332 households benefited from cash transfer programs; and 529,873 tons of fertilizer and 3,223 tons of seeds were distributed to farmers.

A new indicator (discussed above) to cover the nutritional dimension of food security will be included in the Corporate Scorecard in its next iteration.

Support for Climate Change and the Environment

The Bank seeks to help the global community and countries increase resilience to the impacts of climate change; develop clean energy solutions; adopt climate-smart plans in land use, agriculture, and infrastructure; and

protect vulnerable groups from environment-related health risks such as air and water pollution.

All of the Country Assistance/Country Partnership Strategies (CASs/CPSs) approved in 2011 and 2012 addressed climate change, and the Bank is supporting adaptation and mitigation programs in 130 countries. The Bank is working with clients to mobilize and leverage resources to advance climate-smart development with the Climate Investment Funds and other financing instruments. The Bank also supports market-based mechanisms for mitigation in 63 countries. Over the past 20 years, the Bank has supported biodiversity projects in 122 countries with protected area management; natural resource management; and mainstreaming of biodiversity into forestry, coastal zone management, and agriculture.

Through the Global Facility for Disaster Reduction and Recovery (GFDRR), a trust fund established in 2006, and other mechanisms, the Bank helps countries recover after natural disasters and develop institutions, programs, and instruments to better withstand future shocks. Between 2006 and 2012, the Bank and GFDRR have supported 102 countries. In the next update of the Corporate Scorecard, the current output indicator will be replaced with an outcome indicator that will measure the progress of a country on meeting standards set by the Hyogo Framework for Action (HFA), which is the first plan to explain, describe, and detail the work that is required from all different sectors and actors to reduce disaster losses. The HFA outlines five priorities for action and offers guiding principles and practical means for achieving disaster resilience. (See **http://www.unisdr.org/we/coordinate/hfa**.)

Support for Finance, Private Sector Development, and Trade

In more than 50 countries, the Bank continues to support the broadening and deepening of financial markets to better serve underserved populations through the expansion of micro-, small-, and medium-size enterprises; the development of payment and remittance systems, collateral registries, and credit bureaus; and the creation of supportive regulatory environments. During 2009-12, microfinance and financial institutions benefiting from Bank support had an average of 31 million active microfinance loan accounts per year worldwide. The Bank continues to participate in the global dialogue on reforming the international financial system and helping countries conduct evaluations that measure their performance against international standards in order to identify and implement needed changes. Its trade logistics advisory program continues to advise governments on how to reduce the time and costs involved in trade and to rationalize trade logistics systems and services. These systems include border clearance processes; electronic payment systems; and interagency coordination on a variety of issues, including customs, product standards, phytosanitary veterinary standards, health standards, and "green" supply chains.

The old output indicator on trade in the Scorecard has been replaced by an outcome indicator to measure progress in countries applying trade-related diagnostic tools. These tools allow a comprehensive assessment of the constraints to competitiveness and trade facilitation. During 2011–12, the Bank has supported 15 countries in successfully applying Trade-related diagnostic tools.

DEVELOPMENT OUTCOMES AND OPERATIONAL EFFECTIVENESS: TIER III

The Bank's policies, systems, and processes reinforce its emphasis on results. They include quality assurance, real-time monitoring of results and performance, and systematic self-evaluation, complemented by ex post independent evaluation of strategies and activities by IEG. This section reviews the overall success of Bank activities in achieving their development goals. It also examines the effectiveness of Bank operations, including the quality and results orientation of its operations and knowledge activities, the performance of its lending portfolio, the mainstreaming of gender in its operational work, client feedback on its operations, and the use of country systems.

Burkina Faso

Photo: Curt Carnemark

Development Outcomes

Countries own and implement the operations supported by the Bank. Country factors, external events, risks (anticipated and unanticipated), and the quality of design and implementation affect the outcome of these operations. IEG's evaluations of projects exiting the portfolio indicate that the share of operations that achieved their development objectives declined from 76.8 percent in 2008 to 70.5 percent in 2010—which is based on the partial review of 78 percent Implementation Completion and Results Reports (ICRs). Furthermore, over fiscal 2009–12, the four-year rolling average of IEG's satisfactory outcome ratings for results-based CAS/CPS was 63 percent, an improvement from the fiscal 2010 baseline of 59 percent but still significantly below the targeted level of 70 percent. This may reflect the fact that many of these CASs/CPSs were first-generation results-based strategies, some of which set ambitious objectives, and that country priorities often change during the implementation period of strategies—as they did during the recent crises—requiring the Bank to reorient its support to new priorities. Management is redoubling efforts to strengthen the focus and realism of CASs/CPSs. For countries in fragile and conflict-affected situations, the Bank is implementing the recommendations of the *World Development Report 2011: Conflict, Security, and Development* by introducing new procedures and approaches that align its engagement more closely with realities on the ground.

To improve outcomes, Bank management is currently revamping its quality assurance system to strengthen the quality processes governing Bank-financed operations and thus help ensure that these operations can deliver the expected development results. The immediate actions focus on clarifying and harmonizing accountabilities and processes in operations, improving the mechanisms for technical support to teams, and putting in place checks and balances for strategic and timely quality monitoring and reporting to senior management.

India

Photo: Scott Wallace

Country-level client surveys, which are often carried out at the same time as Country Assistance Strategy/Country Partnership Strategy Completion Reports, measure clients' impressions of Bank effectiveness. They reveal a slight decline in perceived effectiveness, from 6.9 in 2008 to 6.7 in 2011, where 10 is the most favorable rating.

Self-evaluations indicate that about 71 percent of the Bank's economic and sector work and nonlending technical assistance accomplished their objectives in 2011. Areas for improvement include greater strategic relevance and better dissemination of findings and recommendations.

Operational Effectiveness

As mentioned above, the Bank is currently revamping its quality assurance system to strengthen the quality processes. Once completed, the reformed system will be rolled out over the current fiscal year with improved monitoring of its operational effectiveness. Implementation support to the countries is being given high priority because IEG evaluations indicate that projects with satisfactory ratings had high-quality implementation support.

A well-articulated results framework linking project activities to results on the ground is a key design element for project success. Among projects approved in 2012, 91 percent clearly formulated their development objectives and included measureable outcome indicators to assess achievement of these development objectives—an improvement of 8 percentage points over 2009.

In managing its portfolio performance, the Bank emphasizes implementation support and risk management. Overall portfolio performance in 2012 slightly declined, with 85.5 percent of active projects rated satisfactory in terms of the likelihood of meeting their development objectives. Experience has shown that problems affecting the 14.5 percent of projects rated as unsatisfactory are often resolved within a year. The Bank continues to focus on making its portfolio ratings more realistic. Among other measures, it is taking steps to ensure that staff pays more attention to realism and candor about problems and risks during implementation.

Disbursement levels are linked to implementation performance. During and immediately after the global financial crisis, disbursements more than doubled, rising from $19.6 billion in 2008 to $40.3 billion in 2010, which declined moderately in 2012 to a still robust $30.8 billion. The disbursement ratio for investment lending projects, which disburse over a period of four to six years, declined from 21.3 percent in 2008 to 20 percent in 2012, on par with the Bank's performance standard of 20 percent. A sign that the Bank is more responsive to clients, the average time from approval to first disbursement fell to 7.5 months in 2011, from 12 months in 2008.

A new indicator to monitor integration of beneficiary feedback in Bank operations has been introduced in the Corporate Scorecard. Current analysis shows that of fiscal 2011 approved projects, about 22 percent engage beneficiaries in the design and/or implementation stages.

Knowledge Services

The Bank offers a broad array of knowledge and convening services to global and country audiences and clients. Knowledge products contribute to better development results and underpin the quality of operations.

The Bank has made major advances in sharing knowledge and data more effectively with its clients. Under the Open Data Initiative, its data website received more than 6.8 million visits during 2011. The Bank's new Open Access Policy for Research and Knowledge went into effect July 1, 2012. The centerpiece of the policy is the Open Knowledge Repository, which places all of the Bank's research and knowledge products under a Creative Commons attribution copyright license, making them accessible to a wide audience. The Bank also completed geomapping of all Bank-supported projects in 2012, providing an easy-to-understand and searchable database of project locations for external audiences. The Bank is now making progress on mapping results supported by its operations.

The Bank is increasingly conducting analytic and technical assistance services in collaboration with clients and partners. In 2011, 59 percent of the work was done collaboratively, a figure the Bank aims to continue raising closer to its performance standard of 66 percent.

Going forward, the Bank will introduce a new indicator in its Corporate Scorecard to measure the degree by which clients perceive that the Bank has made a significant contribution through its knowledge and research to achieve development results in their respective countries. The indicator will be measured through Country Surveys in all Bank client countries in a cohort of around 30–40 per year, thus covering all clients in a period of three years. The first cohort of surveys has been completed and relevant data will be included in the next update of the Scorecard.

Gender Mainstreaming

Gender mainstreaming was an important focus in the past fiscal year, as the Bank incorporated the findings of the *World Development Report 2012: Gender Equality and Development* into its activities. In both 2011 and 2012, all CASs/CPSs drew on and discussed the findings of a gender assessment, meeting the Corporate Scorecard target of 100 percent.

Management continues to highlight the importance of integrating gender into the Bank's operations as a corporate priority. The institutional target for gender-informed operations (those that discuss gender issues in their contextual or sector analysis, and/or include gender considerations in their actions, and/or monitor and evaluate the operation's impact on gender) in the Corporate Scorecard is 55 percent. In 2012, 80 percent of Bank operations were gender informed—a significant improvement since 2008. About 78 percent of development policy operations were gender informed, compared to 47 percent in 2010. The methodology for assessing the extent to which operations are gender informed was revised in 2012 to be consistent with the methodology used to rate CAS/CPS products. The next iteration of the Corporate Scorecard will include an indicator in Tier II that measures women's economic empowerment as the share of women participants in Bank-supported labor market programs.

Use of Country Systems

By using country systems, the Bank places a high priority on helping countries strengthen their country institutions and systems. It does this in collaboration with other development partners (multilateral development banks, other multilateral organizations, and bilateral donors). The use of country systems in Bank operations has improved over time. The Bank has surpassed the Paris Declaration Survey targets for procurement (50 percent) by 5 percentage points and for financial management (51 percent) by 20 percentage points in 2010. In 2012, 77 percent of IBRD/IDA projects used country monitoring and evaluation systems, and most also strengthened current sector capacity. The new PforR lending instrument, which disburses against results achieved rather than payment for inputs, provides an additional opportunity to expand the use of country systems at the sector and program level.

The Bank increased its support for efforts to build country statistical capacity through financing and partnerships such as the Partnership in Statistics for Development in the 21st Century. There is significant room for improvement, however, especially in low-income countries, on which the Bank will focus on going forward.

Malawi

Photo: Francis Dobbs

ORGANIZATIONAL EFFECTIVENESS AND BUSINESS MODERNIZATION: TIER IV

The Bank continues to work to improve its organizational efficiency, to better align the skills and capacity of its staff with its strategic priorities, and to implement its modernization agenda in order to become more responsive and accountable to its stakeholders.

Resources and Alignment

The Bank has been steadily improving its organizational effectiveness. Working with a flat annual administrative budget in real terms since fiscal 2006, it has made continuous improvements in the way it allocates and uses its resources. It significantly scaled up its response to the recent crises by doubling lending between 2008 and 2010, accelerating project preparation (from 17 months in 2008 to 14 months in 2012), and shifting resources to support project implementation by increasing the average supervision budget from $115,000 per project in 2008 to $132,000 in 2012. The Bank is also rebuilding its budget flexibility, which was fully allocated to support the crisis response, in order to remain prepared for unexpected developments and demands in the future. These actions are aimed at increasing the value for money the Bank offers its clients and shareholders in supporting results on the ground.

Large Recipient-Executed Trust Funds—which provide additional finance to developing countries, and are now integrated into CASs/CPSs and the Bank's portfolio management systems—increased from $2.9 billion in 2008 to $3.9 billion in 2012. The use of Bank-Executed Trust Funds (funds provided by donors to the Bank) for the Bank's own knowledge work has increased, complementing the institution's own administrative budget and augmenting the services it delivers to clients. To ensure effective management of this category of trust funds, the Bank is implementing reforms to integrate them into its budget and business-planning processes.

Capacity and Skills

Through its business modernization program, the Bank is working to better align the skills and capacity of its staff with its strategic priorities. To maximize the use of its global knowledge and ensure such is made widely available across its client countries, the Bank is increasing the share of time staff allocates to activities outside their units or regions. In 2012, this share has been at 6.8 percent, well below the Bank's goal of 10 percent. New organizational models aimed at increasing this percentage of staff time spent working in other units or regions are being piloted.

The staff diversity index rating rose from 0.85 in 2008 to 0.89 in 2012, and the share of women in management marginally grew from 36.1 percent in 2011 to 36.8 percent in 2012, as the Bank moved toward its goal of achieving gender parity in management.

The Bank opened two global hubs. The hub in Nairobi, Kenya, focuses on support to fragile and conflict-affected countries. The hub in Singapore provides expertise in areas such as public-private partnerships in infrastructure.

The Bank's next priorities are to further review its compensation and benefits package, revamp its performance and talent management systems, and increase the diversity of its staff, with the objectives, among others, to ensure it continues to attract highly qualified staff to support its clients, while reaching the target of gender parity throughout management. The Bank will also review its renewable-term appointments to ensure that they provide sufficient flexibility to meet changing business needs while allowing the institution to grow and invest in staff.

Business Modernization

Strengthening the focus on results, transparency, and accountability represents the three overarching aspects of business modernization at the Bank. This effort aims to improve the institution's ability to measure, report on, and learn from results; share data, knowledge, and expertise effectively and generate knowledge with others; and respond to countries with agility. A results-focused and open institution also strengthens accountability to shareholders, partners, and citizens. In each of these areas, the Bank has achieved milestones.

After the approval of the new PforR instrument in January 2012, the Board approved two operations, and management is aiming for about ten more operations in fiscal 2013.

In the results measurement area, the Bank significantly expanded the number of sectors and themes in which it has Core Sector Indicators to measure results, covering 24 sectors and themes with the addition of 17 new ones: Agriculture Research and Extension, Biodiversity, Conflict Prevention and Post-Conflict Reconstruction, Forestry, Hydropower,

Irrigation and Drainage, Land Administration and Management, Other Renewable Energy, Participation and Civic Engagement, Pollution Management and Environmental Health, Sanitation, Social Inclusion, Social Protection, Thermal Power Generation, Transmission and Distribution of Electricity, Wastewater Collection and Transportation, and Wastewater Treatment and Disposal. These indicators join the sectors that adopted Core Indicators in 2009 (Education; Health; Roads; Water Supply; Access to Urban Services and Housing for the Poor; Information, Communications, and Technology; Micro-, Small-, and Medium-size Enterprise Financing; and Project Beneficiaries). All of these indicators' data are collected at the project level and then aggregated for reporting purposes.

Building on last year's Access to Information Policy and Open Data Initiative, the Bank is working on new ways to convene and build knowledge with partners, including on global public goods. It created open platforms, such as the Jobs Knowledge Platform; sponsored crowdsourcing activities, such as the Water Hackathon; and scaled up South-South exchanges. The Open Development agenda seeks to democratize development information. The next frontier of this agenda is to more systematically crowd-source development solutions and enhance beneficiary feedback.

Under its modernization agenda, the Bank has also made significant progress in operationalizing identification of risks and constraints to results supported by Bank projects. The new revamped quality assurance system is being built on the nexus between results and risks. A recent review of a sample of about 25 percent of active project's ISRs found that there is a statistically significant relationship between operational risk rating and the rating (satisfactory/unsatisfactory) of a project's development outcomes and the implementation performance.

Support to Sector Actions Related to Post-Crisis Directions

During fiscal 2009–12, the Bank met its lending commitment projections in key sectors to support post-crisis initiatives in the Agriculture, Education, Health, and Infrastructure sectors—averaging $4.3 billion per year (including special financing) for Agriculture, $2.4 billion per year for Health, and $19.5 billion for Infrastructure (including special financing). The Education sector's commitment for IDA remains on track with $1.7 billion per year. Going forward, the Bank will continue to monitor investments in these sectors.

Next Steps in the Results Agenda

The Corporate Scorecard is making the Bank more accountable to its shareholders and stakeholders. In fiscal 2013, the Bank will focus on the following priorities:

- Moving the results agenda forward in three areas: expanding client and beneficiary feedback to improve the focus on project results and design; increasing the number of formal impact evaluations conducted at the project level to measure operational quality, efficiency, and effectiveness; and testing new long-term institutional development impact indicators.
- Rolling out a Quality Assurance system to strengthen the processes governing preparation and implementation of Bank-financed operations; the portfolio reporting mechanisms for early detection of problems; and improve learning loops. The new system is designed to provide support for operations to deliver their intended development results.
- Continuing preparing new Program for Results operations during the current fiscal year. The Bank will closely monitor progress and document lessons learned from the preparation and implementation of the initial operations.
- Working to align results measurement and management in the Trust Funds (TF) with IDA/IBRD operations. This is part of the overall TF reforms of the Bank, and when completed, the alignment will ensure that the results achieved through TF operations are better integrated into the Bank's results management system.
- Supporting client countries and international partnerships focused on development results by further developing country statistical capacity and scaling up Bank support to countries in assessing the capacity of their main government institutions to carry out their mandate with a focus on development results. Starting in the current fiscal year, the Bank has transferred the chairmanship and secretariat of the African Community of Practice to the African Development Bank (an example of the Bank's incubation role in building partnerships to develop capacity to manage with a focus on development results and to expand and share development knowledge). The Bank will continue to support the international results agenda by chairing the Multilateral Development Bank Working Group on Results and engaging in the post-Busan agenda on Managing for Development Results.
- Improving metrics and measurement and developing new relevant results indicators.



BANK-SUPPORTED RESULTS IN GENDER

In **Argentina,** in the period from late 1998 through September 2012, the Small Farmer Development Project benefited close to 74,000 small farm families in 23 provinces. In all, the project helped more than 355,000 people, of which about half were women. Fifteen percent of all subprojects had women as primary titleholders.

In **Bangladesh,** the Secondary Education Quality and Access Enhancement Project from 2008 to 2011 helped benefit about 2.1 million students, 54 percent of them girls, out of 4.0 million girls and 3.5 million boys attending secondary school.

In **India,** with the help of the Tamil Nadu Health Systems Project, more than 99.5 percent of deliveries in Tamil Nadu now take place in a network of medical facilities including 80 obstetric and neonatal care centers and free ambulance services. The maternal mortality rate has also fallen, from 109 per 100,000 births in 2004–05 to 79 per 100,000 births in 2008–09.

In **Liberia,** with the support of the Adolescent Girls Initiative, 1,131 girls received business, job, and life skills training in the first round. About 95 percent of the beneficiaries completed the training, and 85 percent of those trained have been placed in jobs or are engaged in self-employment activities. The second round of training started in July 2011 with 1,300 adolescent girls and young women.

In **Tajikistan,** by mid-2011, the Bank-supported community and basic health project had trained about 1,000 primary health care workers and 300 community volunteers to deliver education on breastfeeding, good nutrition, and care of sick children to around 1,000 pregnant women, and micronutrient supplements and vitamins had been delivered to approximately 44,000 women and children.

BANK-SUPPORTED RESULTS IN HUMAN DEVELOPMENT

In **Bangladesh,** between 2005 and 2011, more than 750,000 out-of-school children, more than half of them girls, enrolled in more than 22,500 learning centers.

In **Brazil,** provision of free, universal access to antiretroviral drugs led to a decline in mother-to-child HIV transmission from 16 percent in 1998 to around 3 percent in 2011.

In **Kenya,** since September 2011, the polio immunization campaign achieved 100 percent coverage among children from birth to 59 months of age.

Since 2007, the Cash-for-Works Temporary Employment Program in **Liberia** provided more than 640,000 days of employment to more than 17,000 beneficiaries.

In **Malawi,** 3 million pupils in primary schools benefited from the IDA Direct Support to Schools program from 2005 to 2010.

In the **Philippines,** from 2008 to 2011, 2.3 million poor households benefited from cash grants to encourage them to keep their children in school and have regular health checks.

BANK-SUPPORTED RESULTS IN SUSTAINABLE DEVELOPMENT

In **Afghanistan,** more than 750 irrigation schemes were implemented, benefiting more than 840,000 people between 2003 and 2011.

In **Kenya,** between 2009 and 2011, IDA contributed to an increase in the number of electricity connections by 350,000 households (at 5 people per household) and constructed 1,200 kilometers of transmission and distribution lines.

photos (left to right): Alan Gignoux, Yosef Hadar, Michael Foley



From 2006 to 2011 in **Kiribati,** approximately 0.5 kilometer of sea walls had been built along the main road, more than 37,000 mangrove seedlings had been planted, and several water management improvements had been carried out, all helping to increase resilience to the effects of climate change for Kiribati's 98,000 residents.

In **Lao PDR,** from 2003 to 2011, 86 bridges had been constructed and 3,042 kilometers of rural access roads had been upgraded. More than 668 villages had received access to clean water systems and 154 irrigation schemes had been developed, improving the quality of life for 650,000 beneficiaries.

In **Mexico,** since the approval of the Efficient Lighting and Appliances Project in 2011, over 14 million incandescent light bulbs and 1.4 million appliances had been replaced.

Through the **Solomon Islands'** Rural Development Program, 207 infrastructure projects had been implemented between 2009 and 2011, including classroom buildings, health clinics, water supply systems, and foot bridges, benefiting nearly 100,000 people, approximately 20 percent of the population.

South Africa, between 2004 and 2011, increased the area of endangered and critically endangered ecosystems under conservation by 282 percent to 61,603 hectares.

In **Tanzania,** IDA is providing support to 124 small-scale irrigation subprojects and three soil fertility management demonstrations. During the 2010–11 season, agricultural input vouchers were successfully distributed to 2 million farmers, and distribution has started for the 2011–12 season to 1.8 million farmers.

BANK-SUPPORTED RESULTS IN COLLABORATIVE ECONOMIC AND SECTOR WORK (ESWS)

In **Guangdong Province, China,** the Bank partnered in a 2008–09 study to examine inequality issues and develop a strategic policy for intervention, which resulted in the provincial policy document titled "The Outline of Equalization of Basic Public Services in Guangdong (2009–2020)."

Informed by the report "Transition to a Low Emission Economy in Poland," produced by the World Bank, in partnership with other institutions, the government of **Poland** adopted new guidelines for their National Program of Greenhouse Gas Abatement in August 2011.

BANK-SUPPORTED RESULTS IN COMMUNITY-DRIVEN DEVELOPMENT PROJECTS

Started in 2004, the **Nepal** Poverty Alleviation Fund is now operating in 59 of the country's 75 districts to the benefit of 650,021 people. Households have seen a 10 percent improvement in food security and a 31.4 percent increase in per capita consumption.

In **Indonesia,** as a result of the National Program for Community Empowerment started in 2008, real per capita consumption gains are 9.1 percent higher among poor households in the program areas. The procurement cost of tertiary infrastructure is also 30–50 percent less expensive than when procured through standard local government processes.

photos (left to right): Curt Carnemark, Curt Carnemark, Jamie Martin

Letter of Transmittal

The Annual Report, which covers the period from July 1, 2011, to June 30, 2012, has been prepared by the Executive Directors of both the International Bank for Reconstruction and Development (IBRD) and the International Development Association (IDA)—collectively known as the World Bank—in accordance with the respective bylaws of the two institutions. Dr. Jim Yong Kim, President of IBRD and IDA, and Chairman of the Board of Executive Directors, has submitted this report, together with the accompanying administrative budgets and audited financial statements, to the Board of Governors.

Annual Reports for the International Finance Corporation, the Multilateral Investment Guarantee Agency, and the International Centre for Settlement of Investment Disputes are published separately.

Executive Directors	**Alternates**
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Nobumitsu Hayashi	Yasuo Takamura
Ingrid G. Hoven	Wilhelm M. Rissmann
Susanna Moorehead	Stewart James
Ambroise Fayolle	Anne Touret-Blondy
Konstantin Huber	Gino Alzetta
Marta Garcia	Juan Jose Bravo
Rudolf Treffers	Stefan Nanu
Marie-Lucie Morin	Kelvin Dalrymple
Anna Brandt	Jens Haarlov
Rogerio Studart	Vishnu Dhanpaul
John Whitehead	In-Kang Cho
Mukesh N. Prasad	Kazi M. Aminul Islam
Shaolin Yang	Bin Han
Piero Cipollone	Nuno Mota Pinto
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Javed Talat	Sid Ahmed Dib
Merza H. Hasan	Ayman Alkaffas
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Vadim Grishin	Eugene Miagkov
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Felix Alberto Camarasa	Varinia Cecilia Daza Foronda
Agapito Mendes Dias	Mohamed Sikieh Kayad
Hassan Ahmed Taha	Denny H. Kalyalya
Renosi Mokate	Mansur Muhtar

As of June 30, 2012

International Bank for Reconstruction and Development

Management's Discussion and Analysis
June 30, 2012

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Throughout Management's Discussion and Analysis, terms in **boldface** type are defined in the Glossary of Terms on page 39.

The Management Discussion and Analysis contains forward looking statements, which may be identified by such terms as "anticipates," "believes," "expects," "intends," or words of similar meaning. Such statements involve a number of assumptions and estimates that are based on current expectations, which are subject to risks and uncertainties beyond IBRD's control. Consequently, actual results in the future could differ materially from those currently anticipated.

International Bank for Reconstruction and Development

Management's Discussion and Analysis

June 30, 2012

Box 1: Five-Year Summary of Selected Financial Data

As of or for the fiscal years ended June 30

In millions of U.S. dollars, except ratio and return data which are in percentages

Lending (Discussed in Section II)	*2012*	*2011*	*2010*	*2009*	*2008*
Commitments [a]	$20,582	$26,737	$44,197	$ 32,911	$ 13,468
Gross disbursements [b]	19,777	21,879	28,855	18,565	10,490
Net disbursements [b]	7,798	7,994	17,230	8,345	(2,129)
Reported Basis					
Income statement *(Discussed in Section VI)*					
Operating income [c]	$ 783	$1,023	$ 800	$ 572	$ 2,271
Board of Governors-approved transfers	(650)	(513)	(839)	(738)	(740)
Net (loss) income	(676)	930	(1,077)	3,114	1,491
Balance sheet *(Discussed in Section VI)*					
Total assets	$338,178	$314,211	$282,137	$277,008	$231,965
Net Investment Portfolio	35,119	30,324	36,114	38,210	23,008
Net loans outstanding	134,209	130,470	118,104	103,657	97,268
Borrowing portfolio [d]	133,075	122,501	119,775	103,568	88,284
Total equity	36,685	39,683	36,261	38,659	39,973
Performance Ratios *(Discussed in Section V)*					
Return on equity					
Based on operating income	2.04%	2.77%	2.21%	1.59%	6.39%
Based on net (loss) income	(1.73)	2.44	(2.88)	8.35	3.97
Equity-to-Loans ratio [e]	26.98	28.59	29.37	34.28	37.62
Fair Value Basis					
Income statement *(Discussed in Section VII)*					
Net (loss) income [f]	$ (4,679)	$ 1,704	$ (870)	$ (225)	$ 1,135
Net (loss) income excluding Board of Governors-approved transfers	(4,029)	2,217	(31)	513	1,875
Balance sheet *(Discussed in Section VII)*					
Total assets	$336,167	$313,188	$281,969	$275,269	$233,089
Net Investment Portfolio	35,119	30,324	36,114	38,210	23,008
Net loans outstanding	132,198	129,447	117,936	101,918	98,392
Borrowing portfolio [d]	133,073	122,482	119,761	103,550	90,828
Total equity	34,676	38,679	36,107	36,938	38,553
Performance Ratios *(Discussed in Section V)*					
Return on equity					
Based on net (loss) income excluding Board of Governors-approved transfers	(10.79)%	5.87%	(0.09)%	1.46%	5.28%
Equity-to-Loans ratio [e]	25.95	28.99	29.97	35.00	36.71

a. Commitments include guarantee commitments and guarantee facilities.
b. Amounts include transactions with the International Finance Corporation (IFC), capitalized front-end fees and interest.
c. Operating income is defined as Income before fair value adjustment on non-trading portfolios, net and Board of Governors-approved transfers.
d. Net of derivatives.
e. As defined in Table 10: Equity used in Equity-to-Loans Ratio.
f. Fair value net income on a comprehensive basis comprises net income on a reported basis, additional fair value adjustment on the loan portfolio, and changes in AOCI.

SECTION I: EXECUTIVE SUMMARY

Introduction

The International Bank for Reconstruction and Development (IBRD), an international organization established in 1945, is owned by its member countries. IBRD's main goals are promoting sustainable economic development and reducing poverty in its developing member countries. It pursues these goals primarily by providing loans, guarantees and related technical assistance for projects and programs for economic reform. IBRD's ability to intermediate funds from the international capital markets for lending to its developing member countries is an important element in achieving its development goals. IBRD's financial objective is not to maximize profit, but to earn adequate income to ensure its financial strength and to sustain its development activities. **Box 1** presents selected financial data for the last five fiscal years.

The financial strength of IBRD is based on the support it has received from its shareholders and on its financial policies and practices. Shareholder support for IBRD is reflected in the capital subscriptions it has received from its members and in the record of its borrowing members in meeting their debt-service obligations to it. IBRD's financial policies and practices have led it to build reserves, diversify its funding sources, hold a large portfolio of liquid investments, and limit a variety of risks, including credit, market and liquidity risks.

Basis of Reporting

IBRD prepares its financial statements in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP) referred to in this document as the "reported basis". Under the reported basis, all instruments in the investment, borrowing and asset-liability management portfolios are carried at fair value with changes in fair value reported in the income statement. The loan portfolio is reported at amortized cost (with the exception of loans with embedded derivatives, which are reported at fair value). Due to this asymmetry under the reported basis, IBRD also provides its financial statements on a fair value basis. Under the fair value basis, the loan portfolio is also reported at fair value. See **Section VII: Fair Value Analysis** for details.

When making decisions on income allocation and distribution, reported net income is adjusted to exclude certain items in order to arrive at amounts realized during the year and that are available for use (referred to as Allocable Income). For further discussion on income allocation see page 6.

Certain reclassifications of prior year's information have been made to conform to the current year's presentation. See **Note A**—Summary of Significant Accounting and Related Policies in the Notes to the Financial Statements.

Reported Basis Balance Sheet

The following table is a condensed version of IBRD's reported basis balance sheet.

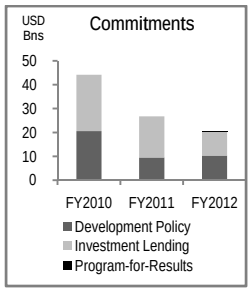
Reported Basis Condensed Balance Sheets
In millions of U.S. dollars

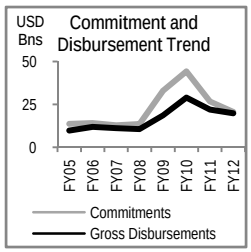
As of June 30,	2012	2011	Variance
Investments and due from banks	$ 39,481	$ 35,107	$ 4,374
Net loans outstanding	134,209	130,470	3,739
Receivable from derivatives	160,814	144,711	16,103
Other assets	3,674	3,923	(249)
Total Assets	$338,178	$314,211	$23,967
Borrowings	$145,339	$135,242	$10,097
Payable for derivatives	144,837	130,429	14,408
Other liabilities	11,317	8,857	2,460
Equity	36,685	39,683	(2,998)
Total Liabilities and Equity	$338,178	$314,211	$23,967

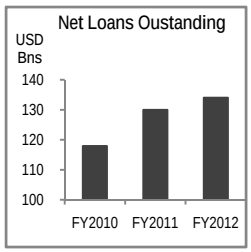
During FY 2012, IBRD experienced an increase in the borrowing, investment and loan portfolios. These are discussed further on the following pages.

Lending Activities Highlights (Discussed in Section II)

IBRD's principal assets are its loans to member countries.







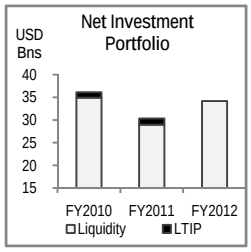
- Since July 1, 2008 (FY 2009), in response to the global financial crisis, IBRD's commitments totaled approximately $124 billion, in comparison to $54 billion in the proceeding four year period.
- For the fiscal year ended June 30, 2012 (FY 2012), loan commitments were $20,582 million, a decrease of $6,155 million compared to the fiscal year ended June 30, 2011 (FY 2011). Despite the downward trend in annual commitments after peaking in the fiscal year ended June 30, 2010 (FY 2010), demand for IBRD's loan products still remains strong and substantially above pre-FY 2009 levels.
- As of June 30, 2012, on a reported basis, IBRD's net loan portfolio increased by $3,739 million over June 30, 2011, primarily due to $7,798 million in **net loan disbursements** made in FY 2012, partially offset by currency translation losses of $3,939 million, consistent with the depreciation of the euro against the U.S. dollar in FY 2012.

During FY 2012, the Board of Executive Directors approved the following:

- A new lending instrument called Program-for-Results that links the disbursement of funds directly to the delivery of defined, verifiable results. FY 2012 commitments under this new lending instrument totaled $300 million.
- Extending the interest rate and currency risk management features, previously offered by IBRD on loans with a fixed spread, to new and existing loans with a variable spread, without first converting such loans to a fixed spread.
- A new pricing structure for Development Policy Loans with a Deferred Drawdown Option (DPL-DDO), with the objective of aligning the charges for undrawn balances with the actual period for which the DPL-DDO remains undrawn. Under the new pricing terms: (a) front-end fees have been reduced, (b) the renewal fee has been eliminated and (c) an annual stand-by fee on undisbursed balances has been introduced.

Investment Activities Highlights (Discussed in Section III)

Until April 24, 2012, IBRD managed its investments in two portfolios: a liquid asset portfolio and a Long-Term Income Portfolio (LTIP).



Liquid asset portfolio: The objective of the liquid asset portfolio is to ensure the availability of sufficient cash flows to meet all of IBRD's financial commitments. This portfolio is comprised of three sub portfolios: stable, operational and discretionary. The discretionary portfolio was re-activated on November 30, 2011.

As of June 30, 2012, the liquid asset portfolio totaled $34,189 million, an increase of $6,035 million compared to June 30, 2011, primarily reflecting Management's decision to bolster liquidity.

The **prudential minimum** liquidity level has been set at $22 billion for FY 2013, reflecting an increase of $1.0 billion from FY 2012. As of June 30, 2012, the liquid asset portfolio was 163% of the **prudential minimum** liquidity level in effect for FY 2012.

LTIP: The objective of this portfolio was to seek enhanced returns by investing part of IBRD's equity that was not needed to support its lending activities, in a portfolio of fixed income instruments and listed equities. Following the global financial crisis, IBRD experienced an increase in lending activity. In order to maximize resources available for its lending activities, on April 24, 2012, the Board of Executive Directors approved the liquidation of LTIP. At the time of liquidation, the market value of this portfolio was $1.4 billion, compared with the $1 billion initial investment. As of June 30, 2012, LTIP was fully liquidated.

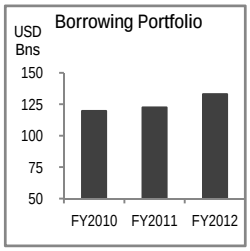
Funding Activities Highlights (Discussed in Section IV)

IBRD's lending and investment activities, as well as general operations, are funded by equity and proceeds from debt issuances.

- *Equity:* IBRD's equity is primarily comprised of paid-in capital and retained earnings. Following the Board of Governors' approval of the General and Selective Capital Increase (GCI/SCI) resolutions in FY 2011, $15,278 million had been subscribed as of June 30, 2012, resulting in additional paid-in capital of $917 million as of that date.

  In addition, during FY 2012, IBRD's Board of Governors approved an amendment to its Articles of Agreement to change the number of basic votes of each member. This was part of the reforms to enhance the voice and participation of Developing and Transition Countries (DTCs) in IBRD. This amendment, along with the SCI will result in an increase in voting power of the DTCs to 47.19%, an increase of 4.59% since 2008.

- *Borrowings*: To raise funds, IBRD issues debt securities in a variety of currencies to both institutional and retail investors. During FY 2012, IBRD raised medium- and long-term debt of $38,406 million, an increase of $9,616 million from FY 2011, in part reflecting Management's decision to bolster IBRD's liquidity levels. IBRD raised debt in FY 2012 in 23 different currencies.



Summary of Reported Basis Operating Income and Income Allocation

Reported Basis Operating Income (Discussed in Section VI)

The primary drivers of IBRD's reported basis operating income are interest earned (net of funding cost) on the loan and investment portfolios, income from the **equity duration extension strategy**, net non-interest expense, and the provision for losses on loans and other exposures.

Reported basis operating income was lower in FY 2012 by $240 million as compared to FY 2011, primarily as a result of the following:

Reported Basis Condensed Operating Income

In millions of U.S. dollars

For the fiscal years ended June 30,	2012	2011	Variance
Interest income, net of funding cost			
Interest margin	$ 744	$ 556	$ 188
Equity-funded loans	196	196	-
Equity duration extension strategy	1,095	1,139	(44)
Investments	80	112	(32)
Net Interest Income	$ 2,115	$ 2,003	$ 112
Provision for losses on loans and other exposures –(charge) release	(189)	45	(234)
LTIP income	31	169	(138)
Other income, net	38	39	(1)
Net non-interest expense	(1,212)	(1,233)	21
Reported Basis Operating Income	$ 783	$ 1,023	$ (240)
Board of Governors-approved transfers	(650)	(513)	(137)
Fair value adjustments on non-trading portfolios, net	(809)	420	(1,229)
Reported Basis (Loss) Net Income	$ (676)	$ 930	$(1,606)

a. Other exposures include: deferred drawdown option, irrevocable commitments, exposures to member countries' derivatives and guarantees.

Provision for losses on loans and other exposures (Discussed in Sections VI and IX)

For FY 2012, there was a $189 million provisioning charge due to the decline in the credit quality of the loan portfolio. In contrast, in FY 2011, there was a $45 million release of the provision due to the improvement in the credit quality of the loan portfolio.

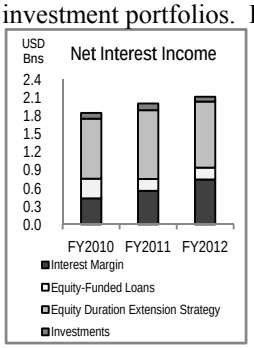
LTIP (Discussed in Sections III and VI)

For FY 2012, the $138 million decrease in income from LTIP was primarily due to lower returns from the equity portfolio as compared to FY 2011.

These factors were partially offset by:

Interest income, net of funding cost (Discussed in Section VI)

One component of IBRD's reported basis operating income is interest earned (net of funding cost) on the loan and investment portfolios. During FY 2012, there was an increase in interest income (net of funding cost) of $112 million as compared to FY 2011. This was primarily due to the $188 million increase in **interest margin**, reflecting higher spreads from the increased proportion of loans carrying the new loan pricing terms approved in FY 2010 and the increase in loan volume.



The shift by IBRD's borrowers to variable rate loans over the last several years has increased the sensitivity of IBRD's income to short-term interest rates. In order to reduce this sensitivity, IBRD implemented the **equity duration extension strategy** in FY 2008. Through this strategy, IBRD increased the duration of its equity from three months to approximately five years. This was achieved by entering into interest rate swaps with a 10-year ladder re-pricing profile. Income from this strategy was $1,095 million in FY 2012, compared with $1,139 million in FY 2011.

Income Allocation

Income Allocation
In millions of U.S. dollars

For the year ended June 30,	2012	2011
Reported net (loss) income	$(676)	$ 930
Board of Governors approved transfers	650	513
Fair value adjustment on non-trading portfolios, net	809	(420)
Reported operating income	783	1,023
Adjustments:		
Pension	3	86
Temporary restricted income	(3)	(4)
LTIP	225	(109)
Financial remedies	(10)	-
Allocable Net Income	$ 998	$ 996
Recommended Allocations		
General reserve	390	401
Surplus	-	75
Transfer to IDA	608	520
Total Allocations	$ 998	$ 996

It is Management's practice to recommend each year the allocation of net income to augment reserves and support developmental activities. Net income allocation decisions are made on the basis of reported net income, adjusted to exclude certain items discussed below, in order to arrive at amounts realized during the year and that are available for use.

On August 9, 2012, the Executive Directors approved the allocation of $390 million out of FY 2012 net income to the General Reserve. In addition, the Executive Directors recommended to IBRD's Board of Governors, the transfer from FY 2012 unallocated income of $608 million to the International Development Association (IDA).

With the approval of IBRD's Executive Directors, the following are the adjustments made to reported net income to arrive at allocable income:

- *Board of Governors-approved transfers* are excluded as they represent distributions from Surplus or prior year's income.
- *Fair value adjustment on non-trading portfolios* is excluded since the income allocation is based on realized amounts.
- *Pension adjustment* reflects the difference between IBRD's pension contributions and the accounting expense, as well as investment income earned on the Post-Employment Benefit Plan (PEBP) assets. Management believes the allocation decision should be based on actual cash contributions to the pension plans, as IBRD's contributions are irrevocable and the assets are held in trust. In addition, Management believes that the PEBP investment income should be excluded from the allocation decision, since this income is only available to meet the PEBP liabilities.

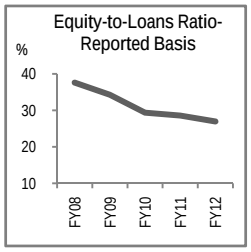
  The Board of Executive Directors approved a budget stabilization fund at the end of FY 2012 to stabilize IBRD's contributions to the pension plans. Under the plan documents for these plans, IBRD is obligated to make contributions to the plans on the basis of funding requirements determined on an actuarial basis by the Pension Finance Committee, the governing body for the plans. While this governance process ensures that the plans are funded on an actuarially sound basis, it creates volatility in IBRD's administrative budget. Once it has reached sufficient scale, the stabilization fund is designed to reduce such administrative budget volatility by partially funding the pension contribution in years in which the required amount is greater than a specified target. As a result, commencing in FY 2013, the pension adjustment will also include any contributions made to the stabilization fund, as well as any investment income earned on the fund. Draw downs from the fund will also be included in this adjustment.

- *Temporarily restricted income* is excluded as IBRD has no discretion on the use of such funds.
- *Financial remedies* are a new adjustment effective for FY 2012, and represent restitution and financial penalties from sanctions imposed by IBRD on debarred firms. Funds received by IBRD under this sanctions regime (including restitution payments and financial penalties) are reflected in income; however, Management believes that such funds should be excluded from the allocation decision, since this income is only available for specific purposes, such as fighting corruption and strengthening governance for the benefit of affected members.
- Up until FY 2011, the *LTIP* adjustment reflected the difference between the actual portfolio return and a fixed draw amount, based on the long-term expected return on the portfolio. This adjustment was negative as the actual returns have been consistently higher than the fixed draw.

  The liquidation of the LTIP in FY 2012 resulted in a positive adjustment reflecting the balance in the LTIP reserve as of June 30, 2012.

Financial Risk Management (Discussed in Section V)

IBRD uses its **capital adequacy** as a key indicator for financial risk management. The Executive Directors monitor IBRD's **capital adequacy** based on a variety of metrics, including stress testing and the **equity-to-loans ratio**, within a **Strategic Capital Adequacy Framework**. IBRD's **equity-to-loans ratio** decreased during FY 2012 from 28.59% at June 30, 2011 to 26.98% at June 30, 2012, due to the increase in the loan portfolio and decrease in usable equity.



IBRD is exposed to credit risk as well as various market risks, including interest, foreign exchange and liquidity. These risks are managed in a variety of ways, as discussed below:

Credit Risk: IBRD is exposed to two primary types of credit risk, namely, country credit risk and commercial credit risk:

- *Country Credit Risk:* This risk includes potential losses arising from protracted arrears on payments from borrowers on loans and other exposures. IBRD manages country credit risk through the use of individual country exposure limits. In particular, IBRD is exposed to portfolio concentration risk, which arises when a small group of borrowers account for a large share of loans outstanding. This risk is managed by restricting IBRD's exposure to any single borrower to the lower of the Single Borrower Limit or the Equitable Access Limit. The Single Borrower Limit for FY 2013 will remain unchanged from FY 2012; $17.5 billion for India and $16.5 billion for all other qualifying borrowers. The Equitable Access Limit at June 30, 2012 was $23 billion.
- *Commercial Credit Risk:* IBRD's commercial credit exposure increased in FY 2012, consistent with the increase in IBRD's liquidity levels. However, the credit quality of IBRD's portfolio is still concentrated in the upper end of the credit spectrum, with 90% of the portfolio rated AA or above. This reflects IBRD's continued preference for highly rated securities and counterparties across all categories of investments.

Market Risk: IBRD uses various strategies to keep its exposure to market risk at a minimal level.

- *Interest Rate Risk:* IBRD seeks to match the interest-rate sensitivity of its assets (loan and investment portfolios) and its liabilities (borrowing portfolio) with the use of derivatives such as **interest rate swaps**. These derivatives effectively transform IBRD's financial assets and liabilities to variable rate instruments. The interest rate risk attributable to IBRD's equity earnings is managed through the **equity duration extension strategy**. While these strategies address most of IBRD's interest rate risk, residual exposure to other interest rate risks still remains, including refinancing risk, interest rate lag risk and debt overhang risk.
- *Foreign Exchange Risk:* To minimize exchange rate risk in a multicurrency environment, IBRD periodically undertakes currency conversions to match its borrowing obligations in any one currency (after the use derivatives such as **currency swaps**) with assets in the same currency. In addition, to minimize the exchange rate sensitivity of its **equity-to-loans ratio**, IBRD aligns the currency composition of its loan portfolio with that of its equity through the use of derivatives. As a result, while the depreciation of the euro against the U.S. dollar during FY 2012 impacted the individual portfolios by currency, there was no material impact on the overall **equity-to-loans ratio**.
- *Liquidity Risk:* IBRD continues to maintain a high level of liquidity. Presently, IBRD's liquid assets exceed the 150% **prudential minimum** guideline, in keeping with Management's decision increase liquidity.

Summary of Fair Value Results (Discussed in Section VII)

Fair value measures reflect short-term volatility based on the market environment. As a result, given that IBRD intends to hold its instruments to maturity (with the exception of the investment portfolio), these measures are not used for income allocation purposes. Rather, Management monitors the fair value results to assess the underlying trends in the market and the impact on its risk management policies. Under the fair value basis, in addition to the instruments in the investment, borrowing and asset-liability management portfolios, all loans are reported at fair value.

Net income on a fair value comprehensive basis comprises net income on a reported basis, the additional fair value adjustment on the loan portfolio, and changes in accumulated other comprehensive income (AOCI), which are related to currency translation adjustments and changes in the value of the pension plans.

The primary drivers of the fair value adjustments are the movements of the yield curves, the impact of IBRD's own credit, and the credit quality of the loan portfolio as measured by **Credit Default Swap** (**CDS**) spreads after adjustments to reflect IBRD's recovery experience.

Condensed Net Income on a Comprehensive Basis

In millions of U.S. dollars

For the fiscal years ended June 30,	2012	2011	Variance
Reported Basis Operating Income	$ 783	$1,023	$ (240)
Board of Governors-approved transfers	(650)	(513)	(137)
Fair value adjustments on non-trading portfolios, net	(809)	420	(1,229)
Reported Basis Net (Loss) Income	$ (676)	$ 930	$(1,606)
Fair value adjustment on loans, net	(1,072)	(807)	(265)
Changes in accumulated other comprehensive income (loss)	(2,931)	1,581	(4,512)
Fair Value Net (Loss) Income	$(4,679)	$1,704	$(6,383)

Fair value net loss in FY 2012 was primarily due to the following:

- The negative effect of the changes relating to AOCI of $2,931 million. The changes in AOCI related to the fair value adjustment on pension plans primarily due to the decrease in discount rate used to determine projected benefit obligations, and the negative currency translation adjustments resulting from the depreciation of the euro against the U.S. dollar.
- A net negative fair value adjustment of $1,881 million on the non-trading and loan portfolios due to the changes in interest rates and credit. For further analysis on the movement in IBRD's fair value income, see **Section VII: Fair Value Analysis**.

SECTION II: LENDING AND OTHER DEVELOPMENT ACTIVITIES

Lending

All of IBRD's loans are made to, or guaranteed by, countries that are members of IBRD. In addition, IBRD may also make loans to IFC, an affiliated organization, without any guarantee. IBRD does not currently sell its loans, nor does Management believe there is a market for loans comparable to those made by IBRD.

From its establishment through June 30, 2012, IBRD's approved loans, net of cancellations, totaled $505,742 million to 138 borrowing member countries. A summary of cumulative lending is presented in **Table 1** below.

Table 1: Lending Status at June 30, 2012 and 2011

In millions of U.S. dollars

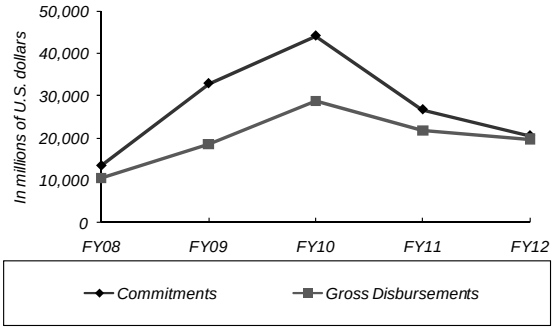
	2012	*2011*
Cumulative approvals [a]	$505,742	$486,480
Cumulative repayments [b]	307,934	296,082
Loans outstanding	136,325	132,459
Undisbursed amounts	62,916	64,435

a. Net of cumulative cancellations of $71,830 million, as of June 30, 2012 ($70,724 million – June 30, 2011). Cumulative amount excludes guarantees.

b. Multicurrency pool loan repayments are included at exchange rates in effect on the date of original disbursement. All other amounts are based on U.S. dollar equivalents at the time of repayment by borrowers.

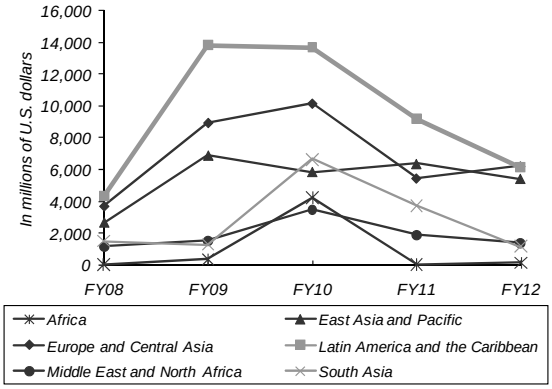
Figure 1 presents the commitments and gross disbursements from FY 2008 to FY 2012. During FY 2012, new loan commitments were $20,582 million (including guarantees of $214 million), as compared to $26,737 million in FY 2011 (including guarantees of $400 million), a decrease of $6,155 million. Following the peak in FY 2010 of $44,197 million in new loan commitments in response to the global financial crisis, the declining commitment levels are in line with the expected reversion to pre-crisis levels of approximately $15 billion annually.

Figure 1: Commitments and Gross Disbursements



During the five-year period from FY 2008 to FY 2012, the Latin America and the Caribbean and Europe and Central Asia regions, combined, accounted for the largest share of commitments (See **Figure 2**).

Figure 2: Commitments by Region



Under IBRD's Articles of Agreement (the Articles), as applied, the total amount outstanding of loans made by IBRD, including participation in loans and callable guarantees, may not exceed the **statutory lending limit**. At June 30, 2012, outstanding loans and callable guarantees totaled $136,325 million, equal to 59% of the **statutory lending limit** of $232,209 million.

Lending Cycle

The process of identifying and appraising a project, and approving and disbursing a loan, often extends over several years. However, on numerous occasions, IBRD has shortened the preparation and approval cycle in response to emergency situations (such as natural disasters) and crises (such as food, fuel and global economic crises). IBRD acts prudently and pays due regard to the prospects of repayment on its loans. IBRD's decisions to make loans are based upon, among other things, studies of a member country's economic structure, including assessments of its resources and ability to generate sufficient foreign exchange to meet debt-service obligations. With certain exceptions[1], each loan must be approved by IBRD's Executive Directors.

Loan disbursements are subject to the fulfillment of requirements set out in the loan agreement. The loan agreement requires borrowers to: (a) submit documentation establishing, to IBRD's satisfaction, that the expenditures financed with the proceeds of loans are made in conformity with the applicable lending agreements and (b) maximize competition in the procurement of goods and services by using, wherever possible, international competitive bidding or, when it is not appropriate, other procedures that

[1] *For Adaptable Program Loans (APLs), the Executive Directors approve all first-phase APLs and delegate to Management the approval of subsequent phases subject to agreed procedures. In addition, Learning and Innovation Loans are loans of $5 million or less and are approved by Management.*

ensure maximum economy and efficiency. In addition, under pilot programs approved by the Executive Directors, IBRD considers the use of borrower country procurement, and environmental and social safeguard systems in selected operations where these systems are assessed by IBRD as being equivalent to IBRD's systems and where the borrower's policies and procedures, implementation practices, track record, fiduciary and safeguard risks and capacity are considered acceptable to IBRD.

During implementation of IBRD-supported operations, IBRD staff review progress, monitor compliance with IBRD policies and assist in resolving any problems that may arise. The Independent Evaluation Group, an IBRD unit whose director reports to the Executive Directors rather than to the President, evaluates the extent to which operations have met their major objectives.

Lending Instruments

IBRD lending generally falls into one of three categories: investment lending, development policy operations and Program-for-Results. IBRD's loan terms are summarized in **Table 2**.

Investment Lending

Investment lending[2] is generally used to finance goods, works, and services in support of economic and social development projects and programs in a broad range of sectors. FY 2012 commitments under this lending instrument totaled $9,949 million (FY 2011: $17,213 million).

Development Policy Operations

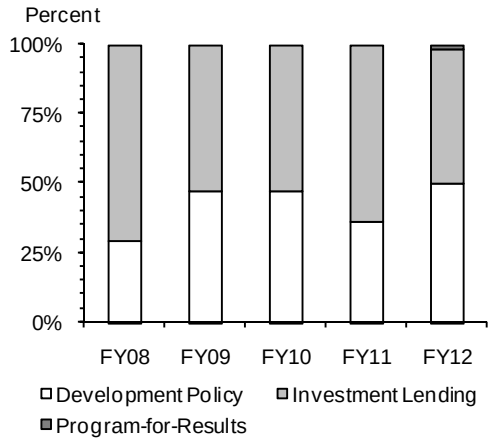
Development policy operations are generally provided in exchange for commitments by borrowers to implement social, structural, and institutional reforms. FY 2012 commitments under this lending instrument totaled $10,334 million (FY 2011: $9,524 million).

Program-for-Results

On January 24, 2012, the Board of Executive Directors approved Program-for-Results, a new lending instrument that links the disbursement of funds directly to the delivery of defined, verifiable results. Through Program-for-Results, IBRD will help member countries improve the design and implementation of their development programs and increase accountability. The new instrument's key features include: financing and support for borrower programs, disbursement of funds upon achievement of results, focus on strengthening institutional capacity, and providing assurance that IBRD's financing is used appropriately and that the environmental and social impacts of the program are adequately addressed. FY 2012 commitments under this new lending instrument totaled $300 million.

Figure 3 shows the percentage of IBRD loans approved for investment lending, development policy operations and Program-for-Results over the past five years.

Figure 3: IBRD Lending Commitments



In FY 2012, new IBRD commitments for investment lending, development policy operations and Program-for-Results were 48% (FY 2011 – 64%), 50% (FY 2011 – 36%), and 2% (FY 2011 – nil), respectively.

Currently Available Loan Products

IBRD does not differentiate between the credit quality of member countries eligible for loans, with all member countries eligible for IBRD lending subject to the same pricing. As of June 30, 2012, 79 member countries were eligible to borrow from IBRD. **Table 2** summarizes the currently available loan terms as of June 30, 2012.

IBRD Flexible Loans

IBRD Flexible Loans (IFL) allow borrowers to customize the repayment terms (i.e., grace period, repayment period and amortization profile) to meet their debt management or project needs, and also include options to manage the currency and/or interest rate risk over the life of the loan. Final maturity of an IFL can be up to 30 years, provided that its weighted average maturity does not exceed 18 years.

[2] *Investment lending loans include enclave loans which are made in exceptional cases to IDA qualifying member countries (who are not eligible for IBRD financing) for projects generating foreign exchange and projects with appropriate foreign exchange-related credit enhancements. These loans carry the same terms and conditions as IBRD loans. As of June 30, 2012 and June 30, 2011, IBRD's enclave loans totaled $17 million and $23 million, respectively.*

Table 2: Currently Available Loan Terms
As of June 30, 2012
Basis points, unless otherwise noted

	IBRD Flexible Loan (IFL)		*Special Development Policy Loans (SDPL)*
	Fixed-spread Terms	*Variable-spread Terms*	
Final maturity	30 years	30 years	5 to 10 years
Maximum weighted average maturity	18 years	18 years	7.5 years
Reference market rate	Six-month floating rate index	Six-month floating rate index	Six-month floating rate index
Spread			
Contractual lending spread	50	50	200 [a]
Maturity premium	0-20 [b]	0-20 [b]	–
Market risk premium	10-15 [c]	–	–
Funding cost margin	Projected funding spread to six-month floating rate index [d]	Actual funding spread to floating rate index of IBRD borrowings in the previous six-month period	–
Charges			
Front-end fee [e]	25	25	100
Late service charge on principal payments received after 30 days of due date [f]	50	50	-

	Development Policy Loan Deferred Drawdown Option	*Catastrophe Risk Deferred Drawdown Option*
Reference market rate	Six-month floating rate index	Six-month floating rate index
Contractual lending spread	IFL variable or fixed-spread in effect at the time of withdrawal	
Front-end fee	25	50
Renewal fee	–	25
Stand-by fee	50	–

Pricing for IBRD Partial Risk, Partial Credit, and Policy-Based Guarantees	
Front-end fee	25
Guarantee fee	50-70 [g]

a. Minimum of 200 basis points.
b. A maturity premium of nil is charged for loans with an average maturity less than 12 years, 10 basis points is charged for loans with an average maturity greater than 12 years and up to 15 years, and 20 basis points for loans with an average maturity greater than 15 years.
c. A market risk premium of 10 basis points is charged for loans with an average maturity of up to15 years, and 15 basis points for loans with an average maturity greater than 15 years.
*d. Projected funding spread to floating rate index (e.g. **LIBOR**) is based on the average repayment maturity of the loan.*
e. There are no waivers on interest and front-end fee under the current pricing terms.
f. See Box 2 in Section V for treatment of overdue payments.
g. A guarantee fee of 50 basis points is charged for guarantees with an average maturity less than 12 years, 60 basis points for guarantees with an average maturity of greater than 12 years and up to15 years, and 70 basis points for guarantees with an average maturity greater than 15 years.

The IFL has the following two basic types of loan terms: variable-spread terms and fixed-spread terms. The spread on IBRD's IFLs has four components: contractual lending spread, a maturity premium, a market risk premium, and a funding cost margin. The contractual lending spread and maturity premium, which apply to all IFLs, are subject to the Executive Directors' annual pricing review. For fixed-spread IFLs, the projected funding cost and the market risk premium are reviewed and set by Management based on market conditions and are communicated quarterly to the Executive Directors.

The maturity premium was introduced as part of the loan maturity reform at the end of FY 2010 and is based on the cost of the incremental capital needed for the longer maturities. Since its introduction, the share of the longest average maturities (15 -18 years), which accounted for most of the new loan approvals prior to the introduction of the maturity premium, has declined from 90% in FY 2010 to 47% in FY 2012.

IFLs may be denominated in the currency or currencies chosen by the borrower provided that IBRD can efficiently intermediate in that currency. IFLs with variable-spread terms have a variable-spread over a floating rate index (e.g. **LIBOR)** that is adjusted every six months and IFLs with fixed-spread terms have a fixed-spread over a floating rate index (e.g. **LIBOR)** that is fixed for the life of the loan.

On March 12, 2012, the Executive Directors approved a proposal to extend the interest rate and currency risk management features previously offered by IBRD on loans with a fixed spread, to new and existing loans with a variable spread, without first having to convert such loans to a fixed spread.

Loans with a Deferred Drawdown Option

The Development Policy Loan Deferred Drawdown Option (DPL DDO) provides the borrower with the flexibility to rapidly fund its financing requirements, for example, following a shortfall in resources due to adverse economic events such as downturns in economic growth or unfavorable changes in commodity prices or terms of trade. The Catastrophe Risk DDO (CAT DDO) enables the borrower to access an immediate source of funding to respond rapidly in the aftermath of a natural disaster. Under the DPL DDO, the borrower may defer disbursement for up to three years, renewable for an additional three years. The CAT DDO has a revolving feature; the three-year drawdown period may be renewed up to four times, for a total maximum drawdown period of 15 years.

On February 3, 2012, the Board of Executive Directors approved the following changes to DPL-DDO fees with the objective of aligning the charge for undrawn balances with the undrawn period: (a) reduction of the front-end fee from 75 to 25 basis points, (b) introduction of an annual stand-by fee of 50 basis points on undisbursed balances to accrue from the date of effectiveness of the loan, and (c) elimination of the 50 basis points renewal fee. These changes are applicable to all new DPL DDOs approved on or after February 3, 2012.

The terms of DPLs with regular terms and the CAT DDOs, remained unchanged. See **Table 2** for currently available loan terms as of June 30, 2012.

As of June 30, 2012, the amount of DDOs disbursed and outstanding totaled $3,265 million ($2,732 million – June 30, 2011).

Special Development Policy Loans (SDPL)

SDPLs support structural and social reforms by credit worthy borrowers that are approaching a possible global financial crisis, or are already in a crisis and have extraordinary and urgent external financial needs. Borrowers seeking SDPLs must have a disbursing International Monetary Fund-supported program in place, and be seeking IBRD lending as part of a coordinated international support package.

In FY 2012, IBRD made no new SDPL commitments, compared to one SDPL committed in FY 2011 for $142 million.

Local Currency Loan Facility Agreement with IFC

IBRD has a Local Currency Loan Facility Agreement with IFC, which is capped at $300 million, aimed at increasing the usability of local currency paid-in capital. Under this agreement, IBRD lends local currencies of its member countries, funded from paid-in capital, to IFC. These currencies are subsequently used by IFC to finance projects in those member countries. Loan commitments under this facility are subject to the consent of the respective IBRD member countries whose currency is involved. At June 30, 2012, loans outstanding under this facility were $42 million.

IBRD Discontinued Loan Products

IBRD no longer offers the following loan products: (i) Pre-pool Fixed Rate loans, (ii) Fixed Rate Currency Pool Loans, (iii) B-loans, (iv) Variable Rate Currency Pool Loans (v) Single Currency Pool loans, (vi) Fixed Rate Single Currency Loans, (vii) Variable-Spread Loans, and (viii) Fixed-Spread Loans.

Waivers

Waivers applicable to the previously available loan products include a portion of interest on loans and a portion of the commitment charge on undisbursed balances on all eligible loans, and are approved annually by the Executive Directors of IBRD. For FY 2012, the approved waiver rates were: 5 basis points on interest charges on loans for which the invitation to negotiate was issued prior to July 31, 1998 and 25 basis points on loans issued thereafter, but signed prior to the effectiveness of loan pricing terms introduced in September 2007; and 50 basis points on commitment charges. For FY 2013, the Executive Directors have approved the same waiver rates as FY 2012 for all eligible borrowers with eligible loans.

Risk management

For IBRD's outstanding loans as of June 30, 2012, 80% carried variable interest rates and 20% carried fixed interest rates. IBRD uses derivatives to manage the re-pricing risks between loans and borrowings. After considering the effects of these derivatives, virtually the entire loan portfolio carried variable interest rates, as illustrated by **Figure 4d**. Other risk management techniques are discussed in Section V, Financial Risk Management.

Figure 4 presents a breakdown of IBRD's loan portfolio by loan product, undisbursed balances, currency composition, and interest rate structure. See the Notes to the Financial Statements-Note D-Loans and Other Exposures for more information.

Figure 4: Loan Portfolio
In millions of U.S. dollars

Figure 4a: Loans Outstanding by Loan Terms

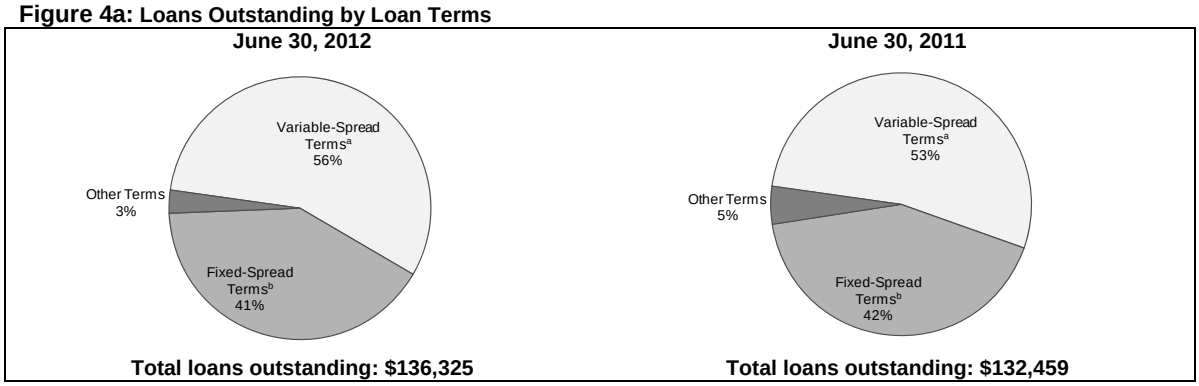


Figure 4b: Undisbursed Balances by Loan Terms

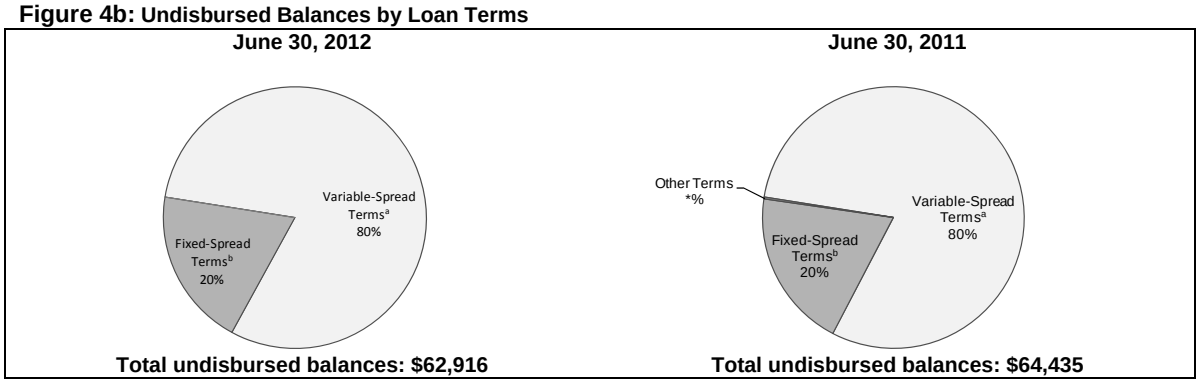


Figure 4c: Loans Outstanding by Currency

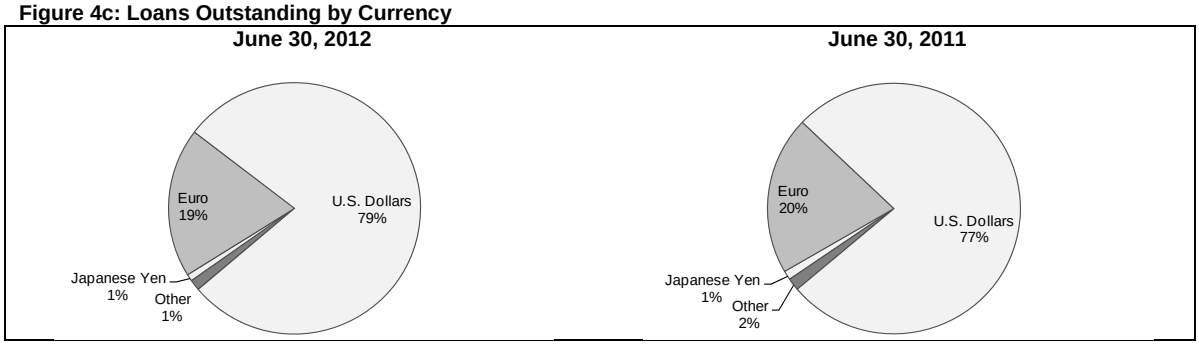
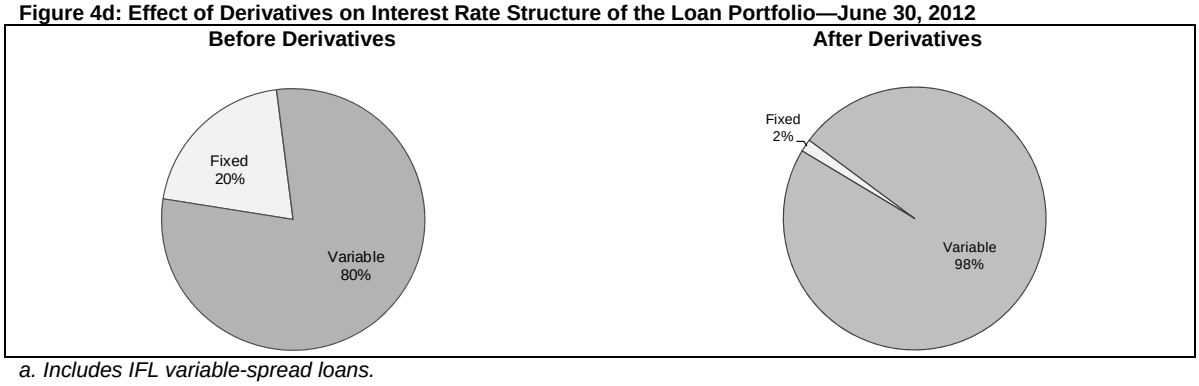


Figure 4d: Effect of Derivatives on Interest Rate Structure of the Loan Portfolio—June 30, 2012



a. Includes IFL variable-spread loans.
b. Includes IFL fixed-spread loans.
** Denotes percentage less than 0.5%*

Other Development Activities

IBRD offers derivatives, guarantees, and/or grants to its borrowing member countries, as well as affiliated and non-affiliated organizations, to help meet their development needs or to carry out their development mandates. IBRD also provides technical assistance, advisory and other services to support poverty reduction. The section below discusses these products in more detail.

Derivatives

IBRD offers derivative products to its borrowing member countries, as well as affiliated and non-affiliated organizations as part of its financial intermediation services.

Borrowers: IBRD is able to respond to borrowers' needs for access to better risk management tools, by offering them derivative instruments; these include **currency** and **interest rate swaps,** and **interest rate caps** and **collars**. IBRD passes through its market cost of the instrument to the borrower, and charges a transaction fee comparable to the conversion fee charged on the fixed-spread loans. These instruments may be executed either under a master derivatives agreement, which substantially conforms to industry standards, or under individually negotiated agreements.

In addition, IBRD also offers its borrowers products to convert their IBRD loans into their domestic currencies to reduce their foreign currency exposure with respect to projects or programs that do not generate foreign currency revenues. These local currency loans carry fixed-spread terms. The balance of such loans outstanding at June 30, 2012 was $1,709 million ($1,794 million – June 30, 2011).

Affiliated Organizations: To assist IDA with its asset/liability management strategy, IBRD executed a number of currency forward transactions with IDA. Concurrently, IBRD entered into offsetting transactions with market counterparties. IBRD charges an intermediation fee for these currency forward transactions.

Non-affiliated Organizations: IBRD and the International Finance Facility for Immunisation (IFFIm), a non-affiliated organization, with whom IBRD has a master derivatives agreement and a treasury management contract, have entered into a number of **currency swaps** and **interest rate swaps.** Concurrently, IBRD entered into offsetting swap transactions with market counterparties**.** IBRD charges an intermediation fee for these derivative transactions.

Further details on derivatives for clients are provided in the Notes to Financial Statements- Note F-Derivative Instruments.

Guarantees

IBRD offers guarantees on loans from private investors for projects in countries eligible to borrow from IBRD. These guarantees can also be offered on securities issued by entities eligible for IBRD loans, and in exceptional cases offered in countries only eligible to borrow from IDA. IBRD applies the same country creditworthiness and project evaluation criteria to guarantees as it applies to loans. Each guarantee requires the counter-guarantee of the member government. **Table 2** summarizes the guarantee pricing terms.

IBRD generally provides the following types of guarantees:

Partial risk guarantees: These cover private lenders against the risk of a public entity or a government failing to perform its obligations with respect to a private project.

Partial credit guarantees: These cover private lenders against nonpayment of the loans provided for public investments. Such guarantees allow public sector projects to raise financing, extend maturities and lower spreads.

Policy-based guarantees: These extend the partial credit guarantee instrument beyond public investment projects to sovereign borrowings from private foreign creditors, in support of agreed structural, institutional, and social policies and reforms.

Enclave guarantees: These partial risk guarantees are offered in exceptional cases to IDA qualifying member countries (who are not also eligible for IBRD financing) for projects generating foreign exchange and projects with appropriate foreign exchange-related credit enhancements. Fees and charges pertaining to enclave guarantees are higher than those charged for non-enclave guarantees.

Other Instruments: As discussed in Other Activities below, IBRD has also committed to pay any donor shortfalls associated with the Advance Market Commitment (AMC) for Vaccines against Pneumococcal Diseases.

IBRD's exposure at June 30, 2012 on its guarantees (measured by discounting each guaranteed amount from its first call date) is detailed in **Table 3**.

Table 3: Guarantee Exposure
In millions of U.S. dollars

	At June 30,	
	2012	*2011*
Partial risk [a]	$ 116	$ 213
Partial credit	179	141
Policy based	470	359
Other instruments	880	986
Total	$1,645	$1,699

a. *Includes enclave guarantees totaling $8 million (June 30, 2011: $12 million).*

For additional information see the Notes to Financial Statements-Note D-Loans and Other Exposures.

Grants

IBRD also supports development activities by making grants to various recipients through the Development Grant Facility and through mechanisms such as Board of Governors-approved transfers.

Other Activities

In addition to its financial operations, IBRD is also involved in the following other activities:

Consultation: IBRD provides technical assistance to its member countries, both in connection with, and independent of, lending operations. There is a growing demand from borrowers for strategic advice, knowledge transfer, and capacity building. Such assistance includes assigning qualified professionals to survey developmental opportunities in member countries, analyzing their fiscal, economic and developmental environment, assisting member countries in devising coordinated development programs, appraising projects suitable for investment, and assisting member countries in improving their asset and liability management techniques.

Research and Training: To assist its developing member countries, IBRD, through the World Bank Institute and its partners, provides courses and other training activities related to economic policy development and administration for governments and organizations that work closely with IBRD.

Trust Fund Administration: IBRD, alone or jointly with one or more of its affiliated organizations, administers on behalf of donors, including members, their agencies and other entities, funds restricted for specific uses in accordance with administration agreements with donors. These funds are held in trust and with the exception of third party contributions made to IBRD-executed trust funds which have not been disbursed, are not included on IBRD's balance sheet.

Table 4: Cash and Investment Assets held in Trust
In millions of U.S dollars

Total fiduciary assets	*At June 30,*	
	2012	*2011*
IBRD-executed	$ 177	$ 197
Jointly executed with affiliated organizations	533	548
Recipient-executed	3,047	2,659
Financial intermediary funds	14,473	13,812
Execution not yet assigned [a]	3,521	3,206
Total	$21,751	$20,422

a. These represent assets held in trust for which the agreement as to the type of execution is to be finalized jointly by the donors and IBRD.

Table 4 summarizes the cash and investment assets held in trust by IBRD as administrator and trustee, of which $155 million ($204 million—June 30, 2011), relates to IBRD's contributions to these trust funds.

During the fiscal year ended June 30, 2012, IBRD, as an executing agency, disbursed $341 million ($300 million—June 30, 2011) of trust fund program funds. For additional information, see the Notes to Financial Statements-Note I-Management of External Funds and Other Services.

Investment Management: IBRD offers investment management services to several types of external institutions, including central banks of member countries. One objective of providing the services to central banks is to assist them in developing portfolio management skills. Under these arrangements, IBRD is responsible for managing investment assets on behalf of these institutions, and in return receives a fee based on the average value of the portfolios.

At June 30, 2012, the assets managed under these agreements had a value of $23,968 million ($21,324 million—June 30, 2011). These funds are not included in the assets of IBRD. For additional information, see the Notes to Financial Statements-Note I-Management of External Funds and Other Services.

Externally Financed Outputs (EFOs): IBRD offers donors the ability to contribute to IBRD's projects and programs. Contributions received must be utilized for the purposes specified by the donors and are therefore considered restricted until utilized for the donor-specified purposes.

Global Public Goods: AMC is a multi-lateral initiative to accelerate the creation of a market and sustainable production capacity for pneumococcal vaccines for developing countries. IBRD provides a financial platform for the AMC by holding donor-pledged assets as an intermediary agent and passing them on to the Global Alliance for Vaccines and Immunization when the conditions of the AMC are met. In addition, should a donor fail to pay or delay in paying any amounts coming due, IBRD has committed to paying from its own funds any amounts due and payable by the donor, to the extent there is a shortfall in total donor funds received. For further details on AMC, see the Notes to Financial Statements-Note I-Management of External Funds and Other Services.

SECTION III: INVESTMENT ACTIVITIES

Up until April 24, 2012, IBRD managed its investments in two portfolios: a liquid asset portfolio and LTIP, both of which are designated as trading portfolios. LTIP was fully liquidated as of June 30, 2012. **Box 3** in **Section V** - Financial Risk Management, summarizes the eligibility criteria for IBRD's investment securities.

The financial returns and average balances of IBRD's investment portfolios in FY 2012 compared with FY 2011 are presented in **Table 5**. The returns of IBRD's overall portfolio are lower than FY 2011, primarily due to the underperformance of the listed equities in the LTIP portfolio.

Liquid Asset Portfolio

The objective of the liquid asset portfolio is to protect the principal amount of these investments and in doing so ensuring the availability of sufficient cash flows to meet all of IBRD's financial commitments. In addition, IBRD seeks to achieve a reasonable return on the liquid asset portfolio using prudent asset and risk management techniques. The General Investment Authorization for IBRD approved by the Executive Directors provides the basic authority under which the liquid assets of IBRD can be invested. Further, all investment activities are conducted in accordance with a more detailed set of Investment Guidelines. The Investment Guidelines are approved by the Chief Financial Officer (CFO) and implemented by the Treasurer. These Investment Guidelines set out detailed trading and operational rules, including providing criteria for eligible instruments for investment, establishing risk parameters relative to benchmarks; such as an overall **stop-loss limit** and duration deviation, specifying concentration limits on counterparties and instrument classes, as well as establishing clear lines of responsibility for risk monitoring and compliance.

IBRD's liquid assets are held principally in highly-rated fixed income securities. These securities include **government and agency obligations**, **time deposits** and other unconditional obligations of banks and financial institutions. Additionally, IBRD holds **currency** and **interest rate swaps** (including currency forward contracts), **asset-backed securities** (including mortgage-backed securities), and **futures**, **options** and **swaption** contracts. IBRD only invests in exchange-traded options and futures. **Figure 5** presents the liquid asset portfolio holdings at the end of FY 2012 and FY 2011.

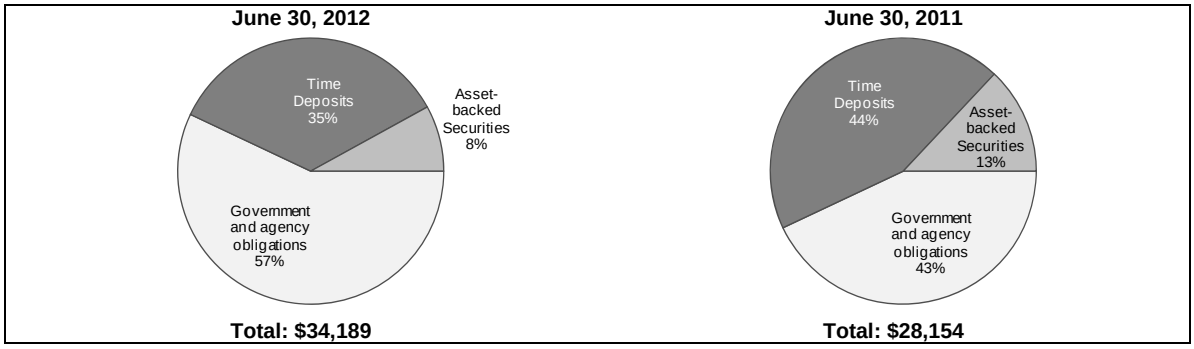
Table 5: Liquid Asset Portfolio and LTIP Returns and Average Balances
In millions of U.S. dollars

	Average Balances		*Financial Returns (%)*	
	FY 2012	*FY 2011*	*FY 2012*	*FY 2011*
IBRD overall portfolio [a]	$35,571	$30,260	0.57%	1.18%
Liquid asset portfolio				
Stable	20,850	20,964	0.60	0.78
Operational	9,758	8,009	0.18	0.29
Discretionary	3,770	–	0.72	–
LTIP	1,193	1,287	2.83	13.15

a. *Excludes PEBP and AMC holdings of $604 million (FY 2011: $531 million) and $326 million (FY 2011: 291 million), respectively.*

Figure 5: Liquid Asset Portfolio at June 30, 2012 and 2011

In millions of U.S. dollars



Under IBRD's liquidity management guidelines, aggregate liquid asset holdings are kept at or above a specified **prudential minimum** in order to safeguard against cash flow interruptions. This minimum is equal to the highest consecutive six months of projected debt service obligations plus one-half of projected **net loan disbursements** on approved loans (if positive) for the relevant fiscal year. The FY 2013 **prudential minimum** liquidity level has been set at $22 billion, reflecting an increase of $1 billion from FY 2012. In general, the size of the liquid asset portfolio should not exceed 150% of the prudential minimum liquidity level. From time to time, IBRD may, however, hold liquid assets over the specified maximum level to provide flexibility in timing its borrowing transactions and to meet working capital needs. At June 30, 2012, the liquid asset portfolio was 163% of the prudential minimum liquidity level.

As of June 30, 2012, the liquid assets were held in three sub-portfolios: stable, operational and discretionary, each with different risk profiles and performance guidelines. The discretionary portfolio was re-activated on November 30, 2011.

Stable Portfolio is principally an investment portfolio holding the prudential minimum level of liquidity, which is set at the beginning of each fiscal year.

Operational Portfolio provides working capital for IBRD's day-to-day cash flow requirements.

Discretionary Portfolio provides flexibility for the execution of IBRD's borrowing program and can be used to take advantage of attractive market opportunities.

Figure 6 represents IBRD's liquid asset portfolio size and structure at the end of FY 2012 and FY 2011, excluding investment assets associated with PEBP and AMC.

At June 30, 2012, the aggregate size of IBRD's liquid asset portfolio was $34,189 million, reflecting an increase of $6,035 million from June 30, 2011. This increase reflects management's decision to increase IBRD's liquidity levels.

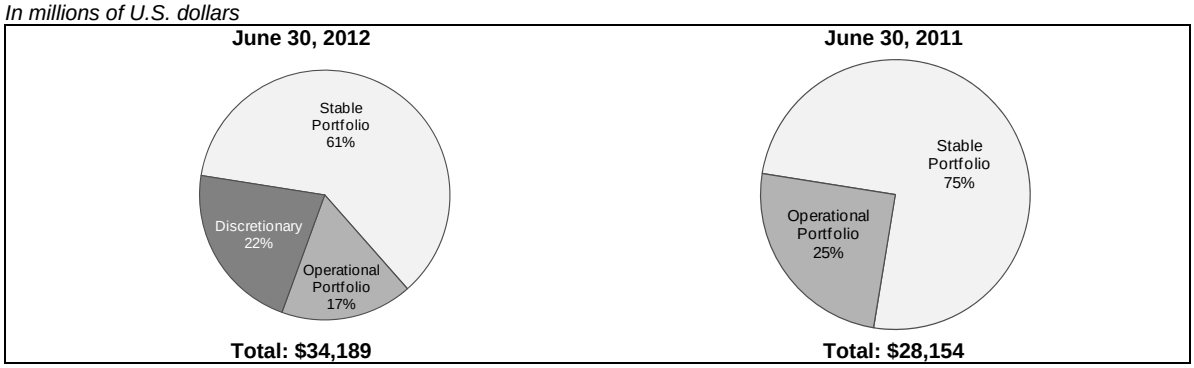
IBRD's liquid asset portfolio is largely composed of assets denominated in or hedged into U.S. dollars, with net exposure to short-term interest rates. The debt funding these liquid assets has similar currency and **duration** profiles. This is a direct result of IBRD's exchange rate and interest rate risk management policies, discussed further in **Section V**-Financial Risk Management, combined with appropriate investment guidelines. In addition to monitoring gross investment returns compared to their benchmarks, IBRD also monitors overall investment earnings net of funding costs, discussed further in **Section VI**-Reported Basis Analysis.

Long-Term Income Portfolio (LTIP)

The LTIP program was adopted prior to the global financial crisis in November 2008 with the objective of seeking enhanced returns by investing part of IBRD's equity that was not needed to support its lending activities, in a portfolio of fixed income instruments and listed equities. While the original program was approved for an investment of up to $3 billion, the program was capped at $1 billion at the end-FY 2009, following the onset of the global financial crisis, which resulted in a surge in IBRD's lending volumes. In order to maximize IBRD's lending capacity to borrowing member countries, on April 24, 2012, the Board of Executive Directors approved the liquidation of LTIP.

Figure 6: Liquid Asset Portfolio Composition at June 30, 2012 and 2011

In millions of U.S. dollars



SECTION IV: FUNDING ACTIVITIES

IBRD's lending and investment activities, as well as general operations, are funded by equity and proceeds from debt issuance.

Equity: IBRD's equity is primarily comprised of paid-in capital and retained earnings.

Borrowings: IBRD issues securities to institutional and retail investors around the world, both through global offerings and by way of bond issues designed to meet the needs of specific markets or types of investors. These funds are then used for lending to member countries.

Equity

IBRD's equity base plays a critical role in securing its financial objectives. It enables IBRD to absorb risk through the use of its own resources and thereby protects shareholders from a possible call on callable capital. IBRD's **capital adequacy** is judged on the basis of its ability to absorb potential risks and support normal loan growth.

In FY 2011, in order to enhance IBRD's lending capacity following its response to the global economic crisis, the Board of Governors approved resolutions increasing IBRD's authorized capital. Specifically; a General Capital Increase (GCI), a Selective Capital Increase (SCI), and additional shares to be held for new members. Under the terms of the resolutions, subscribed capital is expected to increase by $86.2 billion, of which $5.1 billion will be paid-in over a five year period.

The $86.2 billion expected capital increase comprises the following:

1. A general capital increase of $58.4 billion, of which $3.5 billion will be paid-in – $698 million has been received as of June 30, 2012.
2. A selective capital increase of $27.8 billion, of which $1.6 billion will be paid-in – $219 million has been received as of June 30, 2012.

The above capital increases, including additional shares to be held for new members, increased IBRD's authorized capital to $278.4 billion. Total capital subscriptions received and paid-in as of June 30, 2012 relating to these increases were $15,278 million and $917 million, respectively. (See the Notes to the Financial Statements-Note B-Capital Stock, Maintenance of Value and Membership).

On March 26, 2012, the Board of Governors approved an amendment to IBRD's Articles to change the basic votes of each member. Voting power for each member will now be determined as follows: one vote for each share held in IBRD plus their share of basic votes. Basic votes are calculated as the equal distribution of 5.55% of the aggregate sum of the voting power of all members. This amendment was part of the reforms to enhance the voice and participation of developing countries and countries in transition in IBRD. This amendment, as well as the SCI, will result in a shift of the voting power to DTCs to 47.19%, an increase of 4.59% since FY 2008. The amendment became effective on June 27, 2012.

As part of these reforms, 16 members are entitled to subscribe to additional shares. These members have until December 27, 2012 to subscribe to the additional shares.

Subscribed Capital

At June 30, 2012, the authorized capital of IBRD was $278,377 million, of which $205,394 million had been subscribed. Of the subscribed capital, $12,418 million had been paid-in with the remaining $192,976 million as the uncalled portion of subscriptions. See **Table 6**.

Table 6: Subscribed Capital

In millions of U.S. dollars

	FY 2012	*FY 2011*
Originally paid in national currencies		
Of which:		
Converted to U.S. dollars	$ 3,357	$ 2,551
Remaining in national currencies	7,819	7,997
Total	11,176	10,548
Originally paid in U.S dollars	1,242	1,172
Total paid-in capital	12,418	11,720
Uncalled portion of subscriptions	192,976	182,012
Total subscribed capital	$205,394	$193,732

The terms of payment of IBRD's capital and the restrictions on its use that are derived from the Articles and from resolutions of IBRD's Board of Governors are as follows:

Paid-in Capital

All of the $1,242 million of IBRD's capital which was originally paid in gold or U.S. dollars may be freely used by IBRD in its operations.

Of the $3,357 million of IBRD's capital, which was originally paid in national currency and subsequently converted into U.S. dollars or U.S. dollar denominated notes, $3,139 million was converted into cash and is freely available for use in IBRD's operations, and $218 million was converted to U.S. denominated notes, which will become freely available upon encashment.

The remainder of IBRD's paid in capital, $7,819 million, is in the national currencies of the subscribing members. Except for amounts used to fund administrative expenses and national currency expenses, paid in capital in national currency is subject to **maintenance of value** obligations. If the

national currency is used to fund national currency lending, investments or swapped into another currency for investment or lending purposes, the maintenance of value obligation is deferred until such time as the national currency no longer funds these activities. At June 30, 2012, $1,496 million had been used to fund national currency administrative expenses and $6,086 million was being used in IBRD's lending and investment operations, including $42 million under the local currency loan facility agreement with IFC. The remaining $237 million is subject to restriction and therefore, not available for lending or investment operations.

Under the current Board of Governors resolutions relating to the General and Selective Capital Increases, each subscription to shares is conditioned upon the free and immediate use of national currency paid-in capital. IBRD will accomplish this by converting members' paid-in capital in national currencies into U.S. dollars. By subscribing to shares, members will provide their irrevocable consent for the free and immediate use of their national currencies.

Uncalled portion of subscriptions

As of June 30, 2012, total uncalled portion of subscriptions was $192,976 million. Of this amount, $164,315 million may be called only when required to meet obligations of IBRD for funds borrowed or on loans guaranteed by it. This amount is thus not available for use by IBRD in making loans. Payment on any such call may be made, at the option of the particular member, either in gold, in U.S. dollars or in the currency required to discharge the obligations of IBRD for which the call is made.

The remaining uncalled portion of subscriptions of $28,661 million is to be called only when required to meet obligations for funds borrowed or on loans guaranteed by it, pursuant to resolutions of Board of Governors (though such conditions are not required by the Articles). Of this amount, 10% would be payable in gold or U.S. dollars and 90% in the national currencies of the subscribing members. While these resolutions are not legally binding on future Boards of Governors, they do record an understanding among members that this amount will not be called for use by IBRD in its lending activities or for administrative purposes.

No call has ever been made on IBRD's capital. Any calls on capital are required to be uniform, but the obligations of the members of IBRD to make payment on such calls are independent of each other. If the amount received on a call is insufficient to meet the obligations of IBRD for which the call is made, IBRD has the right and is bound to make further calls until the amounts received are sufficient to meet such obligations. However, no member may be required on any such call or calls to pay more than the unpaid balance of its capital subscription.

At June 30, 2012, $116,249 million (60%) of the uncalled capital was callable from the member countries that are also members of the Development Assistance Committee (DAC) of the Organization for Economic Cooperation and Development (OECD). **Table 7** sets out the capital subscriptions of those countries and the callable amounts.

Table 7: Capital Subscriptions of DAC Members of OECD Countries — June 30, 2012
In millions of U.S. dollars

Member Country [a]	*Total Capital Subscription*	*Uncalled Portion of Subscription*
United States	$ 33,921	$ 31,805
Japan	19,958	18,736
Germany	9,946	9,331
France	8,890	8,339
United Kingdom	8,890	8,320
Canada	6,359	5,966
Italy	5,404	5,069
Netherlands	4,283	4,018
Belgium	3,496	3,281
Spain	3,809	3,576
Switzerland	3,453	3,241
Australia	3,168	2,973
Denmark	2,147	2,018
Korea, Republic of	1,908	1,793
Sweden	1,806	1,696
Austria	1,423	1,337
Norway	1,377	1,294
Finland	1,105	1,038
New Zealand	873	821
Portugal	659	620
Ireland	636	599
Greece	203	189
Luxembourg	199	189
Total	$123,913	$116,249

a. See details regarding the capital subscriptions of all members of IBRD at June 30, 2012 in the Financial Statements-Statement of Subscriptions to Capital Stock and Voting Power.

The United States is IBRD's largest shareholder. Under the Bretton Woods Agreements Act and other U.S. legislation, the Secretary of the U.S. Treasury is permitted to pay up to $7,663 million of the uncalled portion of the subscription of the United States, if it were called by IBRD, without any requirement of further congressional action. The balance of the uncalled portion of the U.S. subscription, $24,142 million, has been authorized by the U.S. Congress but not appropriated. Further action by the U.S. Congress would be required to enable the Secretary of the Treasury to pay any portion of this balance. The General Counsel of the U.S. Treasury has rendered an opinion that the entire uncalled portion of the U.S. subscription is an obligation backed by the full faith and credit of the United States, notwithstanding that congressional appropriations have not been obtained with respect to certain portions of the subscription. For a further discussion of capital stock, restricted currencies,

maintenance of value and membership refer to the Notes to Financial Statements-Note A-Summary of Significant Accounting and Related Policies and Note B—Capital Stock, Maintenance of Value and Membership.

Borrowings

Funding

IBRD raises funds by offering its securities to institutional and retail investors around the world. Under its Articles, as applied, IBRD may borrow only with the approval of the member in whose markets the funds are raised and the member in whose currency the borrowing is denominated, and only if each such member agrees that the proceeds may be exchanged for the currency of any other member without restriction. IBRD issues short-term debt (debt issued with a maturity of one year or less), and medium- and long-term debt (debt issued with a maturity of more than one year). The average maturity to first call date of the medium- and long term debt issued during FY 2012 was approximately 4 years. In FY 2012, IBRD raised debt in 23 different currencies.

Short-term borrowings

IBRD's short-term borrowings consist primarily of discount notes issued in U.S. dollars, as shown in **Table 8**.

Discount notes: As of June 30, 2012, discount notes totaled $4,908 million, a decrease of $4,706 million from June 30, 2011; this decrease was primarily due to the higher amount of issuance of medium- and long-term borrowings. The average daily balance for the year was $9,814 million, with average maturities of less than one year.

Securities lent or sold under repurchase agreements: These are secured predominantly by high quality securities collateral, including government issued debt. As of June 30, 2012, IBRD did not have any securities that where lent or sold under repurchase agreements.

Other short-term borrowings: These instruments consist of borrowings with maturities of one year or less. As of June 30, 2012, these borrowings totaled $1,601 million, an increase of $1,032 million over June 30, 2011. The average and year-end balances have increased over FY 2011 mainly due to changes in investor demand and opportunities in newly developing currency markets.

Table 8: Short-term Borrowings

In millions of U.S. dollars, except rates in percentages

	June 30, 2012	*June 30, 2011*	*June 30, 2010*
Discount notes[a]			
Balance at year-end	$ 4,908	$ 9,614	$18,183
Average daily balance during the fiscal year	$ 9,814	$11,836	$11,426
Maximum month-end balance	$14,495	$16,140	$18,355
Weighted-average rate at the end of fiscal year	0.10%	0.12%	0.34%
Weighted-average rate during the fiscal year	0.12%	0.28%	0.24%
Securities lent or sold under repurchase agreements [b]			
Balance at year-end	$ –	$ 232	$ 164
Average monthly balance during the fiscal year	$ 240	$ 198	$ 236
Maximum month-end balance	$ 790	$ 232	$ 564
Weighted-average rate at the end of fiscal year	–%	0.60%	0.17%
Weighted-average rate during the fiscal year	0.01%	0.48%	0.22%
Other short-term borrowings[a]			
Balance at year-end	$ 1,601	$ 569	$ 793
Average daily balance during the fiscal year	$ 1,428	$ 836	$ 2,515
Maximum month-end balance	$ 1,601	$ 924	$ 3,905
Weighted-average rate at the end of fiscal year	0.44%	0.22%	0.41%
Weighted-average rate during the fiscal year	0.31%	0.32%	0.66%

a. After swaps
b. Excludes PEBP liabilities.

Medium- and Long-term borrowings

In FY 2012, medium- and long-term debt raised directly in the capital markets by IBRD amounted to $38,406 million compared to $28,790 million in FY 2011, as described below in **Table 9**. This increase reflects Management's decision to bolster IBRD's liquidity levels.

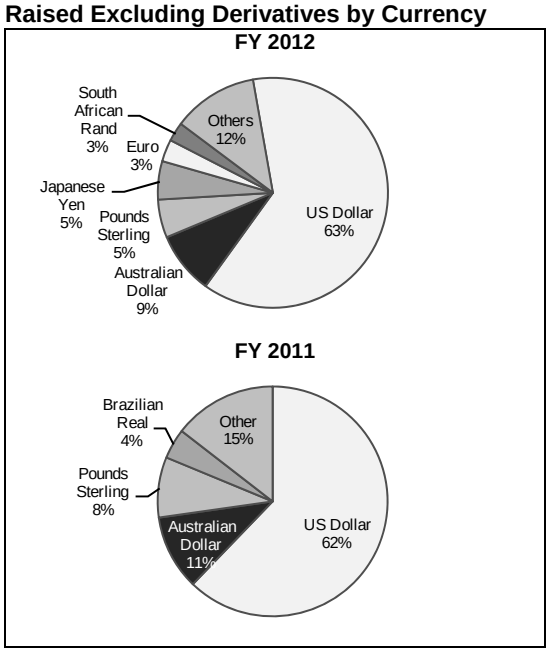
Table 9: Funding Operations Indicators

	FY 2012	*FY 2011*
Medium- and long-term funding raised (USD million)	$38,406	$28,790
Average maturity [a] (years)	3.85	3.87
Number of transactions	289	329

a. Average maturity to first call date.

Medium- and long-term funding raised, excluding derivatives, by currency for FY 2012 and FY 2011 is shown in **Figure 7**.

Figure 7: Medium- and Long-term Borrowings Raised Excluding Derivatives by Currency



Funding raised in any given year is used for IBRD's general operations, including loan disbursements, replacement of maturing debt and prefunding for future lending activities. IBRD determines its funding requirements based on a three year rolling horizon and funds approximately one-third of the projected amount in the current fiscal year.

IBRD strategically repurchases or calls its debt to reduce the cost of borrowings, reduce exposure to re-funding needs in a particular year, or to meet other operational or strategic needs. During FY 2012, IBRD repurchased or called $7,394 million of its outstanding borrowings (FY 2011: $6,644 million) for a realized gain of $67 million (FY 2011: $34 million).

Use of Derivatives

Generally, new medium- and long-term funding is initially swapped into variable-rate U.S. dollars, with conversion to other currencies being carried out subsequently, in accordance with loan funding requirements, as illustrated by **Figure 8**. In addition, IBRD uses derivatives to manage the re-pricing risks between loans and borrowings. After considering the effects of these derivatives, virtually the entire loan and borrowing portfolios are carried at variable interest rates.

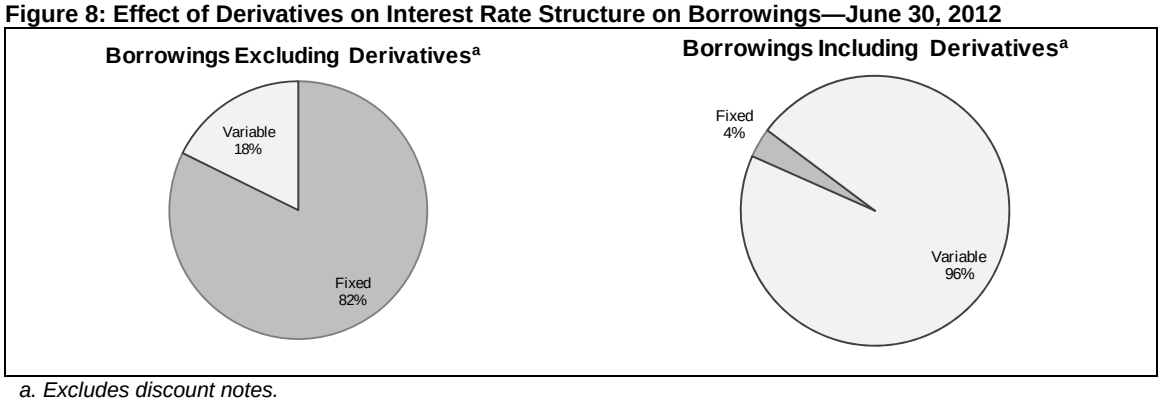
Figure 9 illustrates the effect of derivatives on the currency composition of IBRD's borrowings portfolio at June 30, 2012.

The weighted average cost of IBRD's borrowing portfolio, excluding the effects of derivatives, was 2.98% and 3.44% as of June 30, 2012 and June 30, 2011, respectively. After the effect of borrowing-related derivatives, the weighted average cost of the borrowing portfolio was 0.66% and 0.63% as of June 30, 2012, and June 30, 2011, respectively. A more detailed analysis of borrowings outstanding is provided in the Notes to Financial Statements–Note E—Borrowings.

Derivatives are also used for asset/liability management purposes to match the pool of liabilities as closely as possible to the interest rate and currency characteristics of liquid assets and loans.

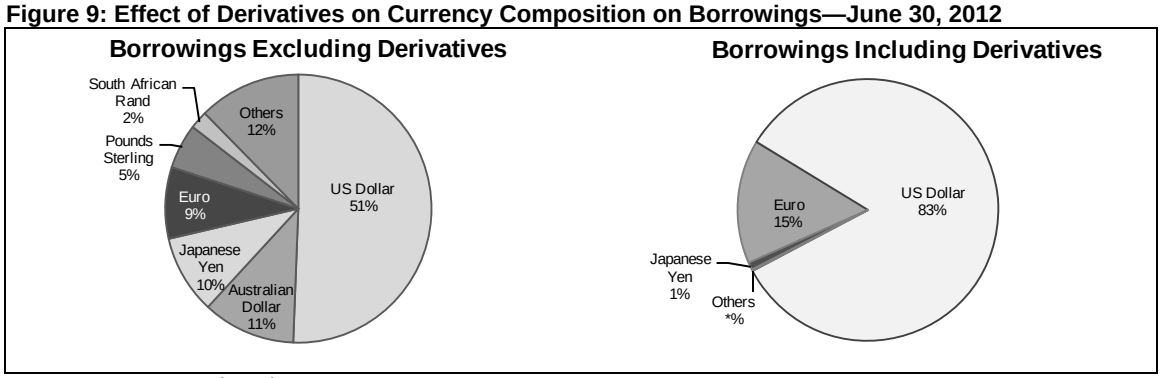
IBRD does not enter into derivatives for speculative purposes. A more detailed analysis of derivatives used by IBRD is provided in the Notes to Financial Statements- Note F-Derivative Instruments.

Figure 8: Effect of Derivatives on Interest Rate Structure on Borrowings—June 30, 2012



a. Excludes discount notes.

Figure 9: Effect of Derivatives on Currency Composition on Borrowings—June 30, 2012



** Denotes percentage less than 0.5%*

SECTION V: FINANCIAL RISK MANAGEMENT

The processes and procedures by which IBRD manages its risk profile continually evolve as its activities change in response to market, credit, product, operational and other developments. The Executive Directors, particularly the Audit Committee members, periodically review trends in IBRD's risk profiles and performance, as well as any significant developments in risk management policies and controls. In addition, on an annual basis, Management prepares an integrated risk monitoring report for the Executive Directors to provide a holistic picture of risk management activities within IBRD.

Governance Structure

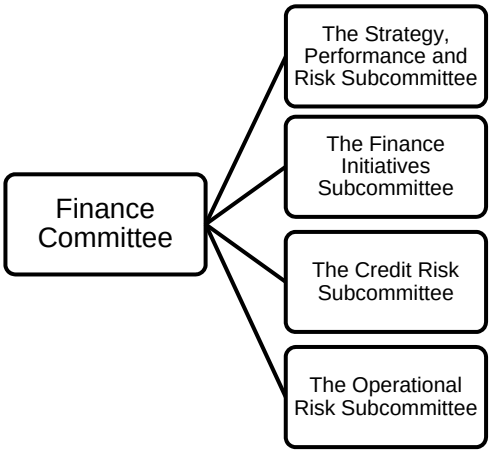
The risk management governance structure supports senior management in their oversight function, particularly in the coordination of different aspects of risk management and in connection with risks that run across functional areas.

IBRD's Chief Risk Officer (CRO) reports directly to the CFO. The CRO is responsible for: (i) assessing risks; (ii) benchmarking existing risk management practices against major financial institutions; (iii) ensuring consistency of risk management activities with best practice; and (iv) considering unique risks that are specific to multilateral development banks and international financial institutions.

The Finance Committee, which is chaired by the CFO, reviews, evaluates and decides on matters related to IBRD's finances to ensure that these are aligned with corporate financial and risk tolerance objectives set by the Executive Directors. The topics covered by the Finance Committee include the following: IBRD's financial policies and guidelines, new financial initiatives, setting of risk tolerances, and financial risk exposures. The Finance Committee makes recommendations and, where appropriate, makes decisions in the areas of financial policy, the adequacy and allocation of risk capital, and oversight of financial reporting.

There are four subcommittees that report to the Finance Committee (See **Chart 1**). These subcommittees provide technical expertise and guidance on strategy, policy, risk management and new initiative issues presented to the Finance Committee, enabling the group to make the decisions necessary to conduct appropriate oversight of IBRD's financial issues.

Chart 1: Finance Committee Governance Structure



- *The Strategy, Performance and Risk Subcommittee* develops, approves and monitors the management policies under which market and commercial credit risks faced by IBRD are measured, reported and managed. Such policies are ratified by the CFO. The subcommittee also monitors compliance with policies governing commercial credit exposure and currency management. Specific areas of activity include reviewing and endorsing guidelines for limiting balance sheet and market risks, the use of derivative instruments, investing activities, and monitoring matches between assets and their funding. In addition, the subcommittee periodically reviews loan pricing and approves the projected funding cost and market risk premium of IBRD's IFLs with fixed-spread terms. The subcommittee meets quarterly to formally review current and proposed business strategy and risk limits/policies, along with business results and financial risk profiles to facilitate alignment between financial and risk management objectives, plan and activities .

- *The Finance Initiatives Subcommittee* reviews the financial and organizational implications of implementing new initiatives that may impact IBRD. The subcommittee reviews all financial management, legal, reputational, financial operations and reporting aspects including risk/reward parameters and whether capital deployment is required. This subcommittee's approval is required before a new IBRD initiative may be proposed to the Finance Committee or the Board of Executive Directors The subcommittee meets as needed.

- *The Credit Risk Subcommittee* monitors the measurement and reporting of country credit risk. The subcommittee meets at least quarterly to review the impact on the provision for losses on loans and other exposures of any changes in risk ratings of borrowing member countries and movements between the accrual and nonaccrual portfolio and other factors including expected default frequencies. Whenever a new financial product is being considered for introduction, it is submitted to this subcommittee for review and recommendation with respect to country credit risk issues. In addition, the Audit Committee of the Board of Executive Directors is apprised by management at least twice a year on the accumulated provision for losses on loans and other exposures.

- *The Operational Risk Subcommittee* provides oversight on operational risks for financial operations. The subcommittee meets on a quarterly basis to ensure key operational risks relating to financial operations are monitored and managed appropriately, recognizing that primary responsibility for the management of operational risk resides with business units.

In addition to the previously discussed committees, the Corporate Finance Department, the Market and Counterparty Risk Department and the Credit Risk Department play key roles in financial risk management. All three departments are independent from IBRD's operational business units and report directly to the Vice-President, Corporate Finance and Risk Management.

Corporate Finance Department: This department assesses and manages the adequacy of IBRD's risk capital and income-generating capacity, and seeks to ensure that the financial management decisions are informed and guided by IBRD's medium-term outlook for income and capital adequacy.

Market and Counterparty Risk Department: This department is responsible for market and counterparty credit risk oversight, assessment and reporting. It works with IBRD's financial managers, who are responsible for the day-to-day management of market and counterparty risks. The department's responsibilities include establishing and maintaining guidelines, volume limits and risk oversight processes to facilitate effective monitoring and control. Under the auspices of the Finance Committee and its subcommittee, *The Strategy, Performance and Risk subcommittee,* policies and procedures for measuring and managing such risks are formulated, approved and communicated throughout IBRD. The department's Management represented on the Finance Committee is responsible for ensuring effective oversight, which includes maintaining sound credit assessments, addressing transaction and product risk issues, providing an independent review function and monitoring the loan, investment and borrowing portfolios.

Credit Risk Department: This department identifies, measures, monitors and manages country credit risk faced by IBRD. Country credit risk is the primary risk faced by IBRD. By the agreement with the Executive Directors, the individual country credit risk ratings are not shared with the Board and are not made public. In addition, this unit is responsible for assessing loan portfolio risk, determining the adequacy of provisions for losses on loans and other exposures, and monitoring borrowers that are vulnerable to crises in the near term. These reviews are taken into account in determining the overall country programs and lending operations and are included in the assessment of IBRD's **capital adequacy**.

Capital Adequacy

IBRD uses its **capital adequacy** as a key indicator for financial risk management. IBRD's **capital adequacy** measure is the degree to which its risk capital is sufficient for absorbing unexpected credit shocks from its loan portfolio and still being able to lend for development purposes. This is intended both to protect shareholders from a possible call on the callable capital and IBRD's credit rating; and reduce borrowing costs and corresponding lending rates for borrowers. The Executive Directors monitor IBRD's **capital adequacy** based on a variety of metrics, including stress testing and the **equity-to-loans ratio**, within a **Strategic Capital Adequacy Framework**.

Stress testing provides a basis for evaluating whether IBRD has sufficient financial capacity to be able to (a) absorb the income loss due to a credit shock, and (b) generate sufficient income to support loan growth in the following years.

The **equity-to-loans ratio** is guided by the **Strategic Capital Adequacy Framework** with a target risk coverage range of 23 to 27 percent. The **Strategic Capital Adequacy Framework** is a key management tool for capital planning that seeks to ensure that over the medium term the volume of loans supported by equity does not exceed the prudential level.

As a result of the global financial crisis, IBRD experienced a strong surge in its lending activity. In order to reinforce IBRD's **capital adequacy** and ensure it remains sufficiently robust to support shareholder goals with regard to IBRD's medium term lending plans, IBRD's shareholders agreed in 2010 to a package of financial measures, including a capital increase that would take effect over a five year period starting in FY 2011, with the objective of keeping the **equity-to-loans ratio** aligned with the **Strategic Capital Adequacy Framework**. Under this framework IBRD's **equity-to-loans ratio** is generally expected to remain within the target risk coverage range.

As presented in **Figure 10**, IBRD's reported basis **equity-to-loans ratio** decreased during FY 2012, due to the increase in the loan portfolio and decrease in usable equity, but remains close to the higher end of the target risk coverage range.

Figure 10: Equity-to-Loans Ratio

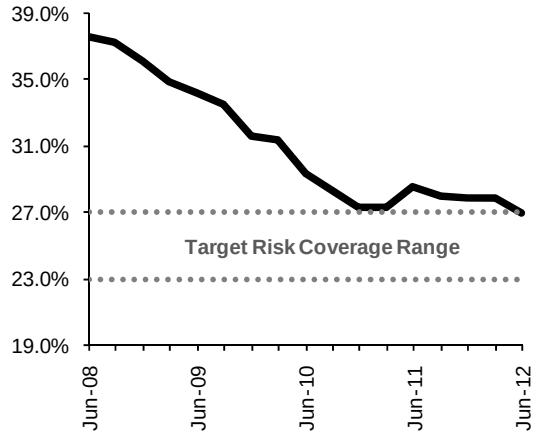


Table 10 presents the composition of the **equity-to-loans ratio** at June 30, 2012 and 2011, respectively. The $1,053 million decrease in the usable equity during FY 2012 was primarily due to the net negative adjustment in 'Other adjustments' reflecting the underfunded status of the pension plans; primarily resulting from the decrease in the discount rate, and the negative cumulative translation adjustment; resulting from the depreciation of the euro against the U.S. dollar. These were partially offset by the increase in usable capital resulting from the additional paid-in capital received under the GCI and SCI (Refer to **Section IV—**Funding for more details).

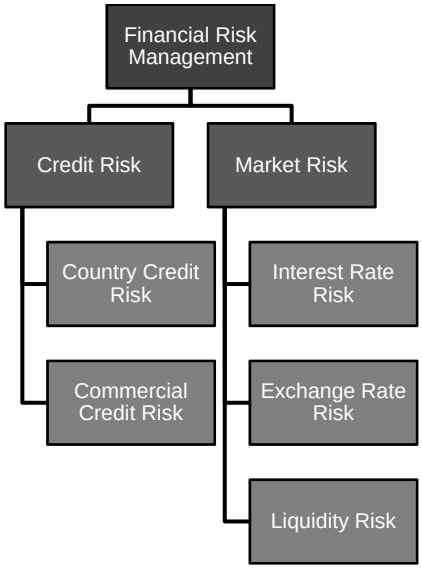
Table 10: Equity used in Equity-to-Loans Ratio
In millions of U.S. dollars

	June 30, 2012	June 30, 2011	Variance
Usable capital			
Paid-in capital	$ 12,418	$ 11,720	$698
Restricted paid-in capital	(944)	(1,273)	329
Net payable for maintenance of value	488	862	(374)
Total usable capital	**$ 11,962**	**$ 11,309**	**$ 653**
Special reserve	293	293	-
General reserve [a]	26,741	26,351	390
Cumulative translation adjustment [b]	(139)	611	(750)
Other adjustments [c]	(1,221)	125	(1,346)
Equity used in Equity-to-Loans Ratio (usable equity)[d]	**$ 37,636**	**$ 38,689**	**$(1,053)**
Fair value adjustments	(1,525)	236	(1,761)
Equity used in Equity-to-Loans Ratio-fair value basis	**$ 36,111**	**$ 38,925**	**$(2,814)**
Loans outstanding, present value of guarantees, effective but undisbursed DDOs, net of relevant accumulated provisions, deferred loan income and LTIP assets	**$139,488**	**$135,310**	**$ 4,178**
Fair value of loans outstanding, present value of guarantees, effective but undisbursed DDOs and LTIP assets	**$139,136**	**$134,291**	**$ 4,845**
Equity-to-Loans Ratio—reported basis	**26.98%**	**28.59%**	
Equity-to-Loans Ratio—fair value basis	**25.95%**	**28.99%**	

a. The June 30, 2012 amount includes proposed transfers to the General Reserve out of FY 2012 net income.
b. Excluding cumulative translation amounts associated with the fair value adjustment on non-trading portfolios, net.
c. Other adjustments comprise the net underfunded status of IBRD's pension plans, the cumulative income earned on LTIP assets adjusted by the fixed draw amount, and income earned on PEBP assets prior to FY 2011.
d. Excludes the effects of fair value adjustment on non-trading portfolios, net.

IBRD undertakes specific risk management activities for credit and market risk, which are discussed below (See **Chart 2**). The major financial risk to IBRD is the country credit risk inherent in the loan portfolio.

Chart 2: IBRD's Specific Risk Categories



Credit Risk

IBRD faces two types of credit risk: country credit risk and commercial credit risk. Country credit risk is the risk of loss due to a country not meeting its contractual obligations, and commercial credit risk is the risk of loss due to a counterparty not honoring its contractual obligations.

Country Credit Risk

This risk includes potential losses arising from protracted arrears on payments from borrowers on loans and other exposures. IBRD manages country credit risk through the use of individual country exposure limits. These exposure limits take into account creditworthiness and performance.

Probable losses inherent in the loan portfolio due to country credit risk are covered by the accumulated provision for losses on loans and other exposures, while unexpected losses due to country credit risk are covered by equity.

Portfolio concentration risk, which arises when a small group of borrowers accounts for a large share of loans outstanding, is a key concern for IBRD and is carefully managed, in part, through an exposure limit for loans outstanding plus the present value of guarantees and the undisbursed portion of DDOs that have become effective to a single borrowing country. Under the current guidelines, IBRD's exposure to a single borrowing country is restricted to the lower of an Equitable Access Limit or the Single Borrower Limit. The Equitable Access Limit is equal to 10% of IBRD's subscribed capital, reserves and unallocated surplus. The Single Borrower Limit is established, in part, by assessing its impact on the overall portfolio risk relative to the

level of usable equity. The Single Borrower Limit is determined by the Executive Directors each year at the time they consider the adequacy of IBRD's reserves and the allocation of its net income. For FY 2012 and FY 2013, the Single Borrower Limit was $17.5 billion for India and $16.5 billion for all other qualifying borrowers. The Equitable Access Limit at June 30, 2012 was $23 billion.

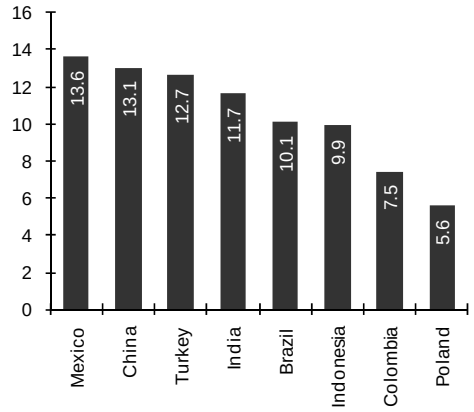
As depicted in **Figure 11**, the eight countries with the highest exposures accounted for approximately 62% of the loan portfolio. IBRD's largest exposure (including the present value of guarantees and other exposures) to a single borrowing country was $13.6 billion at June 30, 2012.

Since the current exposure data presented are at a point in time, evaluating these exposures relative to the limit requires consideration of the repayment profiles of existing loans, as well as disbursement profiles and projected new loans and guarantees.

Under certain circumstances, IBRD would be able to continue to lend to a borrower that was reaching the single borrower exposure limit by entering into an arrangement that would prevent its net exposure from exceeding the limit. Any such arrangement would need to be approved in advance by IBRD's Executive Directors. Currently, IBRD has entered into one such arrangement with China. To date, China has not reached the single borrower exposure limit and therefore, activation of this arrangement has not been required.

Figure 11: Top Eight Country Exposures at June 30, 2012

In billions of U.S. dollars



Overdue and Non-performing Loans

When a borrower fails to make payment on any principal, interest or other charges due to IBRD, IBRD has an option to suspend disbursements immediately on all loans. IBRD's current policy however, is to exercise this option through a graduated approach as summarized in **Box 2**. These policies also apply to those member countries who are eligible to borrow from both IBRD and IDA, and whose payments on IDA credits may become overdue.

Box 2: Treatment of Overdue Payments

Overdue by 30 days	Where the borrower is the member country, no new loans to the member country, or to any other borrower in the country, will be presented to the Executive Directors for approval, nor will any previously approved loan be signed, until payments for all amounts 30 days overdue or longer have been received. Where the borrower is not the member country, no new loans to that borrower will be signed or approved. In either case, the borrower will lose its eligibility for any waiver of interest charges in effect at that time for loans signed before May 16, 2007, and those loans signed between May 16, 2007 and September 27, 2007 if the borrowers elected not to convert the terms of their loans to the pricing terms effective September 27, 2007. For loans with the pricing terms applicable from May 16, 2007, an overdue interest penalty will be charged at a rate of 50 basis points on the overdue principal. In addition, if an overdue amount remains unpaid for a period of 30 days, then the borrower shall pay a higher interest rate (LIBOR + fixed spread) plus 50 basis points on the overdue principal amount until the overdue amount is fully paid.
Overdue by 45 days	In addition to the provisions cited above for payments overdue by 30 days, to avoid proceeding further on the notification process leading to suspension of disbursements, the country as borrower or guarantor and all borrowers in the country must pay not only all payments overdue by 30 days or more, but also all payments due regardless of the number of days since they have fallen due. Where the borrower is not the member country, no new loans to, or guaranteed by, the member country, will be signed or approved. Additionally, all borrowers in the country will lose eligibility for any waivers of interest in effect at the time.
Overdue by 60 days	In addition to the suspension of approval for new loans and signing of previously approved loans, disbursements on all loans to or guaranteed by the member country are suspended until all overdue amounts have been paid. This policy applies even when the borrower is not the member country. Under exceptional circumstances, disbursements could be made to a member country upon approval by the Executive Directors.
Overdue by more than six months	All loans made to or guaranteed by a member of IBRD are placed in nonaccrual status, unless IBRD determines that the overdue amount will be collected in the immediate future. Unpaid interest and other charges not yet paid on loans outstanding are deducted from the income of the current period. To the extent that these payments are received, they are included in income. At the time of arrears clearance, a decision is made on the restoration of accrual status on a case-by-case basis; in certain cases that decision may be deferred until after a suitable period of payment performance has passed.

See Notes to Financial Statements-Note D-Loans and Other Exposures for a summary of countries with loans or guarantees in nonaccrual status at June 30, 2012.

Treatment of Protracted Arrears

In 1991, the Executive Directors adopted a policy to assist members with protracted arrears to IBRD to mobilize sufficient resources to clear their arrears and to support a sustainable growth-oriented adjustment program over the medium term. This policy is conditional on members agreeing to implement certain requirements including an acceptable structural adjustment program, adopting a financing plan to clear all arrears to IBRD and other multilateral creditors, and continuing to service their obligations to IBRD and other multilateral creditors on time.

It is IBRD's practice not to reschedule interest or principal payments on its loans or participate in debt rescheduling agreements with respect to its loans. During FY 1996 and FY 2002, exceptions were made to that practice with regard to Bosnia and Herzegovina (BiH) and Serbia and Montenegro, formerly the Federal Republic of Yugoslavia, based on criteria approved by the Executive Directors in connection with the financial assistance package for BiH in 1996. See the Notes to Financial Statements-Note A-Summary of Significant Accounting and Related Policies, for additional information.

Commercial Credit Risk

The effective management of credit risk is vital to the success of IBRD's funding, investment and asset/liability management activities. The monitoring and managing of these risks is a continuous process due to changing market environments.

In the normal course of its business, IBRD utilizes various derivatives and foreign exchange financial instruments to meet the financial needs of its borrowers and to manage its exposure to fluctuations in interest and currency rates.

IBRD mitigates the counterparty credit risk arising from investments and derivatives through its credit approval process, the use of collateral agreements and risk limits, and monitoring procedures. The credit approval process involves evaluating counterparty and security-specific creditworthiness, assigning credit limits, and determining the risk profile of specific transactions. Credit limits are calculated and monitored taking into consideration current market values, estimates of potential future movements in those values, and collateral agreements with counterparties. If there is a collateral agreement with the counterparty to reduce credit risk, then the amount of collateral obtained is based on the credit rating of the counterparty. Collateral held includes cash and highly liquid investment securities.

For derivative products, IBRD uses the estimated replacement cost of the derivative as the measure of credit risk exposure. While the contractual principal amount of derivatives is the most commonly used volume measure in derivative markets, it is not a measure of credit or market risk. For all securities, IBRD limits trading to a list of authorized dealers and counterparties. Credit risk is controlled through application of eligibility criteria (as summarized in **Box 3**), volume limits for transactions with individual counterparties and through the use of mark-to-market collateral arrangements for swap transactions. As a result of these mark-to-market collateral arrangements, IBRD's residual commercial credit risk is concentrated in investments in debt instruments issued by sovereign governments, agencies, time deposits and corporate entities.

Box 3: Eligibility Criteria for IBRD's Investment Securities

Instrument Securities	*Description*
Sovereigns	IBRD may only invest in obligations issued or unconditionally guaranteed by governments of member countries with a minimum credit rating of AA-. However, if government obligations are denominated in the national currency of the issuer, no rating is required.
Agencies	IBRD may only invest in obligations issued by an agency or instrumentality of a government of a member country, a multilateral organization or any other official entity other than the government of a member country, with a minimum credit rating of AA-.
Corporates and asset-backed securities	IBRD may only invest in securities with a AAA credit rating.
Time deposits[a]	IBRD may only invest in time deposits issued or guaranteed by financial institutions, whose senior debt securities are rated at least A-.
Equity securities in the LTIP portfolio [b]	IBRD may invest in any marketable equity security provided that the security is included in the Russell 3000 Index or MSCI World, ex-US Index, or similar indices, as well as any other securities or financial instruments (including commingled or mutual funds and Exchange Traded Funds) that are typically used by asset management firms or other financial institutions in portfolios that seek to track all or part of these indices.

a. Time deposits include certificates of deposit, bankers' acceptances and other obligations issued or unconditionally guaranteed by banks or other financial institutions

b. The LTIP portfolio was fully liquidated as of June 30, 2012.

Table 11: Commercial Credit Exposure, Net of Collateral Held, by Counterparty Rating[a]
In millions of U.S. dollars

	As of June 30, 2012				
	Investments				
Counterparty Rating	*Sovereigns*	*Agencies, Asset-Backed Securities, Corporates and Time Deposits*	*Net Swap Exposure*	*Total Exposure on Investments and Swaps*	*% of Total*
AAA	$ 8,842	$ 8,054	$ –	$16,896	48%
AA	6,086	8,030	550	14,666	42
A	–	3,457	177	3,634	10
BBB	–	4	–	4	*
BB or lower	–	8	–	8	*
Total	$14,928	$19,553	$727	$35,208	100%

	As of June 30, 2011				
	Investments				
Counterparty Rating	*Sovereigns*	*Agencies, Asset-Backed Securities, Corporates and Time Deposits*	*Net Swap Exposure*	*Total Exposure on Investments and Swaps*	*% of Total*
AAA	$4,379	$ 6,698	$ –	$11,077	34%
AA	4,671	11,814	989	17,474	54
A	488	3,313	190	3,991	12
BBB	–	4	–	4	*
BB or lower	–	11	–	11	*
Total	$9,538	$21,840	$1,179	$32,557	100%

a. Excludes (a) externally managed portfolios including LTIP equities and Post-Employment Benefits Plan and (b) swap exposures executed with borrowing member countries, International Finance Facility for Immunisation (IFFIm) and IDA.
** Indicates amounts less than 0.5%.*

IBRD's exposure is marginal to futures and options and resale agreements. With respect to futures and options, IBRD generally closes out open positions prior to expiration. Futures are settled on a daily basis. With respect to resales, IBRD monitors the fair value of the securities received and, if necessary, closes out transactions and enters into new repriced transactions.

Under the mark-to-market collateral arrangements, when IBRD is in a net receivable position higher than the agreed upon collateral threshold allocated to the counterparty, counterparties are required to post collateral with IBRD.

IBRD is not required to post collateral under its derivative agreements as long as it maintains a AAA credit rating. For the contractual value, notional amounts, related credit risk exposure amounts, and the amount IBRD would be required to post in an event of a downgrade, see the Notes to Financial Statements–Note F–Derivative Instruments.

Table 11 provides details of IBRD's estimated credit exposure on its investment and swap portfolios, net of collateral held, by counterparty rating category.

The increase in commercial credit exposure during FY 2012 reflects Management's decision to bolster IBRD's liquidity levels. The credit quality of IBRD's portfolio is concentrated in the upper end of the credit spectrum due to a continued preference for highly rated securities and counterparties across all categories of investments. Of the total commercial credit exposure, net of collateral held, as of June 30, 2012, $8.6 billion (24%) related to countries in the Euro Zone, of which $7.3 billion (21%) is rated AA or above and none were rated below A.

Market Risk

IBRD is exposed to changes in interest and exchange rates and uses various strategies to keep its exposure to market risk at a minimal level.

Interest Rate Risk

There are four main sources of interest rate risk to IBRD. The first is the interest rate sensitivity of the income earned from funding a portion of IBRD assets with equity. The second is refinancing risk for fixed-spread loans. The third is the interest rate lag associated with the net spread between the rate IBRD earns on its assets and the cost of borrowings, which fund those assets. The fourth area of risk is debt overhang in borrowings funding multicurrency loan pools.

Equity Earnings Risk

The increase in the volume of loans with interest rates linked to floating rate indexes (e.g. **LIBOR)** has increased the sensitivity of IBRD's income to changes in market interest rates. As a result, income from equity invested in these variable interest rate loans is sensitive to interest rates. As part of IBRD's risk management strategy to reduce the sensitivity of income to short-term interest rates, IBRD has engaged

in an **equity duration extension strategy** which employs interest rate swaps to increase the duration of equity from three months to approximately five years. This strategy seeks to increase the stability of its income by aligning the repricing profile of equity to a 10-year uniform ladder.

Refinancing Risk

Refinancing risk for the funding of fixed-spread loans relates to the potential impact of any future deterioration in the Bank's funding spread, since loans are not funded to their final maturities. IBRD charges an associated risk premium and Management carries out periodic reviews of the adequacy of the risk premium given future expectations about IBRD's funding levels. See **Table 2**, for currently available terms.

Interest Rate Lag Risk

The borrowing cost-pass-through formulation incorporated in the lending rates charged on IBRD's cost pass-through pool loan products (currency pool loans and variable-spread loans) poses an additional interest rate lag risk. This risk exists as the cost pass-through formulation is done with a six-month lag. As of June 30, 2012, these loans accounted for approximately 57% of the portfolio (55% at June 30, 2011).

Debt Overhang Risk

This risk arises because the cost pass-through currency pool products have traditionally been funded with a large share of medium- and long-term fixed-rate debt, to provide the borrowers with a reasonably stable interest basis. The amount of debt allocated to the multicurrency debt pool slightly exceeded the balance of the multicurrency loan pool as of June 30, 2012, and the overfunding position is expected to increase as the outstanding balance of the loan pool declines further. To manage this risk, IBRD executed **forward-starting swaps** from FY 2000 to change the interest rate characteristics of the overfunded debt from fixed to variable.

As of June 30, 2012, the debt overhang was within Management's expected parameters. Should the amount of debt overhang remain at the currently projected levels, IBRD does not anticipate executing additional **forward-starting swaps**.

Other Interest Rate Risks

Interest rate risk also arises from a variety of other factors, including differences in the timing between the contractual maturities or re-pricing of IBRD's assets, liabilities and derivative financial instruments. On variable-rate assets and liabilities, IBRD is exposed to timing mismatches between the re-set dates on its variable rate receivables and payables. To mitigate its exposure to these timing mismatches, IBRD has executed some overlay **interest rate swaps**.

Interest rate risk on non-cost pass-through products, which accounted for 43% of the loan portfolio at June 30, 2012 (45% at June 30, 2011), is managed by using **interest rate swaps** to closely align the rate sensitivity characteristics of the loan portfolio with those of their underlying funding, except for the component of the loan portfolio affected by IBRD's **equity duration extension strategy**.

The interest rate risk on IBRD's liquid asset portfolio—which includes the risk that the value of assets in the liquid portfolio will fluctuate due to changes in market interest rates—is managed within specified **duration**-mismatch limits and is further limited by **stop-loss limits**.

Exchange Rate Risk

IBRD holds its assets and liabilities primarily in U.S. dollars, euro and Japanese yen. However, the reported levels of its assets, liabilities, income and expenses in the financial statements are affected by exchange rate movements in all the currencies in which IBRD transacts compared to IBRD's reporting currency, the U.S. dollar.

In order to minimize exchange rate risk in a multicurrency environment, IBRD matches its borrowing obligations in any one currency (after swap activities) with assets in the same currency, as prescribed by the Articles. In addition, IBRD's policy is to minimize the exchange rate sensitivity of its **equity-to-loans ratio**. It implements this policy by undertaking currency conversions periodically to align the currency composition of its equity to that of its outstanding loans. This policy is designed to minimize the impact of exchange rate fluctuations on the **equity-to-loans ratio**, thereby preserving IBRD's ability to better absorb unexpected losses from arrears of loan repayments regardless of the market environment.

Liquidity Risk

Liquidity risk arises in the general funding of IBRD's activities and in the management of its financial positions. It includes the risk of being unable to fund its portfolio of assets at appropriate maturities and rates and the risk of being unable to liquidate a position in a timely manner at a reasonable price. For a discussion on how liquidity is managed, see **Section III** - Investment Activities.

SECTION VI: REPORTED BASIS ANALYSIS

Basis of Reporting

In IBRD's balance sheet on the reported basis, the borrowing and investment portfolios are carried at fair value, while the loan portfolio is carried at amortized cost (except for loans with an embedded derivative which are reported at fair value). See **Table 12** for IBRD's condensed reported basis balance sheet with a reconciliation to fair value basis.

Reported Basis Balance Sheet

Investment Portfolio

As part of IBRD's financial risk management, IBRD primarily holds short-term U.S. dollar fixed-income securities, as well as other securities swapped into U.S. dollars. The portfolio has an average **duration** of less than three months.

At June 30, 2012, the net asset value of the investment portfolio increased by $4,795 million as compared to June 30, 2011 (See Notes to Financial Statements–Note C–Investments), primarily reflecting Management's decision to bolster liquidity.

Loan Portfolio

In FY 2012, borrowing member countries exhibited a preference for IFLs with variable-spread terms versus those with fixed-spread terms, since the spreads for the latter were higher. As a result, for FY 2012, 64% (FY 2011—89%) of the loan commitments carried variable spreads and the remainder carried fixed spreads.

At June 30, 2012, 80% of the loans outstanding carried variable interest rates and the remaining carried fixed interest rates. To manage the re-pricing risks between loans and borrowings, IBRD uses derivatives to convert virtually all of the fixed interest rate loans into variable interest rate loans. See **Figure 4d** for the interest rate structure of IBRD's loan portfolio.

As of June 30, 2012, only 0.3% of IBRD's loans were in nonaccrual status and were all related to one country. IBRD's total provision for losses on accrual and nonaccrual loans accounted for 1.2% of the total loan portfolio.

Net loans outstanding on a reported basis increased by $3,739 million in FY 2012. This increase was primarily due to net disbursements of $7,798 million, which were driven by the increase in demand for IBRD's loans, partially offset by currency translation losses of $3,939 million, consistent with the depreciation of the euro against the U.S. dollar in FY 2012.

Borrowing Portfolio

As of June 30, 2012, after the effects of derivatives, virtually all of IBRD's borrowing portfolio (excluding discount notes) carried variable interest rates (See **Figure 8**). As mentioned previously, derivatives are used to manage the re-pricing risk between IBRD's loan and borrowing portfolios.

The borrowing portfolio, net of derivatives, increased by $10,574 million, as compared to June 30, 2011 (See Notes to Financial Statements–Note E–Borrowings). This was primarily due to net new borrowing issuances of $10,626 million, consistent with Management's decision to bolster liquidity levels and unrealized mark-to-market losses of $2,247 million, primarily resulting from the downward shift in the major yield curves. This was partially offset by currency translation gains of $3,095 million, consistent with the depreciation of the euro against the U.S. dollar in FY 2012.

Table 12: Condensed Balance Sheets at June 30, 2012 and 2011
In millions of U.S. dollars

	June 30, 2012			*June 30, 2011*		
	Reported Basis	*Adjustments*	*Fair Value Basis*	*Reported Basis*	*Adjustments*	*Fair Value Basis*
Due from banks	$ 5,806		$ 5,806	$ 2,462		$ 2,462
Investments	33,675		33,675	32,645		32,645
Net loans outstanding	134,209	$(2,011)	132,198	130,470	$(1,023)	129,447
Receivable from derivatives	160,814		160,814	144,711		144,711
Other assets	3,674		3,674	3,923		3,923
Total assets	$338,178	$(2,011)	$336,167	$314,211	$(1,023)	$313,188
Borrowings	$145,339	$ (2)[a]	$145,337	$135,242	$ (19)[a]	$135,223
Payable for derivatives	144,837		144,837	130,429		130,429
Other liabilities	11,317		11,317	8,857		8,857
Total liabilities	301,493	(2)	301,491	274,528	(19)	274,509
Paid in capital stock	12,418		12,418	11,720		11,720
Retained earnings and other equity	24,267	(2,009)	22,258	27,963	(1,004)	26,959
Total equity	36,685	(2,009)	34,676	39,683	(1,004)	38,679
Total liabilities and equity	$338,178	$(2,011)	$336,167	$314,211	$(1,023)	$313,188

a. Amount represents amortization of transition adjustment relating to the adoption of FASB's guidance on derivatives and hedging on July 1, 2000.

Reported Basis Operating Income

IBRD's operating income on a reported basis is broadly comprised of income from interest-earning assets (net of funding cost) and the equity duration extension swap portfolio, less the provision for losses on loans and other exposures, and net non-interest expense. **Table 13** shows a breakdown of operating income, net of funding costs, on a reported basis.

FY 2012 versus FY 2011

The decrease of $240 million in operating income is explained by the following factors:

Provision for losses on loans and other exposures: For FY 2012, there was a $189 million provisioning charge primarily due to the decline in the credit quality of the loan portfolio. In contrast, during FY 2011, there was a $45 million release in the provision due to the improvement in the credit quality of the loan portfolio.

LTIP income: For FY 2012, the $138 million decrease in income from LTIP was primarily due to lower returns from the equity portfolio compared to FY 2011.

These factors were partially offset by:

Net Interest income: The **interest margin** increased by $188 million reflecting higher spreads from the increased proportion of loans carrying the new loan pricing terms which were approved in FY 2010, and an increase in loan volume.

Table 13: Reported Basis Operating Income
In millions of U.S. dollars

	FY 2012	*FY 2011*	*FY 2010*	*FY 2012 vs. FY 2011*	*FY 2011 vs. FY 2010*
Interest income, net of funding costs					
Interest margin	$ 744	$ 556	$ 433	$ 188	$ 123
Equity-funded loans	196	196	324	_	(128)
Equity extension duration strategy	1,095	1,139	994	(44)	145
Investments	80	112	95	(32)	17
Net interest income	$2,115	$2,003	$1,846	$ 112	$ 157
Provision for losses on loans and other exposures–(charge) release	(189)	45	32	(234)	13
LTIP Income	31	169	118	(138)	51
Other net income	38	39	52	(1)	(13)
Net non-interest expense	(1,212)	(1,233)	(1,248)	21	15
Reported Basis Operating Income	$ 783	$1,023	$ 800	$ (240)	$ 223

Table 14: Net Noninterest Expense
In millions of U.S. dollars

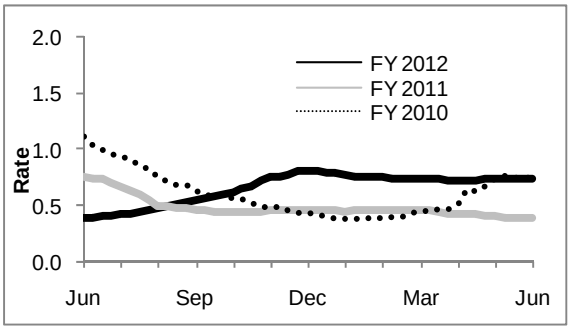
	FY 2012	*FY 2011*	*FY 2010*	*FY 2012 vs. FY 2011*	*FY 2011 vs. FY 2010*
Administrative expenses					
Staff costs	$ 734	$ 696	$ 661	$ 38	$ 35
Operational travel	162	142	156	20	(14)
Consultant fees	262	244	247	18	(3)
Pension and other postretirement benefits	163	220	158	(57)	62
Communications and IT	44	41	39	3	2
Contractual services	123	115	118	8	(3)
Equipment and buildings	111	111	109	–	2
Other Expenses	32	(5)	31	37	(36)
Total administrative expenses	$1,631	$1,564	$1,519	$ 67	$ 45
Contribution to special programs	133	147	168	(14)	(21)
Service fee revenue	(179)	(156)	(151)	(23)	(5)
Revenue related to IBRD executed trust funds	(341)	(300)	(271)	(41)	(29)
Restricted Income	(27)	(18)	(12)	(9)	(6)
Net other (income)expense	(5)	(4)	(5)	(1)	1
Total Net Noninterest Expense	$1,212	$1,233	$1,248	$ (21)	$(15)

FY 2011 versus FY 2010

The increase of $223 million in operating income is explained by the following factors:

Net Interest income: The $123 million increase in **interest margin** was primarily due to an increase in the loan balance. In addition, the lower short-term interest rate environment, in particular U.S. dollar six month **LIBOR**, (**Figure 12),** resulted in higher interest income from the equity duration extension swaps (where IBRD is a variable interest rate payer and a fixed interest rate receiver) of $145 million. This was partially offset by the $128 million decline in interest income from **equity-funded loans** (where IBRD is primarily a variable interest rate receiver).

Figure 12: Six-Month LIBOR Interest Rates U.S. Dollar



LTIP income: The $51 million increase in income from LTIP was due primarily to unrealized mark-to-market gains from the equity portfolio.

SECTION VII: FAIR VALUE ANALYSIS

Basis of Reporting

As discussed previously Management monitors the fair value results to assess the underlying trends in the market and the impact on its risk management. The Condensed Fair Value Balance Sheets in **Table 12** present IBRD's estimates of the fair value of its financial assets and liabilities, taking into account interest rate, currency and credit risks. As non-financial assets and liabilities are not reflected at fair value, IBRD's equity is not intended to reflect fair value. The Condensed Fair Value Balance Sheets are presented with a reconciliation from the reported basis.

Fair Value Balance Sheet

Loan Portfolio

IBRD's fair value model is based on a discounted cash flow method. This model incorporates **CDS** spreads as an indicator of the credit risk for each borrower. Recovery levels are modified to incorporate IBRD's recovery levels.

Table 15: Condensed Statements of Income for the years ended June 30, 2012 and 2011
In millions of U.S. dollars

	June 30, 2012			*June 30, 2011*		
	Reported Basis	*Adjustments*	*Fair Value Comprehensive Basis[a]*	*Reported Basis*	*Adjustments*	*Fair Value Comprehensive Basis[a]*
Income from loans	$2,585		$ 2,585	$2,470		$2,470
Income from investments, net[b]	219		219	367		367
Equity duration extension swaps, net	1,095		1,095	1,139		1,139
Other income	490		490	401		401
Total *income*	4,389		4,389	4,377		4,377
Borrowing expenses	1,652		1,652	1,687		1,687
Administrative expenses including contributions to special programs	1,764		1,764	1,711		1,711
Provision for losses on loans and other exposures	189	$ (189)	–	(45)	$ 45	–
Other Expenses	1		1	1		1
Total *expenses*	3,606	(189)	3,417	3,354	45	3,399
Operating income	$ 783	$ 189	$ 972	$1,023	$ (45)	$ 978
Board of Governors-approved transfers	(650)		(650)	(513)		(513)
Fair value adjustment on non-trading portfolios, net[c]	(809)		(809)	420		420
Fair value adjustment on loans[d]		(1,261)	(1,261)		(762)	(762)
Changes to accumulated other comprehensive income		(2,931)	(2,931)		1,581	1,581
Net (Loss) Income	$ (676)	$(4,003)	$(4,679)	$ 930	$ 774	$1,704

a. Net income on a fair value comprehensive basis comprises net income on a reported basis, the additional fair value adjustment on the loan portfolio and changes to AOCI.
b. Unrealized gains (losses) on derivatives in the investments trading portfolio are included in income from investments, net.
c. Excludes the fair value adjustment on loans which are not carried at fair value under the reported basis.
d. Excludes the reversal of the provision for losses on loans and other exposures.

On a fair value basis, the loan portfolio increased by $2,751 million compared with June 30, 2011. This increase comprises **net loan disbursements** of $7,798 million. This was partially offset by currency translation losses of $3,833 million, as shown in **Table 17**, primarily due to the depreciation of the euro against the U.S. dollar in FY 2012 and net negative fair value adjustment of $1,072 million.

Net Income on a Fair Value Comprehensive Basis

Net income on a fair value comprehensive basis comprises net income on a reported basis, the additional fair value adjustment on the loan portfolio and changes in AOCI, which are related to currency translation adjustments and the changes in fair value of pension plans. **Table 15** provides a reconciliation from net income on a reported basis to net income on a fair value comprehensive basis.

The net loss on a fair value comprehensive basis was $4,679 million, compared to net income of $1,704 million in FY 2011. This was primarily due to the following factors:

Fair Value Adjustment on Non-Trading Portfolios

The fair value adjustment on non-trading portfolios, net, consists of the fair value adjustments on the borrowing portfolio (including loan derivatives), all other derivatives other than those in the investment portfolio, and the fair value adjustment on loans with embedded derivatives.

During FY 2012, there were net unrealized losses of $809 million, compared with net unrealized gains of $420 million in FY 2011. See **Table 16** for details.

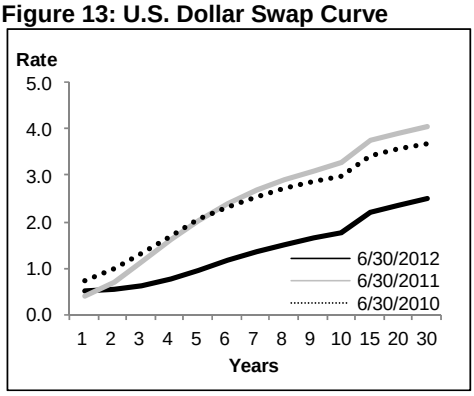
Table 16: Summary of Fair Value Adjustment on Non-Trading Portfolios, net
In millions of U.S. dollars

Unrealized gains/(losses)	*June 30, 2012*	*June 30, 2011*
Borrowing Portfolio (including loan derivatives)	$(2,247)	$ 663
Derivatives held in the asset/liability management portfolio	1,437	(248)
Derivatives held in the client operations portfolio	2	1
A loan with an embedded derivative	(1)	4
	$ (809)	$ 420

During FY 2012, there were net unrealized losses in the borrowing portfolio and net unrealized gains in the asset/liability management portfolio[3] primarily due to the decline in interest rates, as shown in **Figure 13**.

During FY 2011, consistent with the steepening of major yield curves, IBRD experienced net unrealized gains on the borrowing portfolio, partially offset by net unrealized losses on the derivatives held in the asset/liability management portfolio, where IBRD is a fixed interest rate receiver.

Figure 13: U.S. Dollar Swap Curve



Fair Value Adjustment on Loans

The fair value adjustment on loans for FY 2012 was a negative $1,072 million (including the reversal of the provision for losses on loans and other exposures of $189 million), compared to a negative $807 million (including the reversal of the release of provision for losses on loans and other exposures of $45 million) during FY 2011. This adjustment reflects changes in both interest rates and credit risk. The negative fair value adjustment for FY 2012 was primarily driven by unrealized credit losses due to the widening of **CDS** spreads, partially offset by unrealized gains from the lower interest rates.

In contrast, the fair value adjustment on loans for FY 2011 was primarily driven by the steepening of the yield curves of all major currencies. In addition, loan disbursements also resulted in unrealized credit losses, as determined by **CDS** spread levels, due to IBRD's policy of not differentiating between the credit quality of member countries.

Changes to Accumulated Other Comprehensive Income (AOCI)

During FY 2012, IBRD experienced a loss of $2,931 million primarily due to the following factors:

Unrecognized net actuarial losses on benefits plans: $2,158 million of unrecognized net actuarial losses, primarily due to the decrease in the discount rates used to determine the projected benefit obligation.

Unrecognized net prior service cost on benefit plans: $141 million of unrecognized prior service cost, primarily due to an amendment made to the pension plan. See Notes to Financial Statements-Note J- Pension and Other Postretirement Benefits for further details.

[3] *The derivatives held in the asset/liability management portfolio are presented in IBRD's balance sheet under Derivative Assets–Other assets/liabilities and Derivative Liabilities–Other assets/liabilities.*

Currency translation adjustments: $627 million net negative currency translation adjustments, primarily due to the 13% depreciation of the euro against the U.S. dollar in FY 2012. **Table 17** provides a summary of currency translation adjustments by portfolio. The loan portfolio contributed negative $3,833 million. The total percentage of loans denominated in currencies other than the U.S. dollar at June 30, 2012 was 21%; loans denominated in euro and Japanese yen accounted for approximately 19% and 1%, respectively, as illustrated by **Figure 4c**. The borrowing portfolio accounted for a positive adjustment of $3,203 million. The total percentage of the borrowing portfolio denominated in currencies other than the U.S. dollar at June 30, 2012 was 17%; borrowings denominated in euro and Japanese yen accounted for approximately 15% and 1%, respectively, as illustrated by **Figure 9.**

Table 17: Summary of Changes to AOCI (Fair Value Basis)

In millions of U.S. dollars

	FY 2012	*FY 2011*	*Variance*
Unrecognized net actuarial (losses) gains on benefit plans	$(2,158)	$ 834	$(2,992)
Unrecognized net prior Service (cost) credit on benefit plans	(141)	8	(149)
Derivatives and hedging transition adjustment [a]	(5)	(18)	13
Currency translation adjustments	(627)	757	(1,384)
Of which:			
Loans outstanding	(3,833)	4,256	(8,089)
Borrowing Portfolio	3,203	(3,497)	6,700
Net other assets and liabilities	3	(2)	5
Total	$(2,931)	$1,581	$(4,512)

a. Amount represents amortization of transition adjustment relating to the adoption of FASB's guidance on derivatives and hedging on July 1, 2000.

During FY 2011, IBRD experienced a gain of $1,581 million primarily due to the following factors:

Unrecognized net actuarial gains on benefits plans: $834 million of unrecognized net actuarial gains, primarily due to higher actual returns on plan assets compared to expected returns.

Currency translation adjustments: $757 million net positive currency translation adjustments, primarily due to the 18% appreciation of the euro against the U.S. dollar in FY 2011. **Table 17** provides a summary of currency translation adjustments by portfolio. The loan portfolio contributed positive $4,256 million. The total percentage of loans denominated in currencies other than the U.S. dollar at June 30, 2011 was 23%; loans denominated in euro and Japanese yen accounted for approximately 20% and 1%, respectively as illustrated by **Figure 4c**. The borrowing portfolio accounted for a negative adjustment of $3,497 million. The total percentage of the borrowing portfolio denominated in currencies other than the U.S. dollar at June 30, 2011 was 19%; borrowings denominated in euro and Japanese yen accounted for approximately 17% and 2%, respectively.

SECTION VIII: CONTRACTUAL OBLIGATIONS

In the normal course of business, IBRD enters into various contractual obligations that may require future payments. **Table 18** summarizes IBRD's significant contractual obligations, by remaining maturity, at June 30, 2012.

Debt includes all borrowings (excluding derivatives) at fair value. See Notes to Financial Statements-Note E- Borrowings for additional information on the borrowing portfolio.

Operating lease expenditures primarily represent future cash payments for real estate-related obligations and equipment. Other long-term liabilities include accrued liabilities for staff compensation and benefits. Operating leases, contractual purchases and capital expenditures, and other long term obligations include amounts which will be shared with IDA, IFC and The Multilateral Investment Guarantee Agency (MIGA) in accordance with cost sharing and service arrangements (additional information can be found in the Notes to Financial Statements–Note H–Transactions with Affiliated Organizations).

Table 18: Contractual Obligations

In millions of U.S. dollars

	As of June 30, 2012				
	Due in 1 year or Less	*Due after 1 Year through 3 Years*	*Due after 3 Year through 5 Years*	*Due After 5 years*	*Total*
Borrowings (at fair value)	$22,071	$50,592	$35,161	$37,515	$145,339
Operating leases	64	108	59	240	471
Contractual purchases and capital expenditures	63	23	–	–	86
Other long-term liabilities	78	123	99	201	501
Total	$22,276	$50,846	$35,319	$37,956	$146,397

Table 18 excludes the following obligations presented in IBRD's balance sheet: undisbursed loans; payable for **currency** and **interest rate swaps**; payable for investment securities purchased, cash received under agency arrangements, and payable for transfers approved by the Board of Governors.

SECTION IX: CRITICAL ACCOUNTING POLICIES AND THE USE OF ESTIMATES

Note A of IBRD's financial statements contains a summary of IBRD's significant accounting policies. These policies, as well as estimates made by Management, are integral to the presentation of IBRD's financial condition. While all of these policies require a certain level of Management judgment and estimates, this section discusses the significant accounting policies that require Management to make judgments that are difficult, complex or subjective, and relate to matters that are inherently uncertain.

Provision for Losses on Loans and Other Exposures

IBRD's accumulated provision for losses on loans and other exposures reflects the probable losses inherent in its accrual and nonaccrual portfolios. There are several steps required to determine the appropriate level of provisions for each portfolio. First, the total loan portfolio is segregated into the accrual and nonaccrual portfolios. In both portfolios, the loans and other exposures for each country are then assigned a credit risk rating. With respect to loans in the accrual portfolio, these loans are grouped according to the assigned risk rating. Loans in the non-accrual portfolio are individually assigned the highest risk rating. Second, each risk rating is mapped to an expected default frequency using IBRD's credit migration matrix. Finally, the provision required is calculated by multiplying the outstanding exposure by the expected default frequency (probability of default to IBRD) and by the assumed severity of the loss given default. For loans that are carried at fair value, the credit risk assessment is incorporated in the determination of fair value.

The determination of a borrower's risk rating is based on various factors, which include political risk, external debt and liquidity, fiscal policy and public debt burden, balance of payments risks, economic structure and growth prospects, monetary and exchange rate policy, financial sector risks and corporate sector debt and other vulnerabilities. IBRD periodically reviews such factors and reassesses the adequacy of the accumulated provision, accordingly. Actual losses may differ from expected losses due to unforeseen changes in any of the factors that affect borrowers' creditworthiness.

The accumulated provision for loan losses is separately reported in the balance sheet as a deduction from IBRD's total loans. The accumulated provision for losses on other exposures is included in accounts payable and miscellaneous liabilities. Increases or decreases in the accumulated provision for losses on loans and other exposures is reported in the Statement of Income as provision for losses on loans and other exposures.

Additional information on IBRD's provisioning policy and the status of nonaccrual loans can be found in the Notes to Financial Statements-Note A-Summary of Significant Accounting and Related Policies and Note D-Loans and Other Exposures.

Fair Value of Financial Instruments

All fair value adjustments are recognized through the income statement. The fair values of financial instruments are based on a three level hierarchy.

For financial instruments classified as Level 1 and 2, inputs are based on observable market data and less judgment is applied in arriving at a fair value measurement. For financial instruments classified as Level 3, significant unobservable inputs are used. These inputs require Management to make significant assumptions and judgments in arriving at a fair value measurement.

The majority of IBRD's financial instruments are classified as Level 1 and Level 2, as the inputs are based on observable market data and less judgment is applied in arriving at fair value measures.

On a quarterly basis, the methodology, inputs and assumptions are reviewed to assess the appropriateness of the fair value hierarchy classification of each financial instrument.

Some of IBRD's financial instruments are valued using pricing models. The valuation and analytics group, which is independent of the treasury and risk management functions, reviews the models that IBRD uses and assesses model appropriateness and consistency. The model reviews consider a number of factors about the model's suitability for valuation of a particular product. These factors include whether the model accurately reflects the characteristics of the transaction and its risks, the suitability and convergence properties of numerical algorithms, reliability of data sources, consistency of the treatment with models for similar products, and sensitivity to input parameters and assumptions that cannot be priced from the market.

Reviews are conducted of new and/or changed models, as well as previously validated models, to assess whether there have been any changes in the

product or market that may affect the model's validity and whether there are theoretical or competitive developments that may require reassessment of the model's adequacy.

All the financial models used for input to IBRD's financial statements are subject to both internal and periodic external verification and review by qualified personnel.

In instances where Management relies on instrument valuations supplied by external pricing vendors, there are procedures in place to validate the appropriateness of the models used as well as the inputs applied in determining those values.

Pension and Other Postretirement Benefits

IBRD participates, along with IFC and MIGA, in pension and postretirement benefit plans that cover substantially all of their staff members. All costs, assets and liabilities associated with the plans are allocated between IBRD, IFC and MIGA based upon their employees' respective participation in the plans. Costs allocated to IBRD are subsequently shared between IBRD and IDA based on an agreed cost sharing ratio. The underlying actuarial assumptions used to determine the projected benefit obligations, accumulated benefit obligations and funded status associated with these plans are based on financial market interest rates, past experience, and Management's best estimate of future benefit changes and economic conditions. For further details, refer to Notes to Financial Statements-Note J -Pension and Other Postretirement Benefits.

SECTION X: GOVERNANCE AND CONTROL

General Governance

IBRD's decision-making structure consists of the Board of Governors, the Executive Directors (the Board) and the President and staff. The Board of Governors is the highest decision-making authority. Governors are appointed by their member governments for a five-year term, which is renewable. The Board of Governors may delegate authority to the Executive Directors to exercise any of its powers, with the exception of certain powers enumerated in IBRD's Articles.

Board Membership

In accordance with its Articles, members of the Board are appointed or elected every two years by their member governments. Currently the Board is composed of 25 Executive Directors. These Executive Directors are neither officers nor staff of IBRD. The President is the only member of the Board from management, serving as a non-voting member and as Chairman of the Board.

The Executive Directors have established several Committees including:

- Audit Committee
- Budget Committee
- Committee on Development Effectiveness
- Committee on Governance and Executive Directors' Administrative Matters
- Ethics Committee
- Human Resources Committee

The Executive Directors and their Committees function in continuous session at the principal offices of IBRD, as business requires. Each Committee's terms of reference establishes its respective roles and responsibilities. As Committees do not vote on issues, their role is primarily to serve the Board in discharging its responsibilities.

The Executive Directors are required to consider proposals made by the President on IBRD's loans and guarantees, and other policies that impact IBRD's general operations. The Executive Directors are also responsible for presenting to the Board of Governors, at the Annual Meetings, audited accounts, an administrative budget, and an annual report on operations and policies as well as other matters.

Senior Management Changes

On August 15, 2011, Ngozi Okonjo-Iweala retired as Managing Director of IBRD.

On September 19, 2011, Caroline Anstey was appointed as Managing Director of IBRD.

On June 30, 2012, Robert B Zoellick retired as the President of IBRD.

Effective July 1, 2012, Jim Yong Kim became the President of IBRD.

Following the decision by Vincenzo La Via to retire as CFO of IBRD, Charles McDonough was appointed as acting CFO effective March 28, 2012. A global search for a new CFO is in progress.

Audit Committee

Membership

The Audit Committee (Committee) consists of eight Executive Directors. Membership on the Committee is determined by the Executive Directors, based upon nominations by the Chairman of the Board, following informal consultation with the Executive Directors.

Key Responsibilities

The Committee is appointed by the Executive Directors to assist it in the oversight and assessment of IBRD's finances and accounting, including the effectiveness of financial policies, the integrity of

financial statements, the system of internal control regarding finance, accounting and ethics (including fraud and corruption), and financial and operational risks. The Committee also has the responsibility for reviewing the performance and recommending to the Executive Directors the appointment of the external auditor, as well as monitoring the independence of the auditor. The Committee participates in oversight of the internal audit function and reviews the annual internal audit plan. In the execution of its role, the Committee discusses with Management, the external auditors, and the internal auditors, financial issues and policies which have a bearing on the institution's financial position and **capital adequacy**. The Committee also reviews with the external auditor the financial statements prior to their publication and recommends the annual audited financial statements for approval to the Executive Directors. The Committee monitors the evolution of developments in corporate governance and the role of audit committees on an ongoing basis and updated its terms of reference in July 2009.

Executive Sessions

Under the Committee's terms of reference, members of the Committee may convene in executive session at any time, without Management present. It meets separately in executive session with the external and internal auditors.

Access to Resources and to Management

Throughout the year, the Committee receives a large volume of information, which supports the execution of its duties. The Committee meets both formally and informally throughout the year to discuss relevant matters. The Committee has complete access to Management and reviews and discusses with management topics contemplated in their terms of reference.

The Committee has the capacity, under exceptional circumstances, to obtain advice and assistance from outside legal, accounting or other advisors as deemed appropriate.

Business Conduct

The **World Bank** promotes a positive work environment where staff members understand their ethical obligations to the institution, which are embodied in its Core Values and Principles of Staff Employment. In support of this commitment, the institution has in place a Code of Conduct, entitled *Living our Values* (the Code). The Code applies to all staff worldwide and is available on IBRD's website, www.worldbank.org.

In addition to the Code, Staff and Administrative Manuals, guidance for staff is also provided through programs, training materials, and other resources. Managers are responsible for ensuring that internal systems, policies, and procedures are consistently aligned with the **World Bank's** business conduct framework.

The **World Bank** has both an Ethics HelpLine and a Fraud and Corruption hotline. A third-party service offers numerous methods of worldwide communication. Reporting channels include: phone, mail, email, or through confidential submission through a website.

IBRD has in place procedures for the receipt, retention and handling of recommendations and concerns relating to business conduct identified during accounting, internal control and auditing processes.

The **World Bank's** Staff Rules clarify and codify the obligations of staff in reporting suspected fraud, corruption or other misconduct that may threaten the operations or governance of the **World Bank**. Additionally, these rules offer protection from retaliation.

Auditor Independence

The appointment of the external auditor of IBRD is governed by a set of Board-approved principles. Key features of those principles include:

- Prohibition of the external auditor from the provision of all non audit-related services.
- All audit-related services must be pre-approved on a case-by-case basis by the Executive Directors, upon recommendation of the Committee.
- Mandatory rebidding of the external audit contract every five years, with a limitation of two consecutive terms and mandatory rotation thereafter.

External auditors are appointed to a five-year term of service. This is subject to annual reappointment based on the recommendation of the Audit Committee and approval of a resolution by the Executive Directors.

Communication between the external auditor and the Committee is ongoing, as frequently as is deemed necessary by either party. The Committee meets periodically with the external auditor, and individual members of the Committee have independent access to the external auditor. IBRD's auditors also follow the communication requirements with audit committees set out under generally accepted auditing standards accepted in the United States of America and International Standards of Auditing.

Internal Control

Internal Control Over Financial Reporting

Management makes an annual assertion whether, as of June 30 of each fiscal year, its system of internal

control over its external financial reporting has met the criteria for effective internal control over external financial reporting as described in the Internal Control – Integrated Framework issued by **The Committee of Sponsoring Organizations of the Treadway Commission (COSO)**.

Concurrently, IBRD's external auditor provides an attestation report on whether Management's assertion regarding the effectiveness of internal control over external financial reporting is fairly stated in all material respects.

For each fiscal year, Management performs an evaluation of internal control over external financial reporting for the purpose of determining if there are any changes made in internal control during the fiscal year covered by the report that materially affect, or would be reasonably likely to materially affect IBRD's internal control over external financial reporting. As of June 30, 2012 no such changes had occurred.

Disclosure Control and Procedures

Disclosure control and procedures are those processes which are designed to ensure that information required to be disclosed is accumulated and communicated to Management as appropriate, to allow timely decisions regarding required disclosure by IBRD. Management has undertaken an evaluation of the effectiveness of such controls and procedures. Based on that evaluation, the President and the acting CFO have concluded that these controls and procedures were effective as of June 30, 2012.

Glossary of Terms

Asset-backed Securities: Asset-backed securities are instruments whose cash flow is based on the cash flows of a pool of underlying assets managed by a trust.

Capital Adequacy: Is a measure of IBRD's ability to withstand unexpected losses, and is based on the amount of IBRD's usable equity expressed as a percentage of its loans and other related exposures.

COSO: Committee of Sponsoring Organizations of the Treadway Commission. COSO was formed in 1985 to sponsor the National Commission on Fraudulent Financial Reporting, an independent private-sector initiative which studied the causal factors that can lead to fraudulent financial reporting. In 1992, COSO issued its Internal Control-Integrated Framework, which provided a common definition of internal control and guidance on judging its effectiveness.

Credit Default Swaps (CDS): A derivatives contract that provides protection against deteriorating credit quality and allows one party to receive payment in the event of a default or specified credit event by a third party.

Currency Swaps (including Currency Forward Contracts): Currency swaps are agreements between two parties to exchange cash flows denominated in different currencies at one or more certain times in the future. The cash flows are based on a predetermined formula reflecting rates of interest and an exchange of principal.

Duration: Duration provides an indication of the interest rate sensitivity of a fixed income security to changes in its underlying yield.

Equity Duration Extension Strategy: IBRD has reduced the sensitivity of its income to short-term interest rates by using derivatives to extend the duration of its equity from three months to approximately five years. This strategy uses a 10-year ladder repricing profile.

Equity-to-Loans Ratio: This ratio is the sum of usable capital plus the special and general reserves, cumulative translation adjustment (excluding amounts associated with fair value adjustment on non-trading portfolios, net), the proposed transfer from unallocated net income to general reserves (where there are firm estimates available), net underfunded status of IBRD's pension plans, the cumulative income earned on LTIP assets adjusted by the fixed draw down amount and income earned on PEBP assets prior to FY 2011 divided by the sum of loans outstanding, the present value of guarantees, effective but undisbursed DDOs, net of the accumulated provision for losses on loans and other exposures, deferred loan income and LTIP assets.

Equity-funded loans: Interest cost saved by deploying equity instead of debt to fund loans.

Forward Starting Swaps: A forward starting swap is an agreement under which the cash flow exchanges of the underlying interest rate swaps would begin to take effect from a specified future date.

Futures: Futures are contracts for delivery of securities or money market instruments in which the seller agrees to make delivery at a specified future date of a specified instrument at a specified price or yield. Futures contracts are traded on U.S. and international regulated exchanges.

Government and Agency Obligations: These obligations include marketable bonds, notes and other obligations issued by governments.

Interest Margin: The spread between loan returns and debt cost.

Interest Rate Cap: An option that provides a payoff when a specified interest rate is above a certain level.

Interest Rate Collar: A combination of an interest-rate cap and an interest rate floor. An interest rate floor is an option that provides a payoff when an interest rate is below a certain level.

Interest Rate Swaps: Interest rate swaps are agreements involving the exchange of periodic interest payments of differing character, based on an underlying notional principal amount for a specified time.

LIBOR: London interbank offered rate.

Maintenance of Value: Agreements with members provide for the maintenance of the value, from the time of subscription, of certain restricted currencies. Additional payments to (or from) IBRD are required in the event the par value of the currency is reduced (or increased) to a significant extent.

Net Loan Disbursements: Loan disbursements net of repayments and prepayments.

Options: Options are contracts that allow the holder of the option the right, but not the obligation, to purchase or sell a financial instrument at a specified price within a specified period of time from or to the seller of the option. The purchaser of an option pays a premium at the outset to the seller of the option, who then bears the risk of an unfavorable change in the price of the financial instrument underlying the option.

Prudential Minimum: The minimum amount of liquidity that IBRD is required to hold. The amount is equal to the highest consecutive six months of projected debt service obligations plus one-half of projected net disbursements on approved loans (if positive) for the relevant fiscal year.

Return on Equity: This return is computed as net income divided by the average equity balance during the year.

Strategic Capital Adequacy Framework: Evaluates IBRD's capital adequacy as measured by stress test and appropriate long term equity-to-loan target range. This target equity-to-loans range provides a background framework in the context of annual net income allocation decisions, as well as in the assessment of the initiatives for the use of capital. The capital adequacy framework has been approved by the Executive Directors.

Statutory Lending Limit: Under IBRD's Articles, as applied, the total amount outstanding of loans, participations in loans, and callable guarantees may not exceed the sum of subscribed capital, reserves and surplus.

Stop-loss limits: Stop-loss limits are levels of mark-to-market losses against the benchmark, at which Management will revert to passive management of the portfolio.

Swaptions: A swaption is an option which gives the holder the right to enter into an Interest Rate Swap or Currency Swap at a future date.

Time Deposits: Time deposits include certificates of deposit, bankers' acceptances, and other obligations issued or unconditionally guaranteed by banks and other financial institutions.

World Bank: Refers collectively to IBRD and IDA in this document.

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

FINANCIAL STATEMENTS AND INTERNAL CONTROL REPORTS
JUNE 30, 2012

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The World Bank
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Management's Report Regarding Effectiveness of Internal Control Over External Financial Reporting

August 9, 2012

The management of the International Bank for Reconstruction and Development (IBRD) is responsible for the preparation, integrity, and fair presentation of its published financial statements. The financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America and include amounts based on informed judgments and estimates made by management.

The financial statements have been audited by an independent audit firm, which was given unrestricted access to all financial records and related data, including minutes of all meetings of the Executive Directors and their Committees. Management believes that all representations made to the independent auditors during their audit of IBRD's financial statements and attestation of its internal control over external financial reporting was valid and appropriate. The independent auditors' reports accompany the audited financial statements.

Management is responsible for establishing and maintaining effective internal control over external financial reporting for financial statement presentations in conformity with accounting principles generally accepted in the United States of America. Management maintains a comprehensive system of controls intended to ensure that transactions are executed in accordance with management's authorization, assets are safeguarded, and financial records are reliable. The system of internal control contains monitoring mechanisms, and actions are taken to correct deficiencies identified. Management believes that internal control over external financial reporting, which is subject to scrutiny by management and the internal auditors, and is revised as considered necessary, supports the integrity and reliability of the external financial statements.

There are inherent limitations in the effectiveness of any internal control, including the possibility of human error and the circumvention or overriding of controls. Accordingly, even effective internal controls can provide only reasonable assurance with respect to financial statement preparation. Further, because of changes in conditions, the effectiveness of internal controls may vary over time.

IBRD assessed its internal control over external financial reporting for financial statement presentation in conformity with accounting principles generally accepted in the United States of America as of June 30, 2012. This assessment was based on the criteria for effective internal control over external financial reporting described in *Internal Control-Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based upon this assessment, management believes that IBRD maintained effective internal control over external financial reporting presented in conformity with accounting principles generally accepted in the United States of America as of June 30, 2012. The independent audit firm that

audited the financial statements has issued an attestation report on management's assertion on IBRD's internal control over external financial reporting.

The Executive Directors of IBRD have appointed an Audit Committee responsible for monitoring the accounting practices and internal controls of IBRD. The Audit Committee is comprised entirely of Executive Directors who are independent of IBRD's management. The Audit Committee is responsible for recommending to the Executive Directors the selection of independent auditors. It meets periodically with management, the independent auditors, and the internal auditors to ensure that they are carrying out their responsibilities. The Audit Committee is responsible for performing an oversight role by reviewing and monitoring the financial, accounting and auditing procedures of IBRD in addition to reviewing IBRD's financial reports. The independent auditors and the internal auditors have full and free access to the Audit Committee, with or without the presence of management, to discuss the adequacy of internal control over external financial reporting and any other matters which they believe should be brought to the attention of the Audit Committee.

Jim Yong Kim
President

Charles A. McDonough
Acting Chief Financial Officer and Vice President and Controller

INDEPENDENT AUDITORS' REPORT ON MANAGEMENT'S ASSERTION REGARDING EFFECTIVENESS OF INTERNAL CONTROL OVER FINANCIAL REPORTING

KPMG

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

Independent Auditors' Report

President and Board of Executive Directors
International Bank for Reconstruction and Development:

We have examined management's assertion, included in the accompanying *Management's Report Regarding Effectiveness of Internal Control Over External Financial Reporting*, that the International Bank for Reconstruction and Development (IBRD) maintained effective internal control over financial reporting as of June 30, 2012, based on criteria established in *Internal Control – Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). IBRD's management 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 Report Regarding Effectiveness of Internal Control Over External Financial Reporting*. 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. 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 accounting principles generally accepted in the United States of America. 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 accounting principles generally accepted in the United States of America, 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 financial statements.

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

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

We also have audited, in accordance with auditing standards generally accepted in the United States of America and International Standards on Auditing, the accompanying balance sheet of IBRD as of June 30, 2012 and 2011, including the summary statement of loans and the statement of subscriptions to capital stock and voting power as of June 30, 2012, and the related statements of income, comprehensive income, changes in retained earnings and cash flows for each of the fiscal years in the three-year period ended June 30, 2012, and our report dated August 9, 2012 expressed an unqualified opinion on those financial statements.

KPMG LLP

August 9, 2012

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

Independent Auditors' Report

President and Board of Executive Directors
International Bank for Reconstruction and Development:

We have audited the accompanying balance sheet of the International Bank for Reconstruction and Development (IBRD) as of June 30, 2012 and 2011, including the summary statement of loans and the statement of subscriptions to capital stock and voting power as of June 30, 2012, and the related statements of income, comprehensive income, changes in retained earnings and cash flows for each of the fiscal years in the three-year period ended June 30, 2012. These financial statements are the responsibility of IBRD's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of IBRD as of June 30, 2012 and 2011, and the results of its operations and its cash flows for each of the fiscal years in the three-year period ended June 30, 2012 in conformity with accounting principles generally accepted in the United States of America.

We also have examined, in accordance with attestation standards established by the American Institute of Certified Public Accountants, management's assertion, included in the accompanying *Management's Report Regarding Effectiveness of Internal Control Over External Financial Reporting*, that IBRD maintained effective internal control over financial reporting as of June 30, 2012, based on criteria established in *Internal Control – Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO), and our report dated August 9, 2012 expressed an unqualified opinion on management's assertion.

KPMG LLP

August 9, 2012

BALANCE SHEET

June 30, 2012 and June 30, 2011

Expressed in millions of U.S. dollars

	2012	*2011*
Assets		
Due from Banks		
Unrestricted currencies	$ 5,682	$ 2,312
Currencies subject to restrictions	124	150
	5,806	2,462
Investments-Trading (including securities transferred under repurchase or securities lending agreements of $7 million—June 30, 2012; $151 million—June 30, 2011)—Note C	33,466	32,598
Securities Purchased Under Resale Agreements—Note C	209	47
Derivative Assets		
Investments—Notes C and F	18,554	12,423
Client operations—Notes F and H	27,560	31,978
Borrowings—Notes E and F	110,103	97,199
Others—Note F	4,597	3,111
	160,814	144,711
Other Receivables		
Receivable from investment securities traded—Note C	18	83
Accrued income on loans	836	827
	854	910
Loans Outstanding (Summary Statement of Loans, Notes D and H)		
Total loans	199,241	196,894
Less undisbursed balance	62,916	64,435
Loans outstanding (including loans at fair value of $125 million—June 30, 2012; $139 million—June 30, 2011)	136,325	132,459
Less:		
Accumulated provision for loan losses	1,690	1,549
Deferred loan income	426	440
Net loans outstanding	134,209	130,470
Other Assets		
Assets under retirement benefits plans—Note J	—	328
Premises and equipment, net	930	885
Miscellaneous—Notes A, H and I	1,890	1,800
	2,820	3,013
Total assets	$338,178	$314,211

	2012	2011
Liabilities		
Borrowings—Note E	$145,339	$135,242
Securities Sold Under Repurchase Agreements, Securities Lent under Securities Lending Agreements, and Payable for Cash Collateral Received—Note C	3,700	2,184
Derivative Liabilities		
Investments—Notes C and F	18,631	13,275
Client operations—Notes F and H	27,551	31,964
Borrowings—Notes E and F	97,839	84,458
Others—Note F	816	732
	144,837	130,429
Payable to Maintain Value of Currency Holdings on Account of Subscribed Capital	5	66
Other Liabilities		
Payable for investment securities purchased—Note C	137	1,320
Accrued interest on borrowings	1,185	1,227
Liabilities under retirement benefits plans—Note J	2,895	866
Accounts payable and miscellaneous liabilities—Notes A, D, H and I	3,395	3,194
	7,612	6,607
Total liabilities	301,493	274,528
Equity		
Capital Stock (Statement of Subscriptions to Capital Stock and Voting Power, Note B)		
Authorized capital (2,307,600 shares—June 30, 2012, and June 30, 2011)		
Subscribed capital (1,702,605 shares—June 30, 2012, and 1,605,930 shares— June 30, 2011)	205,394	193,732
Less uncalled portion of subscriptions	192,976	182,012
Paid-in capital	12,418	11,720
Nonnegotiable, Noninterest-bearing Demand Obligations on Account of Subscribed Capital	(845)	(1,137)
Receivable Amounts to Maintain Value of Currency Holdings—Note B	(79)	(52)
Deferred Amounts to Maintain Value of Currency Holdings—Note B	561	848
Retained Earnings (Statement of Changes in Retained Earnings, Note G)	29,047	29,723
Accumulated Other Comprehensive Loss—Note K	(4,417)	(1,419)
Total equity	36,685	39,683
Total liabilities and equity	$338,178	$314,211

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

STATEMENT OF INCOME

For the fiscal years ended June 30, 2012, June 30, 2011 and June 30, 2010

Expressed in millions of U.S. dollars

	2012	*2011*	*2010*
Income			
Loans—Note D			
Interest	$2,572	$2,449	$ 2,458
Commitment charges	13	21	33
Investments, net—Trading—Notes C and F	219	367	367
Interest on equity duration extension swaps, net—Note F	1,095	1,139	994
Other—Notes A, H and I	490	401	354
Total income	4,389	4,377	4,206
Expenses			
Borrowings, net—Note E	1,652	1,687	1,750
Administrative—Notes A, H, I, and J	1,631	1,564	1,519
Contributions to special programs	133	147	168
Provision for losses on loans and other exposures, charge (release)—Note D	189	(45)	(32)
Other	1	1	1
Total expenses	3,606	3,354	3,406
Income before fair value adjustment on non-trading portfolios, net and Board of Governors-approved transfers	783	1,023	800
Fair value adjustment on non-trading portfolios, net—Notes D, E, F and L	(809)	420	(1,038)
Board of Governors-approved transfers—Note G	(650)	(513)	(839)
Net (loss) income	$ (676)	$ 930	$(1,077)

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

STATEMENT OF COMPREHENSIVE INCOME

For the fiscal years ended June 30, 2012, June 30, 2011 and June 30, 2010

Expressed in millions of U.S. dollars

	2012	*2011*	*2010*
Net (loss) income	$ (676)	$ 930	$(1,077)
Other comprehensive income (loss)—Note K			
Reclassification to net income:			
Derivatives and hedging transition adjustment	5	(11)	(5)
Net actuarial (losses) gains on benefit plans	(2,158)	834	(724)
Prior service (cost) credit on benefit plans, net	(141)	8	6
Currency translation adjustments	(704)	793	(637)
Total other comprehensive (loss) income	(2,998)	1,624	(1,360)
Comprehensive (loss) income	$(3,674)	$2,554	$(2,437)

STATEMENT OF CHANGES IN RETAINED EARNINGS

For the fiscal years ended June 30, 2012, June 30, 2011, and June 30, 2010

Expressed in millions of U.S. dollars

	2012	*2011*	*2010*
Retained earnings at beginning of the fiscal year	$29,723	$28,793	$29,870
Net (loss) income for the fiscal year	(676)	930	(1,077)
Retained earnings at end of the fiscal year	$29,047	$29,723	$28,793

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

STATEMENT OF CASH FLOWS

For the fiscal years ended June 30, 2012, June 30, 2011 and June 30, 2010

Expressed in millions of U.S. dollars

	2012	*2011*	*2010*
Cash flows from investing activities			
Loans			
Disbursements	$(19,733)	$(21,839)	$(28,775)
Principal repayments	9,246	10,769	10,488
Principal prepayments	2,733	3,116	1,137
Loan origination fees received	22	26	32
Other investing activities, net	(116)	(312)	(73)
Net cash used in investing activities	(7,848)	(8,240)	(17,191)
Cash flows from financing activities			
Medium and long-term borrowings			
New issues	44,351	30,291	33,025
Retirements	(26,778)	(22,378)	(32,987)
Net short-term borrowings	(7,659)	(8,079)	13,835
Net derivatives-Borrowings	604	301	102
Net derivatives-Other assets/liabilities	—	—	17
Capital subscriptions	690	228	1
Other capital transactions, net	215	235	554
Net cash provided by financing activities	11,423	598	14,547
Cash flows from operating activities			
Net (loss) income	(676)	930	(1,077)
Adjustment to reconcile net (loss) income to net cash (used in) provided by operating activities			
Fair value adjustment on non-trading portfolios, net	809	(420)	1,038
Depreciation, amortization and other non-cash items	880	815	879
Provision for losses on loans and other exposures, charge (release)	189	(45)	(32)
Changes in:			
Investments-Trading	(2,288)	5,709	4,431
Net investment securities traded/purchased	(1,123)	1,028	(2,193)
Net derivatives-Investments	494	(1,274)	283
Net securities purchased/sold under resale/repurchase agreements and payable for cash collateral received	1,341	1,420	(1,580)
Accrued income on loans	(47)	(48)	101
Miscellaneous assets	299	(439)	387
Accrued interest on borrowings	(7)	27	(285)
Accounts payable and miscellaneous liabilities	(76)	646	(113)
Net cash (used in) provided by operating activities	(205)	8,349	1,839
Effect of exchange rate changes on unrestricted cash	—	24	6
Net increase (decrease) in unrestricted cash	3,370	731	(799)
Unrestricted cash at beginning of the fiscal year	2,312	1,581	2,380
Unrestricted cash at end of the fiscal year	$ 5,682	$ 2,312	$ 1,581

Expressed in millions of U.S. dollars

	2012	*2011*	*2010*
Supplemental disclosure			
(Decrease) Increase in ending balances resulting from exchange rate fluctuations			
Loans outstanding	$(3,939)	$4,347	$(2,846)
Investment portfolio	(169)	323	(29)
Borrowing portfolio	(3,095)	3,430	(2,072)
Capitalized loan origination fees and interest included in total loans	44	40	80
Interest paid on borrowings	646	499	1,148

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

SUMMARY STATEMENT OF LOANS
June 30, 2012

Expressed in millions of U.S. dollars

Borrower or guarantor	*Total loans*	*Loans approved but not yet effective* [a]	*Undisbursed balance of effective loans* [b]	*Loans outstanding*	*Percentage of total loans outstanding*
Albania	$ 138	$ 48	$ 37	$ 53	0.04%
Algeria	8	–	–	8	*
Argentina	9,437	400	3,455	5,582	4.09
Armenia	328	15	106	207	0.15
Azerbaijan	1,864	–	1,289	575	0.42
Barbados	43	–	24	19	0.01
Belarus	687	–	325	362	0.27
Belize	22	–	13	9	0.01
Bolivia	–	–	–	–	*
Bosnia and Herzegovina	621	113	47	461	0.34
Botswana	373	–	296	77	0.06
Brazil	15,606	2,261	3,250	10,095	7.41
Bulgaria	1,402	–	206	1,196	0.88
Cameroon	16	–	–	16	0.01
Cape Verde	51	–	51	–	*
Chile	170	40	10	120	0.09
China	19,734	1,160	5,515	13,059	9.58
Colombia	8,483	360	669	7,454	5.47
Costa Rica	717	–	129	588	0.43
Croatia	2,028	–	448	1,580	1.16
Dominica	–	–	–	–	*
Dominican Republic	1,081	20	133	928	0.68
Ecuador	338	–	6	332	0.24
Egypt, Arab Republic of	6,157	740	2,476	2,941	2.16
El Salvador	1,226	80	146	1,000	0.73
Estonia	7	–	–	7	*
Gabon	94	58	2	34	0.02
Georgia	409	–	86	323	0.24
Grenada	12	–	–	12	0.01
Guatemala	1,560	32	137	1,391	1.02
Hungary	9	–	–	9	0.01
India	21,355	320	9,382	11,653	8.55
Indonesia	14,551	140	4,492	9,919	7.28
Iran, Islamic Republic of	810	–	65	745	0.55
Iraq	250	–	–	250	0.18
Jamaica	727	–	58	669	0.49
Jordan	1,243	–	105	1,138	0.83
Kazakhstan	4,996	1,068	1,614	2,314	1.70
Korea, Republic of	304	–	–	304	0.22
Kosovo	278	–	–	278	0.20
Latvia	512	–	–	512	0.38
Lebanon	584	267	38	279	0.20
Lesotho	1	–	–	1	*
Lithuania	16	–	–	16	0.01
Macedonia, former Yugoslav Republic of	487	52	103	332	0.24
Mauritius	319	–	64	255	0.19
Mexico	16,706	1,358	1,719	13,629	10.00
Moldova	65	–	–	65	0.05
Montenegro	338	–	44	294	0.22
Morocco	3,755	622	381	2,752	2.02
Pakistan	2,421	100	750	1,571	1.15
Panama	715	–	220	495	0.36
Papua New Guinea	120	–	–	120	0.09
Paraguay	570	100	237	233	0.17
Peru	4,031	–	1,451	2,580	1.89
Philippines	4,383	323	758	3,302	2.42
Poland	6,702	944	152	5,606	4.11
Romania	5,572	1,258	761	3,553	2.61
Russian Federation	2,234	–	436	1,798	1.32
Serbia	2,214	–	382	1,832	1.34
Seychelles	16	–	–	16	0.01
Slovak Republic	119	–	–	119	0.09
Slovenia	3	–	–	3	*
South Africa	3,753	–	2,772	981	0.72
Sri Lanka	213	213	–	–	*
St. Kitts and Nevis	7	–	–	7	0.01
St. Lucia	17	–	–	17	0.01

Expressed in millions of U.S. dollars

Borrower or guarantor	*Total loans*	*Loans approved but not yet effective* [a]	*Undisbursed balance of effective loans* [b]	*Loans outstanding*	*Percentage of total loans outstanding*
St. Vincent and the Grenadines	$ 7	$ –	$ 1	$ 6	*%
Swaziland	48	–	46	2	*
Thailand	1,142	1,000	79	63	0.05
Trinidad and Tobago	15	–	–	15	0.01
Tunisia	2,000	–	314	1,686	1.24
Turkey	14,534	–	1,876	12,658	9.29
Turkmenistan	9	–	–	9	0.01
Ukraine	4,165	–	994	3,171	2.33
Uruguay	1,437	–	349	1,088	0.80
Uzbekistan	504	180	102	222	0.16
Vietnam	1,868	100	943	825	0.60
Zimbabwe	462	–	–	462	0.34
Subtotal [c]	$199,199	$13,372	$49,544	$136,283	99.97%
International Finance Corporation	42	–	–	42	0.03%
Total–June 30, 2012	$199,241	$13,372	$49,544	$136,325	100.00 %
Total–June 30, 2011	$196,894	$19,430	$45,005	$132,459	

**Indicates amount less than $0.5 million or less than 0.005 percent.*

NOTES

a. Loans totaling $9,326 million ($12,614 million – June 30, 2011) have been approved by IBRD, but the related agreements have not been signed. Loan agreements totaling $4,046 million ($6,816 million – June 30, 2011) have been signed, but the loans are not effective and disbursements do not start until the borrowers and guarantors, if any, take certain actions and furnish certain documents to IBRD.

b. Of the undisbursed balance, IBRD has entered into irrevocable commitments to disburse $110 million ($121 million – June 30, 2011).

c. May differ from the sum of individual figures shown due to rounding.

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

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STATEMENT OF SUBSCRIPTIONS TO CAPITAL STOCK AND VOTING POWER

June 30, 2012

Expressed in millions of U.S. dollars

	Subscriptions					Voting Power[d]	
Member	*Shares*	*Percentage of total*	*Total Amounts*	*Amounts paid in* [a]	*Amounts subject to call* [a, b]	*Number of votes*	*Percentage of total*
Afghanistan	300	0.02%	$ 36.2	$ 3.6	$ 32.6	832	0.05%
Albania	830	0.05	100.1	3.6	96.5	1,362	0.08
Algeria	9,252	0.54	1,116.1	67.1	1,049.0	9,784	0.54
Angola	2,676	0.16	322.8	17.5	305.4	3,208	0.18
Antigua and Barbuda	520	0.03	62.7	1.3	61.5	1,052	0.06
Argentina	17,911	1.05	2,160.7	132.2	2,028.4	18,443	1.02
Armenia	1,139	0.07	137.4	5.9	131.5	1,671	0.09
Australia	26,263	1.54	3,168.2	194.8	2,973.4	26,795	1.49
Austria	11,796	0.69	1,423.0	86.0	1,337.0	12,328	0.68
Azerbaijan	1,646	0.10	198.6	9.7	188.8	2,178	0.12
Bahamas, The	1,071	0.06	129.2	5.4	123.8	1,603	0.09
Bahrain	1,103	0.06	133.1	5.7	127.4	1,635	0.09
Bangladesh	4,854	0.29	585.6	33.9	551.6	5,386	0.30
Barbados	948	0.06	114.4	4.5	109.9	1,480	0.08
Belarus	3,596	0.21	433.8	24.3	409.5	4,128	0.23
Belgium	28,983	1.70	3,496.4	215.8	3,280.6	29,515	1.64
Belize	586	0.03	70.7	1.8	68.9	1,118	0.06
Benin	868	0.05	104.7	3.9	100.8	1,400	0.08
Bhutan	479	0.03	57.8	1.0	56.8	1,011	0.06
Bolivia	1,785	0.10	215.3	10.8	204.5	2,317	0.13
Bosnia and Herzegovina	549	0.03	66.2	5.8	60.4	1,081	0.06
Botswana	615	0.04	74.2	2.0	72.2	1,147	0.06
Brazil	33,287	1.96	4,015.6	245.5	3,770.1	33,819	1.88
Brunei Darussalam	2,373	0.14	286.3	15.2	271.1	2,905	0.16
Bulgaria	5,215	0.31	629.1	36.5	592.6	5,747	0.32
Burkina Faso	868	0.05	104.7	3.9	100.8	1,400	0.08
Burundi	716	0.04	86.4	3.0	83.4	1,248	0.07
Cambodia	214	0.01	25.8	2.6	23.2	746	0.04
Cameroon	1,527	0.09	184.2	9.0	175.2	2,059	0.11
Canada	52,709	3.10	6,358.6	392.3	5,966.3	53,241	2.95
Cape Verde	508	0.03	61.3	1.2	60.1	1,040	0.06
Central African Republic	862	0.05	104.0	3.9	100.1	1,394	0.08
Chad	862	0.05	104.0	3.9	100.1	1,394	0.08
Chile	6,931	0.41	836.1	49.6	786.6	7,463	0.41
China	58,864	3.46	7,101.1	436.9	6,664.2	59,396	3.29
Colombia	8,166	0.48	985.1	58.3	926.8	8,698	0.48
Comoros	282	0.02	34.0	0.3	33.7	814	0.05
Congo, Democratic Republic Of	2,643	0.16	318.8	25.4	293.5	3,175	0.18
Congo, Republic of	927	0.05	111.8	4.3	107.5	1,459	0.08
Costa Rica	233	0.01	28.1	1.9	26.2	765	0.04
Cote d'Ivoire	2,516	0.15	303.5	16.4	287.1	3,048	0.17
Croatia	2,416	0.14	291.5	18.2	273.3	2,948	0.16
Cyprus	1,461	0.09	176.2	8.4	167.9	1,993	0.11
Czech Republic	6,308	0.37	761.0	45.9	715.0	6,840	0.38
Denmark	17,796	1.05	2,146.8	129.2	2,017.6	18,328	1.02
Djibouti	559	0.03	67.4	1.6	65.9	1,091	0.06
Dominica	504	0.03	60.8	1.1	59.7	1,036	0.06
Dominican Republic	2,092	0.12	252.4	13.1	239.3	2,624	0.15
Ecuador	2,771	0.16	334.3	18.2	316.1	3,303	0.18
Egypt, Arab Republic of	7,108	0.42	857.5	50.9	806.6	7,640	0.42

STATEMENT OF SUBSCRIPTIONS TO CAPITAL STOCK AND VOTING POWER *(continued)*

June 30, 2012

Expressed in millions of U.S. dollars

	Subscriptions					Voting Power[d]	
Member	*Shares*	*Percentage of total*	*Total Amounts*	*Amounts paid in* [a]	*Amounts subject to call* [a, b]	*Number of votes*	*Percentage of total*
El Salvador	141	0.01%	$ 17.0	$ 1.7	$ 15.3	673	0.04%
Equatorial Guinea	715	0.04	86.3	2.7	83.5	1,247	0.07
Eritrea	593	0.03	71.5	1.8	69.7	1,125	0.06
Estonia	923	0.05	111.3	4.3	107.1	1,455	0.08
Ethiopia	978	0.06	118.0	4.7	113.3	1,510	0.08
Fiji	987	0.06	119.1	4.8	114.3	1,519	0.08
Finland	9,157	0.54	1,104.7	66.2	1,038.5	9,689	0.54
France	73,695	4.33	8,890.2	551.5	8,338.7	74,227	4.12
Gabon	987	0.06	119.1	5.1	113.9	1,519	0.08
Gambia, The	543	0.03	65.5	1.5	64.0	1,075	0.06
Georgia	1,584	0.09	191.1	9.3	181.8	2,116	0.12
Germany	82,450	4.84	9,946.4	615.7	9,330.7	82,982	4.60
Ghana	1,525	0.09	184.0	12.7	171.2	2,057	0.11
Greece	1,684	0.10	203.1	14.1	189.1	2,216	0.12
Grenada	531	0.03	64.1	1.4	62.7	1,063	0.06
Guatemala	2,001	0.12	241.4	12.4	229.0	2,533	0.14
Guinea	1,292	0.08	155.9	7.1	148.8	1,824	0.10
Guinea-Bissau	540	0.03	65.1	1.4	63.7	1,072	0.06
Guyana	1,058	0.06	127.6	5.3	122.3	1,590	0.09
Haiti	1,067	0.06	128.7	5.4	123.3	1,599	0.09
Honduras	641	0.04	77.3	2.3	75.0	1,173	0.07
Hungary	8,505	0.50	1,026.0	61.3	964.7	9,037	0.50
Iceland	1,258	0.07	151.8	6.8	144.9	1,790	0.10
India	50,552	2.97	6,098.3	375.4	5,722.9	51,084	2.83
Indonesia	14,981	0.88	1,807.2	110.3	1,697.0	15,513	0.86
Iran, Islamic Republic of	23,686	1.39	2,857.4	175.8	2,681.5	24,218	1.34
Iraq	2,808	0.16	338.7	27.1	311.6	3,340	0.19
Ireland	5,271	0.31	635.9	37.1	598.8	5,803	0.32
Israel	4,750	0.28	573.0	33.2	539.8	5,282	0.29
Italy	44,795	2.63	5,403.8	334.8	5,069.0	45,327	2.51
Jamaica	2,578	0.15	311.0	16.8	294.2	3,110	0.17
Japan	165,444	9.72	19,958.3	1,222.2	18,736.1	165,976	9.21
Jordan	1,388	0.08	167.4	7.8	159.6	1,920	0.11
Kazakhstan	2,985	0.18	360.1	19.8	340.3	3,517	0.20
Kenya	2,461	0.14	296.9	15.9	281.0	2,993	0.17
Kiribati	465	0.03	56.1	0.9	55.2	997	0.06
Korea, Republic of	15,817	0.93	1,908.1	114.5	1,793.5	16,349	0.91
Kosovo	966	0.06	116.5	5.2	111.4	1,498	0.08
Kuwait	13,280	0.78	1,602.0	97.4	1,504.6	13,812	0.77
Kyrgyz Republic	1,107	0.07	133.5	5.7	127.9	1,639	0.09
Lao People's Democratic Republic	178	0.01	21.5	1.5	20.0	710	0.04
Latvia	1,384	0.08	167.0	7.8	159.2	1,916	0.11
Lebanon	340	0.02	41.0	1.1	39.9	872	0.05
Lesotho	663	0.04	80.0	2.3	77.6	1,195	0.07
Liberia	463	0.03	55.9	2.6	53.3	995	0.06
Libya	7,840	0.46	945.8	57.0	888.8	8,372	0.46
Lithuania	1,507	0.09	181.8	8.7	173.1	2,039	0.11
Luxembourg	1,652	0.10	199.3	9.8	189.5	2,184	0.12
Macedonia, Former Yugoslav Republic Of	427	0.03	51.5	3.2	48.3	959	0.05
Madagascar	1,422	0.08	171.5	8.1	163.5	1,954	0.11
Malawi	1,094	0.06	132.0	5.6	126.4	1,626	0.09

Expressed in millions of U.S. dollars

	Subscriptions					Voting Power[d]	
Member	*Shares*	*Percentage of total*	*Total Amounts*	*Amounts paid in* [a]	*Amounts subject to call* [a, b]	*Number of votes*	*Percentage of total*
Malaysia	8,244	0.48%	$ 994.5	$ 59.5	$ 935.0	8,776	0.49%
Maldives	469	0.03	56.6	0.9	55.7	1,001	0.06
Mali	1,162	0.07	140.2	6.1	134.1	1,694	0.09
Malta	1,074	0.06	129.6	5.4	124.1	1,606	0.09
Marshall Islands	469	0.03	56.6	0.9	55.7	1,001	0.06
Mauritania	900	0.05	108.6	4.1	104.4	1,432	0.08
Mauritius	1,242	0.07	149.8	6.7	143.1	1,774	0.10
Mexico	18,804	1.10	2,268.4	139.0	2,129.4	19,336	1.07
Micronesia, Federated States Of	479	0.03	57.8	1.0	56.8	1,011	0.06
Moldova	1,368	0.08	165.0	7.6	157.4	1,900	0.11
Mongolia	466	0.03	56.2	2.3	53.9	998	0.06
Montenegro	688	0.04	83.0	3.2	79.8	1,220	0.07
Morocco	5,252	0.31	633.6	36.9	596.7	5,784	0.32
Mozambique	930	0.05	112.2	4.8	107.4	1,462	0.08
Myanmar	2,484	0.15	299.7	16.1	283.6	3,016	0.17
Namibia	1,523	0.09	183.7	8.8	174.9	2,055	0.11
Nepal	968	0.06	116.8	4.6	112.1	1,500	0.08
Netherlands	35,503	2.09	4,282.9	264.8	4,018.1	36,035	2.00
New Zealand	7,236	0.42	872.9	51.9	821.0	7,768	0.43
Nicaragua	608	0.04	73.3	2.1	71.3	1,140	0.06
Niger	852	0.05	102.8	3.8	99.0	1,384	0.08
Nigeria	12,655	0.74	1,526.6	92.7	1,433.9	13,187	0.73
Norway	11,414	0.67	1,376.9	82.9	1,294.0	11,946	0.66
Oman	1,561	0.09	188.3	9.1	179.2	2,093	0.12
Pakistan	9,339	0.55	1,126.6	67.8	1,058.9	9,871	0.55
Palau	16	0.00	1.9	0.2	1.8	548	0.03
Panama	385	0.02	46.4	3.2	43.2	917	0.05
Papua New Guinea	1,294	0.08	156.1	7.1	149.0	1,826	0.10
Paraguay	1,229	0.07	148.3	6.6	141.6	1,761	0.10
Peru	5,331	0.31	643.1	37.5	605.6	5,863	0.33
Philippines	6,844	0.40	825.6	48.9	776.7	7,376	0.41
Poland	10,908	0.64	1,315.9	79.6	1,236.3	11,440	0.63
Portugal	5,460	0.32	658.7	38.5	620.2	5,992	0.33
Qatar	1,389	0.08	167.6	11.1	156.5	1,921	0.11
Romania	4,011	0.24	483.9	30.5	453.4	4,543	0.25
Russian Federation	44,795	2.63	5,403.8	333.9	5,070.0	45,327	2.51
Rwanda	1,046	0.06	126.2	5.2	120.9	1,578	0.09
St. Kitts and Nevis	275	0.02	33.2	0.3	32.9	807	0.04
St. Lucia	552	0.03	66.6	1.5	65.1	1,084	0.06
St. Vincent and the Grenadines	278	0.02	33.5	0.3	33.2	810	0.04
Samoa	531	0.03	64.1	1.4	62.7	1,063	0.06
San Marino	595	0.03	71.8	2.5	69.3	1,127	0.06
Sao Tome and Principe	495	0.03	59.7	1.1	58.6	1,027	0.06
Saudi Arabia	44,795	2.63	5,403.8	335.0	5,068.9	45,327	2.51
Senegal	2,072	0.12	250.0	13.0	237.0	2,604	0.14
Serbia	2,846	0.17	343.3	21.5	321.9	3,378	0.19
Seychelles	263	0.02	31.7	0.2	31.6	795	0.04
Sierra Leone	718	0.04	86.6	3.0	83.6	1,250	0.07
Singapore	320	0.02	38.6	3.9	34.7	852	0.05
Slovak Republic	3,216	0.19	388.0	23.0	365.0	3,748	0.21

STATEMENT OF SUBSCRIPTIONS TO CAPITAL STOCK AND VOTING POWER *(continued)*

June 30, 2012

Expressed in millions of U.S. dollars

	Subscriptions					Voting Power[d]	
Member	*Shares*	*Percentage of total*	*Total Amounts*	*Amounts paid in* [a]	*Amounts subject to call* [a, b]	*Number of votes*	*Percentage of total*
Slovenia	1,261	0.07%	$ 152.1	$ 9.5	$ 142.6	1,793	0.10%
Solomon Islands	513	0.03	61.9	1.2	60.7	1,045	0.06
Somalia	552	0.03	66.6	3.3	63.3	1,084	0.06
South Africa	14,241	0.84	1,718.0	104.5	1,613.5	14,773	0.82
South Sudan[c]	1,437	0.08	173.4	8.6	164.8	1,969	0.11
Spain	31,573	1.85	3,808.8	232.7	3,576.1	32,105	1.78
Sri Lanka	3,817	0.22	460.5	26.1	434.3	4,349	0.24
Sudan	850	0.05	102.5	7.2	95.3	1,382	0.08
Suriname	412	0.02	49.7	2.0	47.7	944	0.05
Swaziland	440	0.03	53.1	2.0	51.1	972	0.05
Sweden	14,974	0.88	1,806.4	110.2	1,696.2	15,506	0.86
Switzerland	28,619	1.68	3,452.5	211.8	3,240.7	29,151	1.62
Syrian Arab Republic	2,202	0.13	265.6	14.0	251.7	2,734	0.15
Tajikistan	1,060	0.06	127.9	5.3	122.5	1,592	0.09
Tanzania	1,295	0.08	156.2	10.0	146.2	1,827	0.10
Thailand	6,349	0.37	765.9	45.2	720.7	6,881	0.38
Timor-Leste	517	0.03	62.4	1.9	60.4	1,049	0.06
Togo	1,105	0.06	133.3	5.7	127.6	1,637	0.09
Tonga	494	0.03	59.6	1.1	58.5	1,026	0.06
Trinidad and Tobago	2,664	0.16	321.4	17.6	303.7	3,196	0.18
Tunisia	719	0.04	86.7	5.7	81.1	1,251	0.07
Turkey	15,418	0.91	1,860.0	111.2	1,748.8	15,950	0.88
Turkmenistan	526	0.03	63.5	2.9	60.5	1,058	0.06
Tuvalu	211	0.01	25.5	1.5	23.9	743	0.04
Uganda	617	0.04	74.4	4.4	70.1	1,149	0.06
Ukraine	10,908	0.64	1,315.9	79.3	1,236.6	11,440	0.63
United Arab Emirates	2,385	0.14	287.7	22.6	265.1	2,917	0.16
United Kingdom	73,695	4.33	8,890.2	570.6	8,319.6	74,227	4.12
United States	281,183	16.51	33,920.5	2,115.7	31,804.8	281,715	15.63
Uruguay	2,812	0.17	339.2	18.6	320.7	3,344	0.19
Uzbekistan	2,493	0.15	300.7	16.1	284.7	3,025	0.17
Vanuatu	586	0.03	70.7	1.8	68.9	1,118	0.06
Venezuela, Republica Bolivariana de	20,361	1.20	2,456.2	150.8	2,305.5	20,893	1.16
Vietnam	968	0.06	116.8	8.1	108.7	1,500	0.08
Yemen, Republic of	2,212	0.13	266.8	14.0	252.8	2,744	0.15
Zambia	2,810	0.17	339.0	20.0	319.0	3,342	0.19
Zimbabwe	3,325	0.20	401.1	22.4	378.7	3,857	0.21
Total-June 30, 2012[b]	1,702,605	100.00%	$205,394	$12,418	$192,976	1,802,621	100.00%
Total-June 30, 2011	1,605,930		$193,732	$11,720	$182,012	1,652,680	

** Indicates amounts less than 0.005 percent.*

NOTES

a. See Notes to Financial Statements, Note B—Capital Stock, Restricted Currencies, Maintenance of Value, and Membership.

b. May differ from the sum of individual figures shown due to rounding.

c. South Sudan became the 188th member of IBRD on April 18, 2012.

d. Effective June 27, 2012, the Articles of Agreement of IBRD have been amended to reflect changes in the allocation of votes to members. See Notes to Financial Statements, Note B—Capital Stock, Restricted Currencies, Maintenance of Value, and Membership.

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

PURPOSE AND AFFILIATED ORGANIZATIONS

The International Bank for Reconstruction and Development (IBRD) is an international organization which commenced operations in 1946. The principal purpose of IBRD is to promote sustainable economic development and reduce poverty in its member countries, primarily by providing loans, guarantees and related technical assistance for specific projects and for programs of economic reform in developing member countries. The activities of IBRD are complemented by those of three affiliated organizations, the International Development Association (IDA), the International Finance Corporation (IFC), and the Multilateral Investment Guarantee Agency (MIGA). Each of these organizations is legally and financially independent from IBRD, with separate assets and liabilities, and IBRD is not liable for their respective obligations. Transactions with these affiliated organizations are disclosed in the notes that follow. IDA's main goal is to reduce poverty through promoting sustainable economic development in the less developed countries who are members of IDA, by extending grants, development credits, guarantees and related technical assistance. IFC's purpose is to encourage the growth of productive private enterprises in its member countries through loans and equity investments in such enterprises without a member's guarantee. MIGA was established to encourage the flow of investments for productive purposes between member countries and, in particular, to developing member countries by providing guarantees against noncommercial risks for foreign investment in its developing member countries.

IBRD is immune from taxation pursuant to Article VII, Section 9, *Immunities from Taxation*, of IBRD's Articles of Agreement.

NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING AND RELATED POLICIES

IBRD's financial statements are prepared in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP).

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of income and expenses during the reporting period. Actual results could differ from these estimates. Significant judgment has been used in the valuation of certain financial instruments, the determination of the adequacy of the accumulated provisions for losses on loans and other exposures (deferred drawdown options-DDOs, irrevocable commitments, exposures to member countries' derivatives and guarantees), the determination of net periodic cost from pension and other postretirement benefits plans, and the present value of benefit obligations.

Certain reclassifications of the prior years' information have been made to conform with the current year's presentation. In particular, effective July 1, 2011, as part of the move toward a more integrated reporting of IBRD's trust fund activities and as permitted under U.S. GAAP, certain income and the related expenses pertaining to IBRD-executed trust funds are now presented on a gross basis; previously these amounts were presented on a net basis. For the fiscal years ended June 30, 2011 and June 30, 2010, the impact of this change was an increase in Other income of $300 million, and $271 million, respectively, and corresponding increases in Administrative expenses. In line with the change in reporting of trust fund related expenses, IBRD also changed the presentation of income and expenses jointly earned and incurred with IDA, respectively. Previously, IBRD allocated IDA's share of both income and expenses through Administrative expenses on a net basis. Under the new presentation, IBRD now reflects IDA's share of these amounts on a gross basis. For the fiscal years ended June 30, 2011 and June 30, 2010, the impact of this change was a decrease in Other income of $193 million, and $173 million, respectively, and corresponding decreases in Administrative expenses. These changes in presentation had no effect on IBRD's income before fair value adjustment on non-trading portfolios, net and Board of Governors-approved transfers, or Net income (loss) for the fiscal years ended June 30, 2011 and June 30, 2010.

In addition, IBRD now recognizes on its balance sheet all undisbursed contributions made by third party donors to IBRD-executed trust funds. The impact of this change in presentation on the June 30, 2011 balance sheet was an increase in Miscellaneous assets of $340 million and a corresponding increase in Accounts payable and miscellaneous liabilities, but no effect on IBRD's Equity or cash from operating activities.

On August 9, 2012, the Executive Directors approved these financial statements for issue.

Translation of Currencies: IBRD's financial statements are expressed in terms of U.S. dollars for the purpose of summarizing IBRD's financial position and the results of its operations for the convenience of its members and other interested parties.

IBRD is an international organization which conducts its operations in the currencies of all of its members. IBRD's resources are derived from its capital, borrowings, and accumulated earnings in those various currencies. IBRD has a number of general policies aimed at minimizing exchange rate risk in a multicurrency environment. Under these policies, IBRD endevours to match its borrowing obligations in any one currency (after swaps) with assets in the same currency, as prescribed by its Articles of Agreement. In addition, IBRD periodically undertakes currency conversions to more closely match the currencies underlying its Equity with those of the net loans outstanding.

Assets and liabilities are translated at market exchange rates in effect at the end of the accounting period. Income and expenses are translated at either the market exchange rates in effect on the dates on which they are recognized or at an average of the market exchange rates in effect during each month. Translation adjustments are reflected in Accumulated Other Comprehensive Income.

Valuation of Capital Stock: In the Articles of Agreement, the capital stock of IBRD is expressed in terms of "U.S. dollars of the weight and fineness in effect on July 1, 1944" (1944 dollars). Following the abolition of gold as a common denominator of the monetary system and the repeal of the provision of the U.S. law defining the par value of the U.S. dollar in terms of gold, the pre-existing basis for translating 1944 dollars into current dollars or into any other currency was eliminated. The Executive Directors of IBRD have decided, until such time as the relevant provisions of the Articles of Agreement are amended, that the words "U.S. dollars of the weight and fineness in effect on July 1, 1944" in Article II, Section 2(a) of the Articles of Agreement of IBRD are interpreted to mean the Special Drawing Right (SDR) introduced by the International Monetary Fund, as valued in terms of U.S. dollars immediately before the introduction of the basket method of valuing the SDR on July 1, 1974, such value being $1.20635 for one SDR (1974 SDR).

Maintenance of Value: Article II, Section 9 of the Articles of Agreement provides for maintenance of the value (MOV), at the time of subscription, of restricted currencies (see Note B—Capital Stock, Maintenance of Value, and Membership). Maintenance of value amounts are determined by measuring the foreign exchange value of a member's national currency against the standard of value of IBRD capital based on the 1974 SDR. Members are required to make payments to IBRD if their currencies depreciate significantly relative to the standard of value. Furthermore, the Executive Directors have adopted a policy of reimbursing members whose national currencies appreciate significantly in terms of the standard of value.

All MOV receivable balances and amounts from those countries who have been in arrears for two years or more are shown as components of equity, under Receivable Amounts to Maintain Value of Currency Holdings. The net receivable or payable MOV amounts relating to restricted currencies used in IBRD's lending and investing operations are also included as a component of Equity under Deferred Amounts to Maintain Value of Currency Holdings. All MOV payable balances are included in Liabilities, under Payable to Maintain Value of Currency Holdings on Account of Subscribed Capital.

Transfers Approved by the Board of Governors: In accordance with IBRD's Articles of Agreement, as interpreted by the Executive Directors, the Board of Governors may exercise its reserved power to approve transfers to other entities for development purposes. These transfers, referred to as "Board of Governors-approved transfers", are reported as expenses when incurred, upon approval. The transfers are funded either from the immediately preceding fiscal year's Unallocated Net Income or Surplus.

Retained Earnings: Retained Earnings consist of allocated amounts (Special Reserve, General Reserve, Pension Reserve, Surplus, Cumulative Fair Value Adjustments, Long-Term Income Portfolio (LTIP) reserve, and Restricted Retained Earnings) and Unallocated Net Income (Loss).

The Special Reserve consists of loan commissions set aside pursuant to Article IV, Section 6 of the Articles of Agreement, which are to be held in liquid assets. These assets may be used only for the purpose of meeting liabilities of IBRD on its borrowings and guarantees in the event of defaults on loans made, participated in, or guaranteed by IBRD. The Special Reserve assets are included under Investments— Trading, and comprise obligations of the United States Government, its agencies, and other official entities. The allocation of such commissions to the Special Reserve was discontinued in 1964 with respect to subsequent loans and no further additions are being made to it.

The General Reserve consists of earnings from prior fiscal years which, in the judgment of the Executive Directors, should be retained in IBRD's operations.

The Pension Reserve consists of the difference between the cumulative actual funding of the Staff Retirement Plan (SRP) and other postretirement benefits plans, and the cumulative accounting income or expense for these plans, from prior fiscal years. This reserve is reduced when pension accounting expenses exceed the actual funding of

these plans. In addition, commencing in the fiscal year ended June 30, 2012, the pension reserve also includes investment income earned on the Post-Employment Benefits Plan (PEBP) portfolio.

Surplus consists of earnings from prior fiscal years which are retained by IBRD until a further decision is made on their disposition or the conditions of transfer for specified uses have been met.

The Cumulative Fair Value Adjustments consist of the effects associated with the application of Financial Accounting Standards Board's (FASB's) fair value guidance relating to prior fiscal years. This amount includes the cumulative effect of the adoption of this guidance, the reclassification and amortization of the transition adjustments, and the unrealized gains or losses on non-trading portfolios.

The LTIP Reserve consists of the cumulative difference between the actual portfolio return and the fixed draw amount, representing the long-term average return on the portfolio.

Restricted Retained Earnings consists of contributions or income from prior years which are restricted as to their purpose.

Unallocated Net Income (Loss) consists of the current fiscal year's net income (loss) adjusted for Board of Governors-approved transfers.

Loans: All of IBRD's loans are made to or guaranteed by members, except loans to IFC. The majority of IBRD's loans have repayment obligations based on specific currencies. IBRD also holds multicurrency loans which have repayment obligations in various currencies determined on the basis of a currency pooling system.

Loans are carried at amortized cost, except those which contain embedded derivatives that require bifurcation, which IBRD has elected to measure at fair value.

Any loan origination fees incorporated in a loan's terms are deferred and recognized over the life of the loan as an adjustment of yield. The unamortized balance of loan origination fees is included as a reduction of Loans Outstanding on the balance sheet, and the loan origination fee amortization is included in Interest under Income from Loans on the Statement of Income.

It is IBRD's practice not to reschedule interest or principal payments on its loans or participate in debt rescheduling agreements with respect to its loans.

Exceptions were made to this practice during fiscal years 1996 and 2002 with regard to Bosnia and Herzegovina (BiH) and Serbia and Montenegro (SaM), formerly the Federal Republic of Yugoslavia, respectively, in connection with their succession to membership of the former Socialist Federal Republic of Yugoslavia (SFRY). These exceptions were based on criteria approved by the Executive Directors in fiscal year 1996 which limit eligibility for such treatment to a country: (a) that has emerged from a current or former member of IBRD; (b) that is assuming responsibility for a share of the debt of such member; (c) that, because of a major armed conflict in its territory involving extensive destruction of physical assets, has limited creditworthiness for servicing the debt it is assuming; and (d) for which rescheduling/ refinancing would result in a significant improvement in its repayment capacity, if appropriate supporting measures are taken. This treatment was based on a precedent established in 1975 after Bangladesh became independent from Pakistan. Currently, there are no borrowers with loans in nonaccrual status that meet these eligibility criteria.

When modifications are made to the terms of existing loans, IBRD performs an evaluation to determine the required accounting treatment, including whether the modifications would result in the affected loans being accounted for as new loans, or as a continuation of the existing loans.

It is the policy of IBRD to place into nonaccrual status all loans made to or guaranteed by a member of IBRD if principal, interest, or other charges with respect to any such loan are overdue by more than six months, unless IBRD management determines that the overdue amount will be collected in the immediate future. In addition, if development credits made by IDA to a member government are placed in nonaccrual status, all loans made to or guaranteed by that member government will also be placed in nonaccrual status by IBRD. On the date a member's loans are placed into nonaccrual status, unpaid interest and other charges accrued on loans outstanding to the member are deducted from the income of the current period. Interest and other charges on nonaccruing loans are included in income only to the extent that payments have been received by IBRD. If collectability risk is considered to be particularly high at the time of arrears clearance, the member's loans may not automatically emerge from nonaccrual status, even though the member's eligibility for new loans may have been restored. In such instances, a decision on the restoration to accrual status is made on a case-by-case basis after a suitable period of payment performance has passed from the time of arrears clearance.

Guarantees: Financial guarantees are commitments issued by IBRD to guarantee payment performance to a third party.

Guarantees are regarded as outstanding when the underlying financial obligation of the debtor is

incurred, and called when a guaranteed party demands payment under the guarantee. IBRD would be required to perform under its guarantees if the payments guaranteed were not made by the debtor and the guaranteed party called the guarantee by demanding payment from IBRD in accordance with the terms of the guarantee. In the event that a guarantee of a member country is called, IBRD has the contractual right to require payment from the member country that has provided the counter guarantee to IBRD on demand, or as IBRD may otherwise direct.

IBRD records the fair value of the obligation to stand ready, and a corresponding asset in the financial statements.

Guarantee fee income received is deferred and amortized over the life of the guarantee.

IBRD records a contingent liability for the probable losses related to guarantees outstanding. This provision, as well as the unamortized balance of the deferred guarantee fee income, and the unamortized balance of the obligation to stand ready, are included in Accounts payable and miscellaneous liabilities on the Balance Sheet.

Accumulated Provision for Losses on Loans and Other Exposures: Delays in receiving loan payments result in present value losses to IBRD since it does not charge additional interest on any overdue interest or loan charges. These present value losses are equal to the difference between the present value of payments of interest and charges made according to the related loan's contractual terms and the present value of its expected future cash flows. It is IBRD's practice not to write off its loans.

Management determines the appropriate level of accumulated provisions for losses on loans and other exposures (exposures), which reflects the probable losses inherent in IBRD's exposures. Other exposures include: Deferred Drawdown Options (DDOs), Irrevocable Commitments, Exposures to member Countries' Derivatives, and Guarantees. There are several steps required to determine the appropriate level of provisions. First, the exposures are disaggregated into two groups: exposures in accrual status and exposures in nonaccrual status. In each group, exposures for each borrower are then assigned a credit risk rating of that borrower. With respect to countries with exposures in accrual status, these exposures are grouped according to the assigned borrower risk rating. Second, each risk rating is mapped to an expected default frequency using IBRD's credit migration matrix. Finally, the provision required is calculated by multiplying the outstanding exposure, by the expected default frequency (probability of default to IBRD) and by the assumed severity of the loss given default. The severity of loss, which is assessed periodically, is dependent on the borrower's eligibility, namely: IBRD, Blend (IBRD and IDA) and IDA, with the highest severity of loss associated with IDA. The borrower's eligibility is assessed at least annually. This methodology is also applied to countries with exposures in nonaccrual status. Generally, all exposures in nonaccrual status have the same risk rating.

The determination of borrowers' ratings is based on various factors (see Note D— Loans and Other Exposures). IBRD periodically reviews these factors and reassesses the adequacy of the accumulated provision for losses on loans and other exposures accordingly. Adjustments to the accumulated provision are recorded as a charge or addition to income.

For loans that are reported at fair value, the determination of the fair values takes credit risk into consideration.

Statement of Cash Flows: For the purpose of IBRD's Statement of Cash Flows, cash is defined as the amount of unrestricted currencies Due from Banks.

Currencies Subject to Restrictions: These include amounts which have been received from members as part of their capital subscriptions, as well as from donors and other sources, which are restricted for speficied purposes. For capital subscriptions, a portion of these subscriptions have been paid to IBRD in the national currencies of the members. These amounts, referred to as restricted currencies, are usable by IBRD in its lending and investing operations, only with the consent of the respective members, and for administrative expenses.

Investments: Investment securities are classified based on management's intention on the date of purchase, their nature, and IBRD's policies governing the level and use of such investments. Throughout the fiscal years ended June 30, 2012 and June 30, 2011, all investment securities were held in a trading portfolio. Investment securities and related financial instruments held in IBRD's trading portfolio are carried and reported at fair value. The first-in first-out method is used to determine the cost of securities sold in computing the realized gains and losses on these instruments. Unrealized gains and losses for investment securities and related financial instruments held in the trading portfolio are included in income. Derivative instruments are used in liquidity management to manage interest rate and currency risks.

IBRD may require collateral in the form of approved liquid securities from individual counterparties or

cash in order to mitigate its credit exposure to these counterparties. For collateral received in the form of cash from counterparties, IBRD records the cash and a corresponding obligation to return the cash. Collateral received in the form of liquid securities is only recorded on IBRD's Balance Sheet to the extent that it has been transferred under securities lending agreements in return for cash. IBRD does not offset the fair value amounts recognized for derivative instruments that have been executed with the same counterparty under master netting agreements; as a result, the fair value amounts recognized for the obligation to return cash collateral received from counterparties are not offset with the fair value amounts recognized for these derivative instruments.

Securities Purchased Under Resale Agreements, Securities Lent Under Securities Lending Agreements and Securities Sold Under Repurchase Agreements and Payable for Cash Collateral Received: Securities purchased under resale agreements, securities lent under securities lending agreements, and securities sold under repurchase agreements are recorded at face value which approximates fair value. IBRD receives securities purchased under resale agreements, monitors the fair value of the securities and, if necessary, closes out transactions and enters into new repriced transactions. The securities transferred to counterparties under the repurchase and security lending arrangements and the securities transferred to IBRD under the resale agreements have not met the accounting criteria for treatment as a sale. Therefore, securities transferred under repurchase agreements and security lending arrangements are retained as assets on the Balance Sheet, and securities received under resale agreements are not recorded on the Balance Sheet.

Nonnegotiable, Noninterest-bearing Demand Obligations on Account of Subscribed Capital: All demand obligations are held in bank accounts which bear IBRD's name and are carried and reported at face value as a reduction to equity. Payments on some of these instruments are due to IBRD upon demand. Others are due to IBRD on demand but only after the Bank's callable subscribed capital has been entirely called pursuant to Article IV, Section 2 (a) of the Articles of Agreement.

Premises and Equipment: Premises and equipment, including leasehold improvements, are carried at cost less accumulated depreciation and amortization. IBRD computes depreciation and amortization using the straight-line method over the estimated useful lives of the owned assets, which range between two and fifty years. For leasehold improvements, depreciation and amortization is computed over the lesser of the remaining term of the leased facility or the estimated economic life of the improvement.

Maintenance and repairs are charged to expense as incurred, while major improvements are capitalized and amortized over the estimated useful life.

Borrowings: To ensure funds are available for lending and liquidity purposes, IBRD borrows in the international capital markets offering its securities to private and governmental buyers. IBRD issues debt instruments of varying maturities denominated in various currencies with both fixed and variable interest rates.

IBRD fair values all the financial instruments in the borrowing portfolio with the changes in fair value recognized in the Statement of Income.

Interest expense relating to the debt instruments carried at fair value is measured on an effective yield basis and is reported as part of the Borrowings expenses in the Statement of Income.

For presentation purposes, amortization of discounts and premiums is included in Borrowing expenses in the Statement of Income.

IBRD uses derivatives in its borrowing and asset/liability management activities. In the borrowing portfolio, derivatives are used to modify the interest rate and/or currency characteristics of the borrowing portfolio, and are carried at fair value (see Note F— Derivative Instruments). The interest component of these derivatives is recognized as an adjustment to the borrowing cost over the life of the derivative contract and included in Borrowing expenses on the Statement of Income.

Accounting for Derivatives: IBRD has elected not to designate any hedging relationships for accounting purposes. Rather, all derivative instruments are marked to fair value on the Balance Sheet, with changes in fair values accounted for through the Statement of Income. The presentation of derivative instruments is consistent with the manner in which these instruments are settled. Interest rate swaps are settled on a net basis, while currency swaps are settled on a gross basis.

For the purpose of the Statement of Cash Flows, IBRD has elected to report the cash flows associated with the derivative instruments that are used to economically hedge borrowings, in a manner consistent with the presentation of the borrowings-related cash flows.

Valuation of Financial Instruments: IBRD has an established and documented process for determining fair values. Fair value is based upon quoted market prices for the same or similar securities, where available. Financial instruments for which quoted market prices are not readily available

are valued based on discounted cash flow models. These models primarily use market-based or independently-sourced market parameters such as yield curves, interest rates, volatilities, foreign exchange rates and credit curves, and may incorporate unobservable inputs, some of which may be significant. Selection of these inputs may involve some judgment.

To ensure that the valuations are appropriate where internally-developed models are used, IBRD has various controls in place, which include both internal and periodic external verification and review. In instances where management relies on valuations supplied by external pricing vendors, there are procedures in place to validate the appropriateness of the models used as well as the inputs applied in determining those values.

As of June 30, 2012 and June 30, 2011, IBRD had no financial assets or liabilities measured at fair value on a non-recurring basis.

Fair Value Hierarchy

Financial instruments are categorized based on the priority of the inputs to the valuation technique. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1), the next highest priority to observable market-based inputs or inputs that are corroborated by market data (Level 2) and the lowest priority to unobservable inputs that are not corroborated by market data (Level 3).

Financial assets and liabilities recorded at fair value on the Balance Sheet are categorized based on the inputs to the valuation techniques as follows:

Level 1: Financial assets and liabilities whose values are based on unadjusted quoted prices for identical assets or liabilities in active markets.

Level 2: Financial assets and liabilities whose values are based on quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities 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 asset or liability.

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

IBRD's policy is to recognize transfers in and transfers out of levels as of the end of the reporting period in which they occur.

Accounting for Grant Expenses: IBRD recognizes an expense for grants, such as Contributions to Special Programs, and Board of Governors-approved transfers, when incurred.

Donor Receivables: Donors' conditional promises to give are not recognized until the conditions to which they are subject are substantially met and the promise to give is considered unconditional. Donors' unconditional promises to give are recognized upon receipt as income, unless the donor specifies a third party beneficiary. In those cases IBRD is deemed to be acting as an intermediary agent and assets held on behalf of the specified beneficiaries are recognized with corresponding liabilities. If the contributions that IBRD receives can only be used for purposes specified by the donor, the proceeds are considered restricted until applied by IBRD for the donor-specified purposes.

Donor promises to give which are expected to be collected within one year are recorded at face value, while promises expected to be collected over a period greater than one year are recorded initially at fair value, with subsequent measurement on an amortized cost basis.

Donor Contributions to Trust funds: For those IBRD-executed trust funds where IBRD acts as an intermediary agent, third party donor contributions are recorded as assets held on behalf of the specified beneficiaries, with corresponding liabilities. For recipient-executed trust funds, since IBRD acts as a trustee, no assets or liabilities relating to these activities are recorded on the Balance Sheet.

Accounting and Reporting Developments

In March 2010, the Patient Protection and Affordable Care Act and the Health Care and Education Reconciliation Act of 2010 became law. These Acts seek to reform the U.S. health care system and their various provisions will become effective over the next several years. While the Acts have no impact on IBRD as of June 30, 2012, IBRD continues to evaluate the potential future implications of these Acts.

In July 2010, the Dodd-Frank Wall Street Reform and Consumer Protection Act (the Act) became law in the United States. The Act seeks to reform the U.S. financial regulatory system by introducing new regulators and extending regulation over new markets, entities, and activities. The implementation of the Act is dependent on the development of various rules to clarify and interpret its requirements. Pending the development of these rules, no impact on IBRD has been determined as of June 30, 2012. IBRD continues to evaluate the potential future implications of the Act.

In April 2011, FASB issued Accounting Standards Update (ASU) 2011-02, *Receivables: A Creditor's Determination of Whether a Restructuring Is a Troubled Debt Restructuring.* The ASU clarifies criteria to be considered in evaluating whether a restructuring of a receivable constitutes a troubled debt restructuring. For IBRD, this ASU was effective from the quarter ended September 30, 2011. As it is IBRD's practice not to restructure its loans, this ASU had no impact on its financial statements.

In April 2011, the FASB issued ASU 2011-03, *Transfers and Servicing (Topic 860): Reconsideration of Effective Control for Repurchase Agreements.* The ASU changes the assessment of effective control by focusing on the transferor's contractual rights and obligations and removing the criterion to assess its ability to exercise those rights or honor those obligations. For IBRD, this ASU was effective for the quarter ended March 31, 2012 and did not have an impact on IBRD's financial statements, as IBRD accounts for transfers of securities as secured borrowings.

In May 2011, the FASB issued ASU 2011-04, *Fair Value Measurement (Topic 820): Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and International Financial Reporting Standards (IFRS).* The amendments result in common fair value measurement and disclosure requirements in U.S. GAAP and IFRS. While many of the amendments relate to the harmonization of terminology and do not significantly impact current practice, some of the amendments have changed the existing fair value measurement and disclosure requirements. IBRD adopted this ASU during the quarter ended March 31, 2012. For the related additional fair value disclosures, see Note C-Investments, Note D-Loans and Other Exposures, Note E-Borrowings, Note F-Derivative Instruments, Note J-Pension and Other Postretirement Benefits and Note L-Other Fair Value Disclosures.

In June 2011, the FASB issued ASU 2011-05, *Comprehensive Income (Topic 220): Presentation of Comprehensive Income.* The ASU requires comprehensive income to be reported in either a single statement or in two consecutive statements. The ASU does not change which items are reported in other comprehensive income or existing requirements to reclassify items from other comprehensive income to net income. Subsequently, in December 2011, the FASB issued ASU 2011-12, *Deferral of the Effective Date for Amendments to the Presentation of Reclassifications of Items Out of Accumulated Other Comprehensive Income in Accounting Standards Update No. 2011-05*, which deferred certain reclassification provisions in ASU 2011-05. For IBRD, the ASUs are effective for fiscal years beginning after December 15, 2011, and interim periods within those years. IBRD is currently evaluating the impact of these ASUs on its financial statements.

In December 2011, the FASB issued ASU 2011-11, *Balance Sheet (Topic 210): Disclosures about Offsetting Assets and Liabilities*. The ASU requires entities to disclose both gross information and net information about instruments and transactions eligible for offset in the statement of financial position, and instruments and transactions subject to a master netting agreement and agreements similar to master netting agreements. The new disclosure requirements will facilitate comparison between U.S. GAAP and IFRS. This ASU is effective for annual reporting periods beginning on or after January 1, 2013, and interim periods within those annual periods. IBRD is currently evaluating the impact of this ASU on its financial statements.

NOTE B—CAPITAL STOCK, MAINTENANCE OF VALUE, AND MEMBERSHIP

Capital Stock: The following table provides a summary of the changes in IBRD's authorized and subscribed shares during the fiscal years ended June 30, 2012 and June 30, 2011:

	Authorized shares	*Subscribed shares*
As of June 30, 2010	1,581,724	1,574,526
General and selective capital increase (GCI/SCI)	725,876	31,404
As of June 30, 2011	2,307,600	1,605,930
GCI/SCI	—	95,238
New membership	—	1,437
As of June 30, 2012	2,307,600	1,702,605

The following table provides a summary of the changes in subscribed capital, uncalled portion of subscriptions, and paid-in capital during the fiscal years ended June 30, 2012 and June 30, 2011:

In millions of U.S. dollars

	Subscribed capital	*Uncalled portion of subscriptions*	*Paid-in capital*
As of June 30, 2010	$189,943	$(178,451)	$11,492
GCI/SCI	3,789	(3,561)	228
As of June 30, 2011	$193,732	$(182,012)	$11,720
GCI/SCI	11,489	(10,800)	689
New membership	173	(164)	9
As of June 30, 2012	$205,394	$(192,976)	$12,418

The uncalled portion of subscriptions is subject to call only when required to meet the obligations incurred by IBRD as a result of borrowing, or guaranteeing loans.

Under IBRD's Articles of Agreement, in the event a member withdraws from IBRD, the withdrawing

member is entitled to receive the value of its shares payable to the extent the member does not have any outstanding obligations to IBRD. IBRD's Articles of Agreement also state that the former member has continuing obligations to IBRD after withdrawal. Specifically, the former member remains fully liable for its entire capital subscription, including both the previously paid-in portion and the callable portion, so long as any part of the loans or guarantees contracted before it ceased to be a member are outstanding.

Membership: On April 18, 2012, South Sudan became the 188th member country of IBRD with a subscribed capital of $173 million, of which $9 million has been paid-in, including $1 million in cash.

Amounts To Maintain the Value of Currency Holdings

The following table summarizes the amounts to maintain the value of currency holdings classified as components of equity:

In millions of U.S. dollars

Payable (Receivable)	*2012*	*2011*
MOV receivable	$(79)	$ (52)
Net Deferred MOV payable	833	1,111
MOV receivable in arrears	(142)	(133)
Deferred demand obligations	(130)	(130)
Deferred MOV	$561	$ 848

MOV receivable relates to amounts due from members on account of movements in exchange rates from the date of initial subscription, resulting in the reduction in the value of their paid-in capital denominated in national currencies. These amounts may be settled either in cash or a demand note.

Net deferred MOV payable relates to restricted currencies being used in IBRD's operations which are either being invested, swapped, or loaned to members by IBRD or through IFC. Once these restricted currencies are no longer being used in operations, the related MOV is no longer deferred, but rather, becomes payable by IBRD on the same terms as other MOV obligations.

MOV receivable in arrears represents receivables for countries that have amounts outstanding for two years or more. Although these amounts are used to reduce equity, IBRD still considers these MOV in arrears as obligations due from the members concerned.

Deferred demand obligations relate to notes that are due on demand only after IBRD's callable capital has been entirely called pursuant to Article IV, Section 2 (a) of the Articles of Agreement.

NOTE C—INVESTMENTS

IBRD's investments included a liquid assets portfolio, LTIP, and holdings relating to the Advance Market Commitment for Pneumococcal Vaccines Initiative (AMC) and PEBP, up until April 24, 2012, when the Executive Directors approved the liquidation of LTIP. As of June 30, 2012, LTIP had been fully liquidated.

The composition of IBRD's net investment portfolio as of June 30, 2012 and June 30, 2011 was as follows:

In millions of U.S. dollars

Net investments portfolio	*2012*	*2011*
Liquid assets portfolio	$34,189	$28,154
LTIP	—	1,348
AMC holdings	326	291
PEBP holdings	604	531
Total	$35,119	$30,324

The investment securities held by IBRD are designated as trading and are carried and reported at fair value, or at face value which approximates fair value. As of June 30, 2012, the majority of Investments-Trading is comprised of government and agency obligations and time deposits (59% and 32%, respectively), with almost all the instruments being classified as Level 1 and Level 2 within the fair value hierarchy.

The majority of the instruments in Investments-Trading are denominated in U.S. dollars (USD), Euro (EUR) and Japanese yen (JPY) (45%, 21% and 17%, respectively). IBRD uses derivative instruments to manage the associated currency and interest rate risk in the portfolio. After considering the effects of these derivatives, IBRD's investment portfolio has an average repricing of 0.2 years, and is predominantly denominated in USD (94%).

A summary of IBRD's Investments-Trading at June 30, 2012 and June 30, 2011, is as follows:

In millions of U.S. dollars

	2012	*2011*
	Carrying Value	*Carrying Value*
Investments—Trading		
Equity securities	$ 165	$ 833
Government and agency obligations	19,742	14,101
Time deposits	10,811	14,057
Asset-backed securities	2,748	3,607
Total	$33,466	$32,598

The following table summarizes the currency composition of IBRD's Investments-Trading, at June 30, 2012 and June 30, 2011:

In millions of U.S. dollars equivalent

	2012		2011	
Currency	*Carrying Value*	*Average Repricing (years)*[a]	*Carrying Value*	*Average Repricing (years)*[a]
Euro	$ 7,038	0.68	$ 4,120	1.67
Japanese yen	5,668	0.43	5,488	1.31
U.S. dollars	15,013	0.79	18,419	0.95
Others	5,747	0.47	4,571	0.61
Total	$33,466	0.64	$32,598	1.06

a. Equity securities are not subject to repricing. The average repricing represents the remaining period to the contractual repricing or maturity date, whichever is earlier. This indicates the average length of time for which interest rates are fixed.

IBRD manages its investments on a net portfolio basis. The following table summarizes IBRD's net portfolio position as of June 30, 2012 and June 30, 2011:

In millions of U.S. dollars

	Carrying Value	
	2012	*2011*
Investments—Trading	$ 33,466	$ 32,598
Securities purchased under resale agreements	209	47
Securities sold under repurchase agreements, securities lent under securities lending agreements, and payable for cash collateral received	(3,700)	(2,184)
Derivative assets		
Currency forward contracts	6,542	6,529
Currency swaps	11,876	5,823
Interest rate swaps	135	71
Other[a]	*	*
Total	18,554	12,423
Derivative liabilities		
Currency forward contracts	(6,448)	(6,603)
Currency swaps	(11,876)	(6,469)
Interest rate swaps	(307)	(202)
Other[a]	—	(1)
Total	(18,631)	(13,275)
Cash held in investment portfolio[b]	5,340	1,952
Receivable from investment securities traded	18	83
Payable for investment securities purchased	(137)	(1,320)
Net Investment Portfolio	$ 35,119	$ 30,324

a. These relate to Mortgage Back Securities To-Be-Announced (TBA securities).
b. This amount is included in Unrestricted Currencies under Due from Banks on the Balance Sheet.
** Indicates amount less than $0.5 million*

The following table summarizes the currency composition of IBRD's net investment portfolio at June 30, 2012 and June 30, 2011:

In millions of U.S. dollars equivalent

	2012		2011	
Currency	*Carrying Value*	*Average Repricing (years)*[a]	*Carrying Value*	*Average Repricing (years)*[a]
U.S. dollars	$32,945	0.20	$29,182	0.37
Others	2,174	0.03	1,142	0.80
Total	$35,119	0.19	$30,324	0.41

a. Equity securities are not subject to repricing. The average repricing represents the remaining period to the contractual repricing or maturity date, whichever is earlier. This indicates the average length of time for which interest rates are fixed.

IBRD uses derivative instruments to manage currency and interest rate risk in the investment portfolio. For details regarding these instruments, see Note F–Derivative Instruments.

As of June 30, 2012 and June 30, 2011, there were no short sales included in Payable for investment securities purchased on the Balance Sheet.

For the fiscal year ended June 30, 2012, IBRD's income included $2 million of net unrealized gains (net unrealized gains of $150 million—fiscal year ended June 30, 2011 and net unrealized gains of $100 million—fiscal year ended June 30, 2010).

Fair Value Disclosures

The following tables present IBRD's fair value hierarchy for investment assets and liabilities measured at fair value on a recurring basis as of June 30, 2012 and June 30, 2011:

In millions of U.S. dollars

	Fair Value Measurements on a Recurring Basis As of June 30, 2012			
	Level 1	*Level 2*	*Level 3*	*Total*
Assets:				
Investments – Trading				
Equity securities	$ 150	$ 15	$—	$ 165
Government and agency obligations	2,559	17,133	50	19,742
Time deposits	1,073	9,738	—	10,811
Asset-backed securities	—	2,739	9	2,748
Total Investments – Trading	$3,782	$29,625	$59	$33,466
Securities purchased under resale agreements	9	200	—	209
Derivative assets-Investments				
Currency forward contracts	—	6,542	—	6,542
Currency swaps	—	11,876	—	11,876
Interest rate swaps	—	135	—	135
Other[a]	—	*	—	*
Total Derivative assets-Investments	—	18,554	—	18,554
Total Assets	$3,791	$48,379	$59	$52,229
Liabilities:				
Securities sold under repurchase agreements and securities lent under security lending agreements[b]	$ —	$ 7	$—	$ 7
Derivative liabilities-Investments				
Currency forward contracts	—	6,448	—	6,448
Currency swaps	—	11,876	—	11,876
Interest rate swaps	—	307	—	307
Other[a]	—	—	—	—
Total Derivative liabilities-Investments	—	18,631	—	18,631
Total Liabilities	$ —	$18,638	$—	$18,638

a. These relate to TBA securities.
b. Excludes $3,693 million relating to payable for cash collateral received.
** Indicates amount less than $0.5 million*

In millions of U.S. dollars

	Fair Value Measurements on a Recurring Basis As of June 30, 2011			
	Level 1	*Level 2*	*Level 3*	*Total*
Assets:				
Investments – Trading				
Equity securities	$ 833	$ —	$ —	$ 833
Government and agency obligations	1,671	12,430	—	14,101
Time deposits	2,601	11,456	—	14,057
Asset-backed securities	—	3,594	13	3,607
Total Investments – Trading	$5,105	$27,480	$13	$32,598
Securities purchased under resale agreements	14	33	—	47
Derivative assets-Investments				
Currency forward contracts	—	6,529	—	6,529
Currency swaps	—	5,823	—	5,823
Interest rate swaps	—	71	—	71
Other[a]	—	*	—	*
Total Derivative assets-Investments	—	12,423	—	12,423
Total Assets	$5,119	$39,936	13	$45,068
Liabilities:				
Securities sold under repurchase agreements and securities lent under security lending agreements[b]	$ —	$ 246	$—	$ 246
Derivative liabilities-Investments				
Currency forward contracts	—	6,603	—	6,603
Currency swaps	—	6,469	—	6,469
Interest rate swaps	—	202	—	202
Other[a]	—	1	—	1
Total Derivative liabilities-Investments	—	13,275	—	13,275
Total Liabilities	$ —	$13,521	$—	$13,521

a. These relate to TBA securities.
b. Excludes $1,938 million relating to payable for cash collateral received.
** Indicates amount less than $0.5 million.*

The following tables provide a summary of changes in the fair value of IBRD's Level 3 Investments – Trading assets during the fiscal year ended June 30, 2012 and June 30, 2011:

In millions of U.S. dollars

	Investments–Trading			
	June 30, 2012			*June 30, 2011*
	Asset-backed Securities	*Government and Agency Obligations*	*Total*	*Asset-backed Securities*
Beginning of the fiscal year	$13	$—	$13	$18
Total realized/unrealized gains (losses) in:				
Net income	1	—	1	4
Purchases	1	—	1	3
Sales/Settlements	(5)	—	(5)	(4)
Transfers (out of) into, net	(1)	50	49	(8)
End of the fiscal year	$ 9	$50	$59	$13

The following table provides information on the unrealized gains or losses included in income for the fiscal years ended June 30, 2012, June 30, 2011 and June 30, 2010, relating to IBRD's Level 3 Investments – Trading still held as of these dates, as well as where those amounts are included in the Statement of Income.

In millions of U.S. dollars

	Fiscal Year Ended June 30,		
Unrealized Gains	*2012*	*2011*	*2010*
Statement of Income Line			
Investments, net – Trading	$(1)	$2	$3

The table below provides the details of all inter-level transfers for the fiscal year ended June 30, 2012 and June 30, 2011:

In millions of U.S. dollars

	June 30, 2012	
	Level 2	*Level 3*
Investments-Trading		
Government and Agency Obligations		
Transfers (out of) into	$(50)	$50
Asset-backed Securities		
Transfers (out of) into	(21)	21
Transfers into (out of)	22	(22)
	1	(1)
	$(49)	$49

In millions of U.S. dollars

	June 30, 2011	
	Level 2	*Level 3*
Investments-Trading		
Asset-backed Securities		
Transfers (out of) into	$(16)	$ 16
Transfers into (out of)	24	(24)
	$ 8	$ (8)

The transfers from Level 2 to Level 3 reflect the unavailability of quoted prices for similar instruments resulting from a decreased volume of trading for these instruments. Conversely, the transfers from Level 3 to Level 2 reflect the availability of quoted prices for similar instruments resulting from increased volume of trading for these instruments.

The fair value of Level 3 instruments in the investment portfolio is estimated using valuation models that incorporate observable market inputs and unobservable inputs. The significant unobservable inputs include constant prepayment rates, probability of default, and loss severity. The constant prepayment rate is an annualized expected rate of principal prepayment for a pool of asset-backed securities. The probability of default is an estimate of the expected likelihood of not collecting contractual amounts owed. Loss severity is the present value of lifetime losses (both interest and principal) as a percentage of the principal balance.

Significant increases (decreases) in the assumptions used for these inputs in isolation would result in a significantly lower (higher) fair value measurement. Generally, a change in the assumption used for the probability of default is accompanied by a directionally similar change in the assumption used for the loss severity and a directionally opposite change in the assumption used for constant prepayment rates.

The following table provides a summary of the valuation technique applied in determining fair values of these Level 3 instruments and quantitative information regarding the significant unobservable inputs used:

In millions of U.S. dollars

Portfolio	*Fair Value at June 30, 2012*	*Valuation Technique*	*Unobservable input*	*Range (weighted average)*
Investments (Asset-backed Securities)	$9	Discounted cash flow	Probability of default	0% to 18% (5.77%)
			Constant prepayment rate	0.50% to 15% (4.80%)
			Loss severity	0% to 100% (76.19%)

Valuation Methods and Assumptions

Summarized below are the techniques applied in determining the fair values of investments.

Investment securities

Where available, quoted market prices are used to determine the fair value of trading securities. Examples include most government and agency securities, mutual funds, futures contracts, exchange-traded equity securities and ABS.

For instruments for which market quotations are not available, fair values are determined using model-based valuation techniques, whether internally-generated or vendor-supplied, that include the standard discounted cash flow method using market observable inputs such as yield curves, credit spreads, and constant prepayment rates. Where applicable, unobservable inputs such as constant prepayment rates, probability of default and loss severity are used. Unless quoted prices are available, time deposits are reported at face value which approximates fair value.

Securities purchased under resale agreements, Securities sold under agreements to repurchase, and Securities lent under securities lending agreements

These securities are reported at face value which approximates fair value.

Commercial Credit Risk

For the purpose of risk management, IBRD is party to a variety of financial transactions, certain of which involve elements of credit risk. Credit risk exposure represents the maximum potential loss due to possible nonperformance by obligors and counterparties under the terms of the contracts. For all securities, IBRD limits trading to a list of authorized dealers and counterparties.

Swap Agreements: Credit risk is 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 swap transactions. IBRD may require collateral in the form of cash or other approved liquid securities from individual counterparties in order to mitigate its credit exposure.

IBRD has entered into master derivatives agreements which contain legally enforceable close-out netting provisions. These agreements may further reduce the gross credit risk exposure related to the swaps. Credit risk with financial assets subject to a master derivatives arrangement is further reduced under these agreements to the extent that payments and receipts with the counterparty are netted at settlement. The reduction in exposure as a result of these netting provisions can vary due to the impact of changes in market conditions on existing and new transactions. The extent of the reduction in exposure may therefore change substantially within a short period of time following the balance sheet date.

The following is a summary of the collateral received by IBRD in relation to swap transactions as of June 30, 2012 and June 30, 2011.

In millions of U.S. dollars

	June 30, 2012	*June 30, 2011*
Collateral received		
Cash	$ 3,693	$ 1,938
Securities	10,238	11,841
Total collateral received	13,931	$13,779
Collateral permitted to be repledged	$13,931	$13,779
Amount of collateral repledged	—	—

Securities Lending: IBRD may engage in securities lending and repurchases, against adequate collateral, as well as securities borrowing and reverse repurchases (resales) of government and agency obligations, and corporate and asset-backed securities. Transfers of securities by IBRD to counterparties are not accounted for as sales as the accounting criteria for the treatment as a sale have not been met. Counterparties are permitted to repledge these securities until the repurchase date.

The following is a summary of the carrying amount of the securities transferred under repurchase or securities lending agreements, and the related liabilities:

In millions of U.S. dollars

	June 30, 2012	*June 30, 2011*	*Financial Statement Presentation*
Securities transferred under repurchase or securities lending agreements	$7	$151	Included under Investments-Trading on the Balance Sheet
Liabilities relating to securities transferred under repurchase or securities lending agreements	$7	$212	Included under Securities Sold Under Repurchase Agreements, Securities Lent Under Securities Lending Agreements, and Payable for Cash Collateral Received, on the Balance Sheet.

At June 30, 2012, there were no liabilities relating to securities transferred under repurchase or securities lending agreements that had not settled at that date. At June 30, 2011, the liabilities relating to securities transferred under repurchase or securities lending agreements included $59 million of repurchase agreement trades that had not settled at that date. Of this amount, $44 million represented replacement trades entered into in anticipation of maturing trades.

IBRD receives collateral in connection with resale agreements as well as swap agreements. This collateral serves to mitigate IBRD's exposure to credit risk.

In the case of resale agreements, IBRD receives collateral in the form of liquid securities and is permitted to repledge these securities. While these transactions are legally considered to be true purchases and sales, the securities received are not recorded on IBRD's Balance Sheet as the accounting criteria for treatment as a sale have not been met. As of June 30, 2012, IBRD had received securities with a fair value of $209 million ($47 million—June 30, 2011). None of these securities had been transferred under repurchase or security lending agreements as of that date ($33 million—June 30, 2011).

NOTE D—LOANS AND OTHER EXPOSURES

IBRD's loans and other exposures (exposures) are generally made to, or guaranteed by member countries of IBRD. In addition, IBRD may also make loans to the IFC, an affiliated organization without any guarantee. IBRD's loans are carried and reported at amortized cost, with the exception of one loan which is carried and reported at fair value, because it contains an embedded derivative.

IBRD's loan portfolio includes loans with multicurrency terms, single currency pool terms, variable spread terms and fixed spread terms. At June 30, 2012, only loans with variable spread terms and fixed spread terms (including special development policy loans), were available for new commitments under the IBRD Flexible Loan (IFL).

As of June 30, 2012, 80% of IBRD's loans carried variable interest rates. IBRD uses derivatives to manage the repricing risk between loans and borrowings. These derivatives are included under borrowing derivatives and other derivatives on the Balance Sheet. After considering the effects of these derivatives, the loan portfolio carried variable interest rates, with a weighted average interest rate of 1.3% as of June 30, 2012.

The majority of the loans in the loan portfolio are denominated in USD (79%) while the EUR and JPY account for 19% and 1% of the loan portfolio, respectively.

As of June 30, 2012, only 0.3% of IBRD's loans were in nonaccrual status and were all related to one borrower. The total provision for losses on accrual and nonaccrual loans accounted for 1.2% of the total loan portfolio.

Based on the IBRDs' internal quality indicators, the majority of loans outstanding are in the Medium risk and High risk classes.

A summary of IBRD's outstanding loans by currency and by interest rate characteristics (fixed or variable) at June 30, 2012 and June 30, 2011 follows:

In millions of U.S. dollars equivalent

	June 30, 2012										
	Euro		*Japanese yen*		*U.S. dollars*		*Others*		*Loans Outstanding*		
	Fixed	*Variable*	*Fixed*	*Variable*	*Fixed*	*Variable*	*Fixed*	*Variable*	*Fixed*	*Variable*	*Total*
Multicurrency terms[a]											
Amount	$ 193	$ 273	$235	$333	$ 174	$ 612	$111	$ 99	$ 713	$ 1,317	$ 2,030
Weighted average rate (%)[b]	3.77	6.38	3.54	6.33	4.65	7.26	3.69	6.33	3.90	6.77	5.76
Average Maturity (years)	2.65	1.25	2.75	1.30	2.35	0.45	2.74	1.30	2.62	0.89	1.50
Single currency pool terms											
Amount	$ —	$ 74	$ —	$ —	$ 545	$ 27	$ —	$ —	$ 545	$101	$ 646
Weighted average rate (%)[b]	—	2.13	—	—	3.68	2.56	—	—	3.68	2.24	3.46
Average Maturity (years)	—	1.08	—	—	0.99	0.86	—	—	0.99	1.02	0.99
Variable-spread terms											
Amount	$ 22	$13,418	$ —	$187	$ 360	$63,268	$ —	$44	$382	$76,917	$ 77,299
Weighted average rate (%)[b]	4.30	1.39	—	0.75	5.16	1.09	—	1.32	5.12	1.14	1.16
Average Maturity (years)	0.46	11.51	—	3.28	0.88	9.60	—	9.19	0.86	9.91	9.87
Fixed-spread terms											
Amount	$4,154	$ 7,990	$ 36	$395	$21,317	$20,746	$756[c]	$956	$26,263	$30,087	$ 56,350
Weighted average rate (%)[b]	4.65	1.76	2.55	0.84	4.31	1.29	7.87	4.10	4.46	1.50	2.88
Average maturity (years)	6.57	8.87	8.59	7.32	8.01	9.34	8.85	12.28	7.81	9.28	8.59
Loans Outstanding											
Amount	$4,369	$21,755	$271	$915	$22,396	$84,653	$867	$1,099	$27,903	$108,422	$136,325
Weighted average rate (%)[b]	4.61	1.59	3.40	2.82	4.31	1.18	7.33	4.19	4.44	1.31	1.95
Average Maturity (years)	6.37	10.37	3.52	4.31	7.68	9.47	8.06	11.16	7.45	9.62	9.18
Loans Outstanding											$136,325
Less accumulated provision for loan losses and deferred loan income											2,116
Net loans outstanding											$134,209

Note: For footnotes see the following page.

In millions of U.S. dollars equivalent

	June 30, 2011										
	Euro		Japanese yen		U.S. dollars		Others		Loans Outstanding		
	Fixed	Variable	Fixed	Variable	Fixed	Variable	Fixed	Variable	Fixed	Variable	Total
Multicurrency terms[a]											
Amount	$ 386	$ 479	$ 409	$ 507	$ 288	$ 703	$ 177	$ 158	$ 1,260	$ 1,847	$ 3,107
Weighted average rate (%)[b]	3.69	6.13	3.55	6.09	4.22	6.91	3.67	6.09	3.76	6.41	5.34
Average Maturity (years)	2.30	1.64	2.34	1.67	2.12	0.77	2.59	1.67	2.31	1.32	1.72
Single currency pool terms											
Amount	$ —	$171	$ —	$ —	$ 968	$55	$ —	$ —	$ 968	$ 226	$ 1,194
Weighted average rate (%)[b]	—	3.47	—	—	3.59	3.58	—	—	3.59	3.50	3.57
Average Maturity (years)	—	1.23	—	—	1.32	1.08	—	—	1.32	1.19	1.30
Variable-spread terms											
Amount	$ 45	$ 12,701	$ —	$ 208	$ 727	$ 58,177	$ —	$ 45	$ 772	$ 71,131	$ 71,903
Weighted average rate (%)[b]	4.34	1.83	—	0.74	5.55	0.78	—	1.18	5.48	0.97	1.02
Average Maturity (years)	1.02	11.63	—	3.45	1.17	9.08	—	10.22	1.16	9.52	9.43
Fixed-spread terms											
Amount	$4,341	$ 8,892	$ 32	$ 382	$ 20,842	$ 19,968	$ 698[d]	$ 1,100	$ 25,913	$ 30,342	$ 56,255
Weighted average rate (%)[b]	4.76	2.06	2.49	0.86	4.37	0.98	7.50	4.22	4.52	1.41	2.84
Average maturity (years)	7.30	9.10	8.04	8.03	8.08	9.60	10.78	13.23	8.02	9.57	8.85
Loans Outstanding											
Amount	$4,772	$ 22,243	$ 441	$ 1,097	$ 22,825	$ 78,903	$ 875	$ 1,303	$28,913	$103,546	$132,459
Weighted average rate (%)[b]	4.67	2.03	3.47	3.26	4.37	0.89	6.72	4.34	4.48	1.20	1.92
Average Maturity (years)	6.84	10.32	2.75	4.22	7.49	9.14	9.15	11.73	7.36	9.37	8.93
Loans Outstanding											$ 132,459
Less accumulated provision for loan losses and deferred loan income											1,989
Net loans outstanding											$ 130,470

a. Include loans to IFC, in addition to multicurrency pool loans. Variable rates for multicurrency loans are based on the weighted average cost of allocated debt.
b. Excludes effects of any waivers of loan interest.
c. Includes loans at fair value of $125 million.
d. Includes loans at fair value of $139 million.

The maturity structure of IBRD's loans at June 30, 2012 and June 30, 2011 is as follows:

In millions of U.S. dollars

	June 30, 2012				
Terms/Rate Type	*July 1, 2012 through June 30, 2013*	*July 1, 2013 through June 30, 2017*	*July 1, 2017 through June 30, 2022*	*Thereafter*	*Total*
Multicurrency terms					
Fixed	$ 307	$ 291	$ 64	$ 51	$ 713
Variable	836	481	—	—	1,317
Single currency pool terms					
Fixed	328	217	—	—	545
Variable	57	44	—	—	101
Variable-spread terms					
Fixed	264	118	—	—	382
Variable	4,888	17,887	18,564	35,578	76,917
Fixed-spread terms					
Fixed	1,595	8,779[a]	7,871	8,018	26,263
Variable	1,232	7,766	8,697	12,392	30,087
All Loans					
Fixed	2,494	9,405	7,935	8,069	27,903
Variable	7,013	26,178	27,261	47,970	108,422
Total loans outstanding	$9,507	$35,583	$35,196	$56,039	$136,325

a. Includes loans at fair value of $125 million.

In millions of U.S. dollars

	June 30, 2011				
Terms/Rate Type	*July 1, 2011 through June 30, 2012*	*July 1, 2012 through June 30, 2016*	*July 1, 2016 through June 30, 2021*	*Thereafter*	*Total*
Multicurrency terms					
Fixed	$ 551	$ 567	$ 75	$ 67	$ 1,260
Variable	898	937	12	—	1,847
Single currency pool terms					
Fixed	423	543	2	—	968
Variable	114	112	—	—	226
Variable-spread terms					
Fixed	387	385	—	—	772
Variable	5,101	18,678	16,256	31,096	71,131
Fixed-spread terms					
Fixed	1,258	8,274	8,613[a]	7,768	25,913
Variable	1,097	7,276	9,892	12,077	30,342
All Loans					
Fixed	2,619	9,769	8,690	7,835	28,913
Variable	7,210	27,003	26,160	43,173	103,546
Total loans outstanding	$9,829	$36,772	$34,850	$51,008	$132,459

a. Includes a loan at fair value of $139 million.

Credit Quality of Sovereign Exposures

Based on an evaluation of IBRD's exposures, management has determined that IBRD has one portfolio segment – Sovereign Exposures. IBRD's loans constitute the majority of the Sovereign Exposures portfolio segment.

IBRD's country risk ratings are an assessment of its borrowers' ability and willingness to repay IBRD on time and in full. These ratings are internal credit quality indicators. Individual country risk ratings are derived on the basis of both quantitative and qualitative analyses. The components considered in the analysis can be grouped broadly into eight categories: political risk, external debt and liquidity, fiscal policy and public debt burden, balance of payments risks, economic structure and growth prospects, monetary and exchange rate policy, financial sector risks, and corporate sector debt and vulnerabilities. For the purpose of analyzing the risk characteristics of IBRD's exposures, these exposures are grouped into three classes in accordance with assigned borrower risk ratings which relate to the likelihood of loss: Low, Medium and High risk classes, as well as exposures in nonaccrual status. IBRD considers all exposures in nonaccrual status to be impaired.

IBRD's borrowers' country risk ratings are key determinants in the provision for losses. Country risk ratings are determined in review meetings that take place several times a year. All countries are reviewed at least once a year, or more frequently, if circumstances warrant, to determine the appropriate ratings.

IBRD considers loans to be past due when a borrower fails to make payment on any principal, interest or other charges due to IBRD on the dates provided in the contractual loan agreement.

The following tables provide an aging analysis of the loan portfolio as at June 30, 2012 and June 30, 2011:

In millions of U.S. dollars

	June 30, 2012							
Days past due	*Up to 45*	*46-60*	*61-90*	*91-180*	*Over 180*	*Total Past Due*	*Current*	*Total*
Risk Class								
Low	$ —	$—	$—	$ —	$ —	$ —	$ 14,799	$ 14,799
Medium	—	—	—	—	—	—	68,191	68,191
High	10	—	—	—	—	10	52,738	52,748
Loans in accrual status[a]	10	—	—	—	—	10	135,728	135,738
Loans in nonaccrual status[a]	—	—	—	13	428	441	21	462
Loan at fair value[b]	—	—	—	—	—	—	125	125
Total	$ 10	$—	$—	$ 13	$428	$451	$135,874	$136,325

In millions of U.S. dollars

	June 30, 2011							
Days past due	*Up to 45*	*46-60*	*61-90*	*91-180*	*Over 180*	*Total Past Due*	*Current*	*Total*
Risk Class								
Low	$—	$—	$—	$—	$ —	$ —	$ 14,763	$ 14,763
Medium	—	—	—	—	—	—	68,737	68,737
High	6	—	—	—	—	6	48,348	48,354
Loans in accrual status[a]	6	—	—	—	—	6	131,848	131,854
Loans in nonaccrual status[a]	—	—	2	15	400	417	49	466
Loan at fair value[b]	—	—	—	—	—	—	139	139
Total	$ 6	$—	$ 2	$15	$400	$423	$132,036	$132,459

a. At amortized cost

b. For the loan that is reported at fair value, and which is in accrual status, credit risk assessment is incorporated in the determination of fair value.

Accumulated Provision for Losses on Loans and Other Exposures

Management determines the appropriate level of accumulated provisions for losses, which reflects the probable losses inherent in IBRD's exposures. Probable losses comprise estimates of potential losses arising from default and nonpayment of principal amounts due, as well as present value losses. Delays in receiving loan payments result in present value losses to IBRD since it does not charge fees or additional interest on any overdue interest or charges. These present value losses are equal to the difference between the present value of payments of interest and charges made according to the related instrument's contractual terms and the present value of its expected future cash flows. It is IBRD's practice not to write off its loans. All contractual obligations associated with exposures in nonaccrual status have eventually been cleared, thereby allowing borrowers to eventually emerge from nonaccrual status. To date, no loans have been written off.

Notwithstanding IBRD's historical experience, the risk of losses associated with nonpayment of principal amounts due is included in the accumulated provision for losses on loans and other exposures.

Changes to the Accumulated provision for losses on loans and other exposures for the fiscal years ended June 30, 2012, June 30, 2011 and June 30, 2010 are summarized below:

In millions of U.S. dollars

	June 30, 2012			*June 30, 2011*			*June 30, 2010*		
	Loans	*Other*	*Total*	*Loans*	*Other*	*Total*	*Loans*	*Other*	*Total*
Accumulated provision, beginning of the fiscal year	$1,549	$29	$1,578	$1,553	$23	$1,576	$1,632	$10	$1,642
Provision - charge (release)	181	8	189	(50)	5	(45)	(45)	13	(32)
Translation adjustment	(40)	(2)	(42)	46	1	47	(34)	—	(34)
Accumulated provision, end of the fiscal year	$1,690	$35	$1,725	$1,549	$29	$1,578	$1,553	$23	$1,576
Composed of accumulated provision for losses on:									
Loans in accrual status	$1,459			$1,316			$1,324		
Loans in nonaccrual status	231			233			229		
Total	$1,690			$1,549			$1,553		
Loans, end of the fiscal year:									
Loans at amortized cost in accrual status	$135,738			$131,854			$119,537		
Loans at amortized cost in nonaccrual status	462			466			457		
Loan at fair value in accrual status	125			139			109		
Total	$136,325			$132,459			$120,103		

	Reported as Follows	
	Balance Sheet	***Statement of Income***
Accumulated Provision for Losses on:		
Loans	Accumulated provision for losses on loans	Provision for losses on loans and other exposures
Other exposures (excluding Exposures to Member Countries' Derivatives)	Accounts payable and miscellaneous liabilities	Provision for losses on loans and other exposures
Exposures to Member Countries' Derivatives	Derivative Assets – Client Operations	Provision for losses on loans and other exposures

Overdue Amounts

It is the policy of IBRD to place in nonaccrual status all loans and other exposures made to or guaranteed by a member of IBRD if principal, interest, or other charges with respect to any such exposures are overdue by more than six months, unless IBRD's management determines that the overdue amount will be collected in the immediate future. In addition, if development credits and other exposures made by IDA to a member government are placed in nonaccrual status, all loans and other exposures made to or guaranteed by that member government, will also be placed in nonaccrual status by IBRD. On the date a member's loans and other exposures are placed into nonaccrual status, unpaid interest and other charges accrued on exposures to the member are deducted from the income of the current period. Interest and other charges on nonaccruing exposures are included in income only to the extent that payments have been received by IBRD. If collectibility risk is considered to be particularly high at the time of arrears clearance, the member's exposures may not automatically emerge from nonaccrual status. In such instances, a decision on

the restoration of accrual status is made on a case-by-case basis and in certain cases that decision may be deferred until a suitable period of payment performance has passed.

At June 30, 2012, there were no principal or interest amounts on loans in accrual status, which were overdue by more than three months. The following tables provide a summary of selected financial information related to loans in nonaccrual status as of and for the fiscal years ended June 30, 2012, June 30, 2011 and June 30, 2010:

In millions of U.S. dollars

	2012	*2011*
Recorded investment in nonaccrual loans[a]	$462	$466
Accumulated provision for loan losses on nonaccrual loans	231	233
Average recorded investment in nonaccrual loans for the fiscal year[b]	464	463
Overdue amounts of nonaccrual loans:	761	701
Principal	441	417
Interest and charges	320	284

a. A loan loss provision has been recorded against each of the loans in the nonaccrual portfolio.
b. For the fiscal year ended June 30, 2010: $462 million

In millions of U.S. dollars

	Fiscal year ended June 30,		
	2012	*2011*	*2010*
Interest income not recognized as a result of loans being in nonaccrual status	$37	$36	$35

During the fiscal years ended June 30, 2012, June 30, 2011, and June 30, 2010 no interest income was recognized on loans in nonaccrual status.

Information relating to the sole borrowing member with loans or guarantees in nonaccrual status at June 30, 2012 follows:

In millions of U.S. dollars

Borrower	*Principal outstanding*	*Principal, Interest and Charges overdue*	*Nonaccrual since*
Zimbabwe	$462	$761	October 2000

During the fiscal years ended June 30, 2012 and June 30, 2011 there were no loans placed into nonaccrual status or restored to accrual status.

Guarantees

Guarantees of $1,753 million were outstanding at June 30, 2012 ($1,969 million—June 30, 2011). This amount represents the maximum potential amount of undiscounted future payments that IBRD could be required to make under these guarantees, and is not included in the Balance Sheet. These guarantees have original maturities ranging between 4 and 19 years, and expire in decreasing amounts through 2029.

At June 30, 2012, liabilities related to IBRD's obligations under guarantees of $50 million ($56 million—June 30, 2011), have been included in Accounts payable and miscellaneous liabilities on the Balance Sheet. These include the accumulated provision for guarantee losses of $18 million ($18 million—June 30, 2011).

During the fiscal years ended June 30, 2012 and June 30, 2011, no guarantees provided by IBRD were called.

Waivers of Loan Charges

IBRD provides waivers on eligible loans, which include a portion of interest on loans, a portion of the commitment charge on undisbursed balances and a portion of the front-end fee charged on all eligible loans. Waivers are approved annually by the Executive Directors of IBRD.

The reduction in net income for the fiscal years ended June 30, 2012, June 30, 2011 and June 30, 2010 resulting from waivers of loan charges, is summarized in the following table:

In millions of U.S. dollars

	Fiscal years ended June 30,		
	2012	*2011*	*2010*
Interest waivers	$139	$157	$163
Commitment charge waivers	26	41	64
Front-end fee waivers	25	19	20
Total	$190	$217	$247

Segment Reporting

Based on an evaluation of IBRD's operations, management has determined that IBRD has only one reportable segment since IBRD does not manage its operations by allocating resources based on a determination of the contribution to net income from individual borrowers.

Loan income comprises interest, commitment fees, loan origination fees and prepayment premia, net of waivers. For the fiscal year ended June 30, 2012, loans to one country individually generated in excess of 10 percent of loan income and totaled $260 million in aggregate.

The following table presents IBRD's loan income and associated outstanding loan balances, by geographic region, as of and for the fiscal years ended June 30, 2012 and June 30, 2011:

In millions of U.S. dollars

	2012		2011	
Region	*Loan Income*	*Loans Outstanding*	*Loan Income*	*Loans Outstanding*
Africa	$ 12	$ 1,843	$ 8	$ 1,413
East Asia and Pacific	490	27,592	505	26,115
Europe and Central Asia	683	37,553	566	37,741
Latin America and the Caribbean	1,080	46,272	1,107	45,027
Middle East and North Africa	195	9,799	168	9,101
South Asia	123	13,224	114	13,012
Other[a]	2	42	2	50
Total	$2,585	$136,325	$2,470	$132,459

a. Represents loans to IFC, an affiliated organization.

Fair Value Disclosures

The loan carried at fair value is classified as Level 3. This loan has an embedded derivative and its fair value is estimated on a matrix basis against the related bond. As IBRD's loans are not traded, the yield which is used as a key input to determining the fair value of this loan is not observable. The yield applied in determining the fair value of the loan at June 30, 2012 was 3.32%. An increase (decrease) in the yield would result in a decrease (increase) in the fair value of the loan.

The following table provides a summary of changes in the fair value of IBRD's Level 3 loan during the fiscal year ended June 30, 2012 and June 30, 2011:

In millions of U.S. dollars

	2012	2011
Beginning of the fiscal year	$139	$109
Total realized/unrealized gains (losses) in:		
Net income	8	14
Other comprehensive income	(22)	16
End of the fiscal year	$125	$139

The following table reflects the fair value adjustment on the loan and provides information on the unrealized gains or losses, relating to IBRD's Level 3 loan, included in income, for the fiscal years ended June 30, 2012, June 30, 2011, and June 30, 2010.

In millions of U.S. dollars

	Fiscal Year Ended June 30,		
Unrealized Gains (Losses)	*2012*	*2011*	*2010*
Statement of Income Line			
Fair value adjustment on non-trading portfolios, net	$(1)	$4	$15

The table below presents the fair value of all IBRD's loans al ong w ith t heir res pective carry ing amounts as of June 30, 2012 and June 30, 2011:

In millions of U.S. dollars

	2012		2011	
	Carrying Value	*Fair Value*	*Carrying Value*	*Fair Value*
Net Loans Outstanding	$134,209	$132,198	$130,470	$129,447

Valuation Methods and Assumptions

All of IBRD's loans are made to or guaranteed by countries that are members of IBRD, except for those loans made to IFC. IBRD does not currently sell its loans.

As of June 30, 2012 and June 30, 2011, except for the one loan which is reported at fair value, all other loans are carried at amortized cost. The fair value of these loans is calculated using a discounted cash flow method. This method incorporates Credit Default Swap spreads for each borrower. Basis adjustments are applied to market recovery levels to reflect IBRD's recovery experience.

NOTE E—BORROWINGS

IBRD issues unsubordinated and unsecured fixed and variable rate debt in a variety of currencies. Some of these debt instruments are callable. Variable rates may be based on, for example, exchange rates, interest rates or equity indices.

Borrowings issued by IBRD are carried and reported at fair value. As at June 30, 2012, the majority of the instruments in the portfolio were classified as Level 2, within the fair value hierarchy. In addition, most of these instruments were denominated in USD, Australian dollar (AUD), JPY and EUR (50.6%, 11.2%, 9.5% and 8.7%, respectively).

IBRD uses derivatives to manage the repricing risk between loans and borrowings. These derivatives also include derivatives which convert fixed interest rate loan repayments to floating interest rate loan repayments. After the effect of these derivatives

(excluding those which convert fixed interest rate loan repayments to floating interest rate loan repayments), the borrowing portfolio carried variable interest rates, with a weighted average cost of 0.66% as of June 30, 2012 (0.63% as of June 30, 2011).

The following table provides a summary of the interest rate characteristics of IBRD's borrowings at June 30, 2012 and June 30, 2011:

In millions of U.S. dollars

	June 30, 2012	*WAC[a] (%)*	*June 30, 2011*	*WAC[a] (%)*
Fixed	$113,608	3.28	$104,717	3.78
Variable	25,259	1.65	28,093	2.17
Borrowings [b]	$138,867	2.98%	$132,810	3.44%
Fair value adjustment	6,472		2,432	
Borrowings at fair value	$145,339		$135,242	

a. WAC refers to weighted average cost.
b. At amortized cost.

At June 30, 2012 and June 30, 2011, the currency composition of debt in IBRD's borrowing portfolio before derivatives was as follows:

	June 30, 2012	*June 30, 2011*
U.S. dollar	50.6%	51.3%
Australian dollar	11.2	9.9
Japanese yen	9.5	9.2
Euro	8.7	9.2
Pounds sterling	5.4	4.3
South African Rand	2.2	2.8
Others	12.4	13.3
	100.0%	100.0%

The maturity structure of IBRD's borrowings outstanding at June 30, 2012 and June 30, 2011 was as follows:

In millions of U.S. dollars

Period	*June 30, 2012*	*June 30, 2011*
Less than1 year	$ 22,071	$ 26,552
Between		
1 - 2 years	25,970	17,233
2 - 3 years	24,622	16,395
3 - 4 years	16,021	20,177
4 - 5 years	19,140	15,523
Thereafter	37,515	39,362
	$145,339	$135,242

IBRD's borrowings have original maturities ranging from 11 days to 40 years, with the final maturity being in 2042.

Fair Value Disclosures

IBRD's fair value hierarchy for borrowings measured at fair value on a recurring basis as of June 30, 2012 and June 30, 2011 is as follows:

In millions of U.S. dollars

	June 30, 2012	*June 30, 2011*
Level 1	$ —	$ —
Level 2	134,371	122,826
Level 3	10,968	12,416
	$145,339	$135,242

The following table provides a summary of changes in the fair value of IBRD's Level 3 borrowings during the fiscal years ended June 30, 2012 and June 30, 2011:

In millions of U.S. dollars

	2012	*2011*
Beginning of the fiscal year	$12,416	$12,087
Total realized/unrealized (gains) losses in:		
Net income	982	(137)
Other comprehensive income	(32)	1,145
Issuances	145	574
Settlements	(1,424)	(817)
Transfers out of, net	(1,119)	(436)
End of the fiscal year	$10,968	$12,416

The following table provides information on the unrealized gains or losses included in income for the fiscal years ended June 30, 2012, June 30, 2011, and June 30, 2010, relating to IBRD's Level 3 borrowings still held at June 30, 2012, June 30, 2011, and June 30, 2010 as well as where those amounts are included in the Statement of Income.

In millions of U.S. dollars

	Fiscal Year Ended June 30,		
Unrealized Gains (Losses)	*2012*	*2011*	*2010*
Statement of Income Line			
Fair value adjustment on non-trading portfolios, net	$(880)	$209	$(347)

The following table provides information on the unrealized gains or losses included in income for the fiscal years ended June 30, 2012, June 30, 2011 and June 30, 2010 relating to IBRD's borrowings held at June 30, 2012, June 30, 2011, and June 30, 2010, as well as where those amounts are included in the Statement of Income.

In millions of U.S. dollars

	Fiscal Year Ended June 30,		
Unrealized Gains (Losses)	*2012*	*2011*	*2010*
Statement of Income Line			
Fair value adjustment on non-trading portfolios, net	$(4,558)	$1,505	$(3,024)

During the fiscal years ended June 30, 2012 and June 30, 2011, IBRD's credit spreads remained largely unchanged.

IBRD's Level 3 borrowings primarily relate to structured bonds. The fair value of these bonds is estimated using valuation models that incorporate model parameters, observable market inputs, and unobservable inputs. The significant unobservable inputs used in the fair value measurement of structured bonds are correlations and long-dated interest rate volatilities. Generally, the movements in correlations are considered to be independent from the movements in long-dated interest rate volatilities.

Correlation is the statistical measurement of the relationship between two variables. For contracts where the holder benefits from the convergence of the underlying index prices (e.g. interest rates and foreign exchange rates), an increase in correlation generally results in an increase in the fair value of the instrument. The magnitude and direction of the fair value adjustment will depend on whether the holder is short or long the option.

Interest rate volatility is the extent to which the level of interest rates change over time. For purchased options, an increase in volatility will generally result in an increase in the fair value. In general, the volatility used to price the option depends on the maturity of the underlying instrument and the option strike price. For IBRD, interest rate volatilities are considered an unobservable input for maturities greater than ten years for certain currencies.

The following table provides a summary of the valuation technique applied in determining fair values of these Level 3 instruments and quantitative information regarding the significant unobservable inputs used.

In millions of U.S. dollars

Portfolio	*Fair Value at June 30, 2012*	*Valuation Technique*	*Unobservable input*	*Range (average)*
Borrowings	$10,968	Discounted cash flows	Correlations	-44% to 83% (13%)
			Long-dated interest rate volatilities	17% to 35% (26%)

The table below provides the details of all inter-level transfers for the fiscal year ended June 30, 2012 and June 30, 2011. Transfers from Level 3 to Level 2 are due to increased price transparency.

In millions of U.S. dollars

	June 30, 2012		*June 30, 2011*	
	Level 2	*Level 3*	*Level 2*	*Level 3*
Borrowings				
Transfers into (out of)	$1,119	$(1,119)	$ 536	$(536)
Transfers (out of) into	—	—	(100)	100
	$1,119	$(1,119)	$ 436	$(436)

Presented below is the difference between the aggregate fair value and aggregate contractual principal balance of borrowings:

In millions of U.S. dollars

	Fair Value	*Principal Amount Due Upon Maturity*	*Difference*
June 30, 2012	$145,339	$149,655	$(4,316)
June 30, 2011	$135,242	$144,323	$(9,081)

Valuation Methods and Assumptions

Techniques applied in determining the fair values of debt instruments are summarized below.

Discount notes and vanilla bonds

Discount notes and vanilla bonds are valued using the standard discounted cash flow method which relies on market observable inputs such as yield curves, foreign exchange rates, basis spreads and funding spreads.

Structured bonds

Structured bonds issued by IBRD have coupon or repayment terms linked to the level or the performance of interest rates, foreign exchange rates, equity indices or commodities. The fair value of the structured bonds is derived using the discounted cash flow method based on estimated future pay-offs determined by applicable models and computation of embedded optionality such as caps, floors and calls. A wide range of industry standard models such as one factor Hull-White, Libor Market Model and Black-Scholes are used depending on the specific structure. These models incorporate market observable inputs, such as yield curves, foreign exchange rates, basis spreads, funding spreads, interest rate volatilities, equity index volatilities and equity indices. Where applicable, the models also incorporate significant unobservable inputs such as correlations and long-dated interest rate volatilities.

The following table summarizes IBRD's borrowings portfolio after derivatives as of June 30, 2012 and June 30, 2011.

In millions of U.S. dollars

	June 30, 2012	*June 30, 2011*
Borrowings	$145,339	$135,242
Currency swaps, net	(9,663)	(9,858)
Interest rate swaps, net	(2,601)	(2,883)
	$133,075	$122,501

IBRD uses derivative contracts to manage the repricing risk between its loans and borrowings. For details regarding Currency swaps and Interest rate swaps, see Note F – Derivative Instruments.

NOTE F—DERIVATIVE INSTRUMENTS

IBRD uses derivative instruments in its investment and borrowing portfolios, and for asset/liability management purposes. It also offers derivatives intermediation services to clients and concurrently enters into offsetting transactions with market counterparties.

The following table summarizes IBRD's use of derivatives in its various financial portfolios:

Portfolio	***Derivative instruments used***	***Purpose / Risk being managed***
Risk management purposes:		
Investments	Currency swaps, interest rate swaps, currency forwards, options and futures contracts	Manage currency and interest rate risk in the portfolio
Borrowings	Currency swaps, interest rate swaps, and structured swaps	Manage currency risk as well as repricing risks between loans and borrowings
Other assets/liabilities	Currency swaps, and interest rate swaps	Manage currency risk as well as extend the duration of IBRD's equity
Other purposes:		
Client operations	Currency swaps, and interest rate swaps	Assist clients in managing their interest rate and currency risks

Under client operations, derivative intermediation services are provided to the following:

Borrowing Countries: Currency and interest rate swap transactions are executed between IBRD and its borrowers under master derivatives agreements.

Non-Affiliated Organizations: IBRD has a master derivatives agreement with the International Finance Facility for Immunisation (IFFIm), under which several transactions have been executed.

Affiliated Organizations: Derivative contracts are executed between IBRD and IDA, under an agreement allowing IBRD to intermediate derivative contracts on behalf of IDA.

IBRD engages in an equity duration extension strategy which employs interest rate swaps to increase the duration of its equity from approximately three months to approximately five years. This strategy seeks to increase the stability of income by taking greater exposure to long-term interest rates.

On July 1, 2000, IBRD adopted FASB's guidance on derivatives and hedging. This guidance requires that derivative instruments be recorded on the balance sheet at fair value. IBRD has elected not to designate any qualifying hedging relationships for accounting purposes. Rather, all derivative instruments are marked to fair value, with the changes in fair value recognized in net income. While IBRD believes that its hedging strategies achieve its objectives, the application of qualifying hedging criteria for accounting purposes would not appropriately reflect IBRD's risk management strategies.

Upon adoption of this guidance, $500 million was reported in other comprehensive income, representing the difference between the carrying value and the fair value of those derivatives that were hedging a cash flow exposure prior to adoption. This amount is being reclassified into earnings in the same period or periods in which the hedged forecasted transactions affect earnings.

Any gains or losses on those borrowings for which a fair value exposure was being hedged prior to adoption of the guidance, were recorded in income at the time of implementation, and were offset by the fair value adjustments on the related derivative instruments. The fair value adjustments on those bonds are being amortized into earnings over the remaining lives of the related bonds, through the Fair value adjustment on non-trading portfolios, net in the Statement of Income.

The following tables provide information on the fair value amounts and the location of the derivative instruments on the Balance Sheet, as well as notional amounts and credit risk exposures of those derivative instruments as of June 30, 2012 and June 30, 2011:

Fair value of derivative instruments on the Balance Sheet:

In millions of U.S. dollars

	Derivative assets			*Derivative liabilities*		
	Balance Sheet Location	*June 30, 2012*	*June 30, 2011*	*Balance Sheet Location*	*June 30, 2012*	*June 30, 2011*
Derivatives not designated as hedging instruments						
Options and Futures contracts – Investment – Trading	Receivable from investment securities traded	$ 5	$ *	Receivable from investment securities traded	$ —	$ —
Interest rate swaps	Derivative assets	12,140	7,635	Derivative liabilities	6,153	2,708
Currency swaps (including currency forward contracts and structured swaps)	Derivative assets	148,673	137,076	Derivative liabilities	138,684	127,720
Other[a]	Derivative assets	*	*	Derivative liabilities	—	1
Total Derivatives		$160,819	$144,711		$144,837	$130,429

a. These relate to TBA securities

* *Indicates amount less than $0.5 million*

Notional amounts and credit risk exposure of the derivative instruments:

In millions of U.S. dollars

Type of contract	*June 30, 2012*	*June 30, 2011*
Investments—Trading		
Interest rate swaps		
Notional principal	$ 7,319	$ 6,889
Credit exposure	135	71
Currency swaps (including currency forward contracts)		
Credit exposure	413	23
Exchange traded Options and Futures[a]		
Notional long position	272	638
Notional short position	2,009	88
Other derivatives[b]		
Notional long position	95	169
Notional short position	—	4
Credit exposure	*	*
Client operations		
Interest rate swaps		
Notional principal	18,215	23,406
Credit exposure	1,720	499
Currency swaps		
Credit exposure	1,446	1,354
Borrowing portfolio		
Interest rate swaps		
Notional principal	147,872	130,089
Credit exposure	6,647	4,885
Currency swaps		
Credit exposure	15,506	15,758
Other derivatives		
Interest rate swaps		
Notional principal	38,563	38,032
Credit exposure	4,021	2,589
Currency swaps		
Credit exposure	229	214

a. Exchange traded instruments are generally subject to daily margin requirements and are deemed to have no material credit risk. All options and futures contracts are interest rate contracts.

b. These relate to TBA securities.

* *Indicates amount less than $0.5 million.*

IBRD is not required to post collateral under its derivative agreements as long as it maintains a AAA credit rating. The aggregate fair value of all derivative instruments with credit-risk related contingent features that are in a liability position on June 30, 2012 is $440 million. IBRD has not posted any collateral with these counterparties due to its AAA credit rating.

If the credit-risk related contingent features underlying these agreements were triggered to the extent that IBRD would be required to post collateral as of June 30, 2012, the amount of collateral that would need to be posted would be $115 million.

Amounts of gains and losses on non-trading derivatives and their location on the Statement of Income during the fiscal years ended June 30, 2012, June 30, 2011 and June 30, 2010 is as follows:

In millions of U.S. dollars

	Income Statement Location	*Fiscal Year ended June 30, Gains (Losses)*		
		2012	*2011*	*2010*
Derivatives not designated as hedging instruments, and not held in a trading portfolio[a]				
Interest rate swaps	Fair value adjustment on non-trading portfolios, net	$1,092	$ (139)	$1,322
Currency swaps (including currency forward contracts and structured swaps)	Fair value adjustment on non-trading portfolios, net	2,658	(950)	649
Total		$3,750	$(1,089)	$1,971

a. For alternative disclosures about trading derivatives see the following table.

All of the instruments in IBRD's investment portfolio are held for trading purposes. Within the investment portfolio, IBRD holds highly rated fixed income securities, equity securities as well as derivatives.

The following table provides information on the location and amount of gains and losses on the net investment portfolio and their location on the Statement of Income during the fiscal years ended June 30, 2012, June 30, 2011 and June 30, 2010:

In millions of U.S. dollars

Statement of Income Line	*Fiscal Year ended June 30,* Investments, net-trading[a], *gains (losses)*		
	2012	*2011*	*2010*
Type of instrument			
Fixed income	$ (5)	$ 17	$ 55
Equity	(16)	138	71
	$(21)	$155	$126

a. Amounts associated with each type of instrument includes realized and unrealized gains and losses on both derivative instruments and non-derivative instruments

Fair Value Disclosures

IBRD's fair value hierarchy for derivative assets and liabilities measured at fair value on a recurring basis as of June 30, 2012 and June 30, 2011 is as follows:

In millions of U.S. dollars

	Fair Value Measurements on a Recurring Basis As of June 30, 2012			
	Level 1	*Level 2*	*Level 3*	*Total*
Derivative Assets:				
Investments				
Currency forward contracts	$—	$ 6,542	$ —	$ 6,542
Currency swaps	—	11,876	—	11,876
Interest rate swaps	—	135	—	135
Other[a]	—	*	—	*
	—	18,554	—	18,554
Client operations				
Currency swaps	—	25,891	—	25,891
Interest rate swaps	—	1,669	—	1,669
	—	27,560	—	27,560
Borrowings				
Currency swaps	—	89,614	13,962	103,576
Interest rate swaps	—	6,520	7	6,527
	—	96,134	13,969	110,103
Other assets / liabilities				
Currency swaps	—	788	—	788
Interest rate swaps	—	3,809	—	3,809
	—	4,597	—	4,597
Total derivative assets	$—	$146,845	$13,969	$160,814
Derivative Liabilities:				
Investments				
Currency forward contracts	$—	$ 6,448	$ —	$ 6,448
Currency swaps	—	11,876	—	11,876
Interest rate swaps	—	307	—	307
Other[a]	—	—	—	—
	—	18,631	—	18,631
Client operations				
Currency swaps	—	25,889	—	25,889
Interest rate swaps	—	1,662	—	1,662
	—	27,551	—	27,551
Borrowings				
Currency swaps	—	81,915	11,998	93,913
Interest rate swaps	—	3,903	23	3,926
	—	85,818	12,021	97,839
Other assets / liabilities				
Currency swaps	—	558	—	558
Interest rate swaps	—	258	—	258
	—	816	—	816
Total liabilities	$—	$132,816	$12,021	$144,837

a. These relate to TBA securities.
** Indicates amount less than $0.5 million*

In millions of U.S. dollars

	Fair Value Measurements on a Recurring Basis As of June 30, 2011			
	Level 1	*Level 2*	*Level 3*	*Total*
Derivative Assets:				
Investments				
Currency forward contracts	$—	$ 6,529	$ —	$ 6,529
Currency swaps	—	5,823	—	5,823
Interest rate swaps	—	71	—	71
Other[a]	—	*	—	*
	—	12,423	—	12,423
Client operations				
Currency swaps	—	31,550	—	31,550
Interest rate swaps	—	428	—	428
	—	31,978		31,978
Borrowings				
Currency swaps	—	78,254	14,152	92,406
Interest rate swaps	—	4,736	57	4,793
	—	82,990	14,209	97,199
Other assets / liabilities				
Currency swaps	—	768	—	768
Interest rate swaps	—	2,343	—	2,343
	—	3,111	—	3,111
Total derivative assets	$—	$130,502	$14,209	$144,711
Derivative Liabilities:				
Investments				
Currency forward contracts	$—	$ 6,603	$ —	$ 6,603
Currency swaps	—	6,469	—	6,469
Interest rate swaps	—	202	—	202
Other[a]	—	1	—	1
	—	13,275		13,275
Client operations				
Currency swaps	—	31,545	—	31,545
Interest rate swaps	—	419	—	419
	—	31,964	—	31,964
Borrowings				
Currency swaps	—	69,699	12,849	82,548
Interest rate swaps	—	1,893	17	1,910
	—	71,592	12,866	84,458
Other assets / liabilities				
Currency swaps	—	555	—	555
Interest rate swaps	—	177	—	177
	—	732	—	732
Total liabilities	$—	$117,563	$12,866	$130,429

a. These relate to TBA securities.
** Indicates amount less than $0.5 million*

The following tables provide a summary of changes in the fair value of IBRD's Level 3 derivatives, net, during the fiscal years ended June 30, 2012 and June 30, 2011:

In millions of U.S. dollars

	Fiscal Year Ended June 30, 2012		
	Currency Swaps	*Interest Rate Swaps*	*Total*
Beginning of the fiscal year	$1,303	$ 40	$1,343
Total realized/unrealized gains (losses) in:			
Net income	1,072	(41)	1,031
Other comprehensive income	25	—	25
Issuances	(69)	—	(69)
Sales/Settlements	(321)	—	(321)
Transfers (out of) in, net	(46)	(15)	(61)
End of the fiscal year	$1,964	$(16)	$1,948

In millions of U.S. dollars

	Fiscal Year Ended June 30, 2011		
	Currency Swaps	*Interest Rate Swaps*	*Total*
Beginning of the fiscal year	$ 714	$(9)	$ 705
Total realized/unrealized gains or (losses) in:			
Net income	(159)	49	(110)
Other comprehensive income	1,126	—	1,126
Issuances	(1)	—	(1)
Sales/Settlements	(182)	—	(182)
Transfers in (out of), net	(195)	*	(195)
End of the fiscal year	$1,303	$40	$1,343

* *Indicates amount less than $0.5 million*

Unrealized gains or losses included in income for the fiscal years ended June 30, 2012, June 30, 2011, and June 30, 2010 relating to IBRD's Level 3 derivatives, net, still held as at these dates as well as where those amounts are included in the Statement of Income, are presented in the following table:

In millions of U.S. dollars

	Fiscal Year Ended June 30,		
Unrealized (Losses) Gains	*2012*	*2011*	*2010*
Statement of Income Line			
Fair value adjustment on non-trading portfolios, net	$1,002	$(172)	$(24)

The table below provides the details of all inter-level transfers during the fiscal year ended June 30, 2012 and June 30, 2011:

In millions of U.S. dollars

	June 30, 2012	
	Level 2	*Level 3*
Derivatives, net		
Transfer into (out of)	$61	$(61)

In millions of U.S. dollars

	June 30, 2011	
	Level 2	*Level 3*
Derivatives, net		
Transfer into (out of)	$196	$(196)
Transfers (out of) into	(1)	1
	$195	$(195)

Transfers from Level 3 to Level 2 are due to increased price transparency.

The fair value of IBRD's Level 3 borrowings related derivatives is estimated using valuation models that incorporate model parameters, observable market inputs and unobservable inputs. The significant unobservable inputs used in the fair value measurement of these derivatives are correlations and long dated interest rate volatilities. See Note E – Borrowings for details on these unobservable inputs.

The following table provides a summary of the valuation technique applied in determining fair values of these Level 3 instruments and quantitative information regarding the significant unobservable inputs used.

In millions of U.S. dollars

Portfolio	*Fair Value at June 30, 2012*	*Valuation Technique*	*Unobservable input*	*Range (average)*
Currency swaps, interest rates swaps	$1,948	Discounted cash flows	Correlations	-44% to 83% (13%)
			Long-dated interest rate volatilities	17% to 35% (26%)

Valuation Methods and Assumptions

Derivative contracts include currency forward contracts, TBA securities, currency swaps and interest rate swaps. Currency swaps and interest rate swaps are either plain vanilla or structured. Currency forward contracts and plain vanilla currency and interest rate swaps are valued using the standard discounted cash flow methods using market observable inputs such as yield curves, foreign exchange rates, basis spreads and funding spreads. For structured currency and interest rate swaps, which primarily consist of callable swaps linked to interest rates, foreign exchange rates, and equity indices, valuation models and inputs similar to the ones applicable to structured bonds valuation are used. Where applicable, the models also incorporate significant unobservable inputs such as correlations and long-dated interest rates volatilities.

NOTE G—RETAINED EARNINGS, ALLOCATIONS AND TRANSFERS

The changes in the components of Retained Earnings for each of the fiscal periods from June 30, 2009 to June 30, 2012, are summarized below:

In millions of US dollars

	Special Reserve	*General Reserve[c]*	*Pension Reserve*	*Surplus*	*Cumulative Fair Value Adjustments*	*LTIP Reserve*	*Unallocated Net Income (Loss)[c]*	*Restricted Retained Earnings*	*Total*
As of June 30, 2009	$293	$25,670	$1,255	$ 595	$(1,805)	$ —	$ 3,852	$ 10	$29,870
Net income allocation[a]	—	—	25	—	3,280	36	(3,352)	11	—
Board of Governors-approved transfers funded from Surplus[b]	—	—	—	(338)	—	—	338	—	—
Net income for the year	—	—	—	—	—	—	(1,077)	—	(1,077)
As of June 30, 2010	$293	$25,670	$1,280	$ 257	$ 1,475	$ 36	$ (239)	$ 21	$28,793
Net income allocation[a]	—	281	(32)	100	(1,038)	80	621	(12)	—
Board of Governors-approved transfers funded from Surplus[b]	—	—	—	(130)	—	—	130	—	—
Net loss for the year	—	—	—	—	—	—	930	—	930
As of June 30, 2011	$293	$25,951	$1,248	$ 227	$ 437	$116	$1,442	$ 9	$29,723
Net income allocation[a]	—	401	(86)	75	420	109	(923)	4	—
Board of Governors-approved transfers funded from Surplus[b]	—	—	—	(130)	—	—	130	—	—
Net income for the year	—	—	—	—	—	—	(676)	—	(676)
As of June 30, 2012	$293	$26,351	$1,162	$ 172	$ 857	$225	$ (26)	$ 13	$29,047

a. Amounts retained as Surplus from net income allocation are approved by the Board of Governors.

b. A concurrent transfer is made from Surplus to Unallocated Net Income (Loss) for all transfers reported on the Statement of Income and authorized to be funded from Surplus.

c. May differ from the sum of individual figures due to rounding.

IBRD makes net income allocation decisions on the basis of reported net income, adjusted to exclude the fair value adjustment on non-trading portfolios, net, restricted income, LTIP adjustment and Board of Governors-approved transfers, and after considering the allocation to the pension reserve.

On July 20, 2011, IBRD's Board of Governors approved the immediate transfer of $75 million from Surplus to the South Sudan Transition Trust Fund, by way of a grant.

On August 4, 2011, IBRD's Executive Directors approved the allocation of $401 million of the net income earned in the fiscal year ended June 30, 2011 to the General Reserve. In addition, the Executive Directors also approved a reduction in Pension Reserve by $86 million, an increase in Restricted Retained Earnings by $4 million and an increase in LTIP Reserve by $109 million.

On September 23, 2011, IBRD's Board of Governors approved the transfer of $520 million to IDA and $75 million to Surplus, from the net income earned in the fiscal year ended June 30, 2011. The transfer to IDA was made on September 27, 2011.

On May 24, 2012, IBRD's Board of Governors approved the immediate transfer of $55 million from Surplus to the Trust Fund for Gaza and West Bank, by way of grant.

Transfers approved during the fiscal years ended June 30, 2012, June 30, 2011 and June 30, 2010, are included in the following table.

In millions of U.S. dollars

Transfers funded from:	*Fiscal Years Ended June 30, 2012*	*2011*	*2010*
Unallocated Net Income:			
IDA	$520	$383	$501
Surplus:			
IDA	—	—	283
Trust Fund for Gaza and West Bank	55	130	55
South Sudan Transition Trust Fund	75	—	—
	130	130	338
Total	$650	$513	$839

There were no amounts payable for the transfers approved by the Board of Governors at June 30, 2012 and June 30, 2011.

NOTE H—TRANSACTIONS WITH AFFILIATED ORGANIZATIONS

IBRD transacts with affiliated organizations by providing loans, administrative and derivative intermediation services, as well as through its pension and other postretirement benefit plans.

At June 30, 2012 and June 30, 2011, IBRD had the following receivables from (payables to) its affiliated organizations.

In millions of U.S. dollars

	2012					
			Derivative Transactions[a]			
	Loans	*Administrative Services*	*Receivable*	*Payable*	*Pension and Other Postretirement Benefits*	*Total*
IDA	$—	$375	$7,714	$(7,327)	$(1,006)	$(244)
IFC	42	48	—	—	(120)	(30)
MIGA	—	1	—	—	(5)	(4)
	$42	$424	$7,714	$(7,327)	$(1,131)	$(278)

In millions of U.S. dollars

	2011					
			Derivative Transactions[a]			
	Loans	*Administrative Services*	*Receivable*	*Payable*	*Pension and Other Postretirement Benefits*	*Total*
IDA	$—	$370	$9,893	$(9,886)	$ (999)	$(622)
IFC	50	32	—	—	(100)	(18)
MIGA	—	3	—	—	(5)	(2)
	$50	$405	$9,893	$(9,886)	$(1,104)	$(642)

a. *For details on derivative transactions relating to the swap intermediation services provided by IBRD to IDA see Note F—Derivative Instruments*

The (payables) receivables balances to (from) these affiliated organizations are reported in the Balance Sheet as follows:

Receivables / Payables related to:	**Reported as:**
Loans	Loans outstanding
Receivable for Administrative Services	Other Assets – Miscellaneous
Receivables (payables) for Derivative Transactions	Derivative Assets/Liabilities – Client operations
Payable for Pension and Other Postretirement Benefits	Accounts payable and miscellaneous liabilities

Loans

IBRD has a Local Currency Loan Facility Agreement with IFC which is capped at $300 million. At June 30, 2012, the loan balance under this facility amounted to $42 million at an interest rate of 3.96% and weighted average maturity of 2.7 years. This loan is not eligible for interest waivers.

Administrative services

Expenses jointly incurred by IBRD and IDA are allocated based on an agreed cost sharing ratio, and amounts are settled quarterly. For the fiscal year ended June 30, 2012, IBRD's administrative expenses are net of the share of expenses allocated to IDA of $1,365 million ($1,427 million—fiscal year ended June 30, 2011, and $1,323 million—fiscal year ended June 30, 2010).

Other income

Income jointly earned by IBRD and IDA is allocated based on the same agreed cost sharing ratio that is used to allocate administrative expenses. Amounts are settled quarterly. For the fiscal year ended June 30, 2012, IBRD's other income is net of income allocated to IDA of $209 million ($193 million—fiscal year ended June 30, 2011, and $173 million—fiscal year ended June 30, 2010).

For the fiscal years ended June 30, 2012, June 30, 2011 and June 30, 2010, the amount of fee revenue associated with services provided to affiliated organizations is included in Other Income on the Statement of Income, as follows:

In millions of U.S. dollars

	Fiscal year ended June 30		
	2012	*2011*	*2010*
Fees charged to IFC	$38	$36	$33
Fees charged to MIGA	6	5	4

Pension and Other Postretirement Benefits

The payable to IDA represents IDA's net share of prepaid cost for pension and other postretirement benefit plans and PEBP assets. These will be realized over the life of the plan participants.

The payables to IFC and MIGA represent their respective share of PEBP assets. The PEBP assets are managed by IBRD and are a part of the investment portfolio.

For Pension and Other Post Retirement Benefits related disclosures see Note J—Pension and Other Post Retirement Benefits.

Derivative transactions

These relate to currency forward contracts entered into by IDA with IBRD acting as the intermediary with the market.

NOTE I—MANAGEMENT OF EXTERNAL FUNDS AND OTHER SERVICES

Trust Funds

IBRD, alone or jointly with one or more of its affiliated organizations, administers on behalf of donors, including members, their agencies and other entities, funds restricted for specific uses in accordance with administration agreements with donors. Specified uses could include, for example, co-financing of IBRD lending projects, debt reduction operations, technical assistance including feasibility studies and project preparation, global and regional programs, and research and training programs. These funds are held in trust with IBRD and/or IDA, and are held in a separate investment portfolio which is not commingled with IBRD and/or IDA funds.

Trust fund execution may be carried out in one of two ways: Recipient-executed or IBRD-executed.

Recipient-executed trust funds involve activities carried out by a recipient third-party "executing agency". IBRD enters into agreements with and disburses funds to those recipients, who then exercise spending authority to meet the objectives and comply with terms stipulated in the agreements.

IBRD-executed trust funds involve IBRD execution of activities as described in relevant administration agreements with donors which define the terms and conditions for use of the funds. Spending authority is exercised by IBRD, under the terms of the administration agreements. The executing agency services provided by IBRD vary and include for example, activity preparation, analytical and advisory activities and project-related activities, including procurement of goods and services. The following table summarizes the expenses pertaining to IBRD-executed trust funds during the fiscal years ended June 30, 2012, June 30, 2011 and June 30, 2010:

In millions of U.S. dollars

	Fiscal Year Ended June 30,		
	2012	*2011*	*2010*
IBRD-executed trust funds expenses	$341	$300	$271

These amounts are included in Administrative expenses and the corresponding income is included in Other income in the Statement of Income.

The following table summarizes all undisbursed contributions made by third party donors to IBRD-executed trust funds, recognized on the Balance Sheet as of June 30, 2012 and June 30, 2011:

In millions of U.S. dollars

	June 30, 2012	*June 30, 2011*
IBRD-executed trust funds	$354	$340

These amounts are included in Other Assets - Miscellaneous and the corresponding liabilities are included in Accounts payable and miscellaneous liabilities on the Balance Sheet.

In some trust funds, execution is split between Recipient-executed and IBRD-executed portions. Decisions on assignment of funding resources between the two types of execution may be made on

an ongoing basis; therefore the execution of a portion of these available resources may not yet be assigned.

IBRD also acts as a financial intermediary to provide specific administrative or financial services with a limited fiduciary or operational role. These arrangements include, for example, administration of debt service trust funds, financial intermediation and other more specialized limited fund management roles. Funds are held and disbursed in accordance with instructions from donors or, in some cases, an external governance structure or a body operating on behalf of donors.

Revenues

During the fiscal year ended June 30, 2012, June 30, 2011 and June 30, 2010, IBRD's revenues for the administration of trust fund operations were as follows:

In millions of U.S. dollars

	Fiscal Year Ended June 30,		
	2012	*2011*	*2010*
Revenues	$64	$55	$56

These amounts are included in Other income in the Statement of Income.

Revenue collected from donor contributions but not yet earned by IBRD totaling $66 million at June 30, 2012 ($66 million—June 30, 2011) is included in Other Assets (Miscellaneous) and in Accounts payable and miscellaneous liabilities, correspondingly on the Balance Sheet.

Investment Management Services

IBRD offers treasury and investment management services to affiliated and non-affiliated organizations.

In addition, IBRD offers asset management and technical advisory services to central banks of member countries, under the Reserves Advisory and Management Program, for capacity building and other development purposes and receives a fee for these services.

The fee income from all of these investment management activities in the amount of $23 million ($21 million —June 30, 2011) is included in Other Income on the Statement of Income.

Other Services

Donors to AMC have provided IBRD with commitments to give $1.5 billion over a ten year period, with the GAVI Alliance (GAVI) as the named beneficiary. The assets will be drawn down by GAVI in accordance with the terms of the AMC which require that the funds be used to make payments for qualifying vaccines. Should a donor fail to pay, IBRD has committed to pay the shortfall. For this commitment, IBRD charges an annual 30 basis point premium on outstanding grant payments not yet paid by AMC donors.

As of June 30, 2012, investments and receivables from donors relating to AMC, had a net carrying value of $844 million ($863 million—as of June 30, 2011). Amounts relating to investments totaled $326 million ($291 million—as of June 30, 2011) and are included in IBRD's investment holdings. Receivables from donors are reported in Other Assets (Miscellaneous). The corresponding payables are reflected in Accounts payable and miscellaneous liabilities. Fee income recognized from these arrangements in the amount of $3 million ($3 million—June 30, 2011) is included in Other Income. Amounts recorded for the non-contingent and contingent obligations arising from IBRD's obligation to pay in the event of a donor default are included in Note D—Loans and Other Exposures.

NOTE J—PENSION AND OTHER POSTRETIREMENT BENEFITS

IBRD, IFC and MIGA participate in SRP, a Retired Staff Benefits Plan (RSBP) and a PEBP that cover substantially all of their staff members.

The SRP provides pension benefits and includes a cash balance plan. The RSBP provides certain health and life insurance benefits to eligible retirees. The PEBP provides certain pension benefits administered outside the SRP.

IBRD uses a June 30 measurement date for its pension and other postretirement benefit plans.

All costs, assets and liabilities associated with these plans are allocated between IBRD, IFC, and MIGA based upon their employees' respective participation in the plans. Costs allocated to IBRD are then shared between IBRD and IDA based on an agreed cost sharing ratio. IDA, IFC and MIGA reimburse IBRD for their proportionate share of any contributions made to these plans by IBRD. Contributions to these plans are calculated as a percentage of salary.

As of June 30, 2012, the SRP and RSBP each had a negative funded status of $1,423 million and $765 million, respectively. The funded status of the PEBP, after reflecting IBRD and IDA's share of assets which are included in the IBRD's investment portfolio ($478 million), was negative $229 million.

The following table summarizes the benefit costs associated with the SRP, RSBP, and PEBP for IBRD and IDA for the fiscal years ended June 30, 2012, June 30, 2011, and June 30, 2010:

In millions of U.S. dollars

	SRP			RSBP			PEBP		
	2012	*2011*	*2010*	*2012*	*2011*	*2010*	*2012*	*2011*	*2010*
Benefit Cost									
Service cost	$ 303	$ 275	$ 221	$ 62	$ 55	$ 43	$23	$20	$15
Interest cost	618	631	655	102	103	99	28	25	27
Expected return on plan assets	(780)	(728)	(757)	(106)	(94)	(91)	—	—	—
Amortization of prior service cost	7	7	7	—	(*)	(2)	*	*	*
Amortization of unrecognized net loss	35	117	68	25	37	29	19	13	11
Net periodic pension cost	$ 183	$ 302	$ 194	$ 83	$101	$ 78	$70	$58	$53
of which:									
IBRD's share	$ 89	$ 144	$ 94	$ 40	$ 48	$ 38	$34	$28	$26
IDA's share	$ 94	$ 158	$ 100	$ 43	$ 53	$ 40	$36	$30	$27

* *Indicates amount less than $0.5 million*

IBRD's share of the benefit costs is included in Administrative Expenses. IDA's share of the benefit costs is included as a payable to/receivable from IDA in Accounts payable and miscellaneous liabilities on the Balance Sheet (see Note H—Transactions with Affiliated Organizations).

The following table summarizes the projected benefit obligations, fair value of plan assets, and funded status associated with the SRP, RSBP, and PEBP for IBRD and IDA for the fiscal years ended June 30, 2012, and June 30, 2011. While contributions made to the SRP and RSBP are irrevocable, contributions made to the PEBP are revocable. As a result, the assets for the PEBP do not qualify for off-balance sheet accounting and are therefore included in IBRD's investment portfolio. The assets of the PEBP are invested in fixed income and equity instruments.

In millions of U.S. dollars

	SRP		RSBP		PEBP	
	2012	*2011*	*2012*	*2011*	*2012*	*2011*
Projected Benefit Obligations						
Beginning of year	$12,044	$11,249	$1,871	$1,741	$554	$ 450
Service cost	303	275	62	55	23	20
Interest cost	618	631	102	103	28	25
Participant contributions	81	80	16	15	1	1
Federal subsidy received	n.a	n.a	2	3	n.a	n.a
Plan amendments	—	—	149	—	—	—
Benefits paid	(536)	(495)	(60)	(60)	(27)	(23)
Actuarial loss	1,504	304	247	14	128	81
End of year	14,014	12,044	2,389	1,871	707	554
Fair value of plan assets						
Beginning of year	12,372	10,950	1,559	1,326		
Participant contributions	81	80	16	15		
Actual return on assets	495	1,686	33	203		
Employer contributions	179	151	76	75		
Benefits paid	(536)	(495)	(60)	(60)		
End of year	12,591	12,372	1,624	1,559		
Funded status[a]	$(1,423)	$ 328	$(765)	$ (312)	$(707)	$(554)
Accumulated Benefit Obligations	$12,580	$10,519	$2,389	$1,871	$614	$ 486

a. Positive funded status is reflected in Assets under retirement benefits plans; negative funded status is included in Liabilities under retirement benefits plans, on the Balance Sheet

Currently, IBRD is enrolled in the U.S. Government Retiree Drug Subsidy (RDS) program. Effective January 1, 2013, IBRD will be moving from RDS to an Employer Group Waiver Plan (EGWP), an employer-sponsored prescription drug plan that further enhances coordination with Medicare prescription drug coverage under Medicare Part D.

During the fiscal year ended June 30, 2012, amendments were made to the RSBP. These include the integration of the prescription drug coverage with EGWP, thereby providing reimbursements for standard and income related premiums paid for medical insurance under Medicare Part B to all eligible plan participants effective on July 1, 2012, and providing reimbursements of Medicare Part D income-related premium amounts once the plan is integrated with EGWP, for all eligible plan participants effective January 1, 2013. The effect of these changes is a $149 million increase to the projected benefit obligation at June 30, 2012.

The following tables present the amounts included in Accumulated Other Comprehensive Income relating to Pension and Other Postretirement Benefits.

Amounts included in Accumulated Other Comprehensive Loss at June 30, 2012:

In millions of U.S. dollars

	SRP	*RSBP*	*PEBP*	*Total*
Net actuarial loss	$3,429	$778	$336	$4,543
Prior service cost	20	148	2	170
Net amount recognized in Accumulated Other Comprehensive Loss	$3,449	$926	$338	$4,713

Amounts included in Accumulated Other Comprehensive Loss at June 30, 2011:

In millions of U.S. dollars

	SRP	*RSBP*	*PEBP*	*Total*
Net actuarial loss	$1,675	$484	$226	$2,385
Prior service cost	27	—	2	29
Net amount recognized in Accumulated Other Comprehensive Loss	$1,702	$484	$228	$2,414

* *Indicates amount less than $0.5 million*

The estimated amounts that will be amortized from Accumulated Other Comprehensive Income (Loss) into net periodic benefit cost in the fiscal year ending June 30, 2013 are as follows:

In millions of U.S. dollars

	SRP	*RSBP*	*PEBP*	*Total*
Net actuarial loss	$191	$45	$30	$266
Prior service cost	7	14	*	21
Amount estimated to be amortized into net periodic benefit cost	$198	$59	$30	$287

* *Indicates amount less than $0.5 million.*

Assumptions

The actuarial assumptions used are based on financial market interest rates, past experience, and management's best estimate of future benefit changes and economic conditions. Changes in these assumptions will impact future benefit costs and obligations.

The expected long-term rate of return for the SRP assets is a weighted average of the expected long-term (10 years or more) returns for the various asset classes, weighted by the portfolio allocation. Asset class returns are developed using a forward-looking building block approach and are not strictly based on historical returns. Equity returns are generally developed as the sum of expected inflation, expected real earnings growth and expected long-term dividend yield. Bond returns are generally developed as the sum of expected inflation, real bond yield, and risk premium/spread (as appropriate). Other asset class returns are derived from their relationship to equity and bond markets. The expected long-term rate of return for the RSBP is computed using procedures similar to those used for the SRP. The discount rate used in determining the benefit obligation is selected by reference to the year-end yield of AA corporate bonds.

Actuarial gains and losses occur when actual results are different from expected results. Amortization of these unrecognized gains and losses will be included in income if, at the beginning of the fiscal year, they exceed 10 percent of the greater of the projected benefit obligation or the market-related value of plan assets. If required, the unrecognized gains and losses are amortized over the expected average remaining service lives of the employee group.

The following tables present the weighted-average assumptions used in determining the projected benefit obligations and the net periodic pension costs for the fiscal years ended June 30, 2012, June 30, 2011, and June 30, 2010:

Weighted average assumptions used to determine projected benefit obligation

In percent

	SRP			*RSBP*			*PEBP*		
	2012	*2011*	*2010*	*2012*	*2011*	*2010*	*2012*	*2011*	*2010*
Discount rate	3.90	5.30	5.75	4.10	5.50	6.00	3.90	5.20	5.75
Rate of compensation increase	5.40	5.90	6.20				5.40	5.90	6.20
Health care growth rates									
- at end of fiscal year				6.30	6.90	7.00			
Ultimate health care growth rate				3.60	4.00	4.25			
Year in which ultimate rate is reached				2022	2022	2022			

Weighted average assumptions used to determine net periodic pension cost

In percent

	SRP			*RSBP*			*PEBP*		
	2012	*2011*	*2010*	*2012*	*2011*	*2010*	*2012*	*2011*	*2010*
Discount rate	5.30	5.75	7.00	5.50	6.00	7.00	5.20	5.75	7.00
Expected return on plan assets	6.40	6.75	7.75	6.70	7.75	7.75			
Rate of compensation increase	5.90	6.20	6.70				5.90	6.20	6.70
Health care growth rates									
- at end of fiscal year				6.90	7.00	7.00			
Ultimate health care growth rate				4.00	4.25	4.75			
Year in which ultimate rate is reached				2022	2022	2017			

The medical cost trend rate can significantly affect the reported postretirement benefit income or costs and benefit obligations for the RSBP. The following table shows the effects of a one-percentage-point change in the assumed healthcare cost trend rate:

In millions of U.S. dollars

	One percentage point increase	*One percentage point decrease*
Effect on total service and interest cost	$ 41	$ 31
Effect on projected benefit obligation	$508	$393

Investment Strategy

The investment policies establish the framework for investment of the plan assets based on long-term investment objectives and the trade-offs inherent in seeking adequate investment returns within acceptable risk parameters. A key component of the investment policy is to establish a Strategic Asset Allocation (SAA) representing the policy portfolio (i.e., neutral mix of assets) around which the plans are invested. The SAA for the plans is reviewed in detail and reset about every three to five years, with an annual review of key assumptions.

The key long-term objective is to target and secure asset performance that is reasonable in relation to the growth rate of the underlying liabilities and the assumed sponsor contribution rates. This is particularly so in the case of the SRP, which has liabilities that can be projected with a reasonable level of confidence based on the actuarial assumptions. Given the relatively long investment horizons of the SRP and RSBP, and the relatively modest liquidity needs over the short-term to pay benefits and meet other cash requirements, the focus of the investment strategy is on generating sustainable long-term investment returns through various asset classes and strategies including equity, quasi-equity, private equity and real estate.

The SAA is derived using a mix of quantitative analysis that incorporates expected returns and volatilities by asset class as well as correlations across the asset classes, and qualitative considerations such as the desired liquidity needs of the plans. The SAA is comprised of a diversified portfolio drawn from among fixed-income, equity, real assets and absolute return strategies.

The revised target asset allocations for the SRP and RSBP were approved in December 2010 and April 2011, respectively.

The following table presents the actual and target asset allocation at June 30, 2012 and June 30, 2011 by asset category for the SRP and RSBP. The portfolios are still in a period of transition to the new SAA, especially with regard to private equity, and hedge funds and real assets, which explains for the most part, the differences between the target allocation and the actual allocation as of June 2012.

In percent

	SRP			RSBP		
	Target Allocation	*% of Plan Assets*		*Target Allocation*	*% of Plan Assets*	
Asset Class	*2012 (%)*	*2012*	*2011*	*2012 (%)*	*2012*	*2011*
Fixed Income & Cash	31	33	33	24	32	33
Public Equity	27	24	24	29	27	27
Private Equity	15	20	20	20	24	25
Hedge Funds	15	11	11	15	8	8
Real assets[a]	12	12	12	12	9	7
Total	100	100	100	100	100	100

a. Real assets are primarily comprised of Real Estate and Real Estate Investment Trusts (REITS), with a small allocation to infrastructure and timber.

Significant Concentrations of Risk in Plan Assets

The assets of the SRP and RSBP are diversified across a variety of asset classes. Investments in these asset classes are further diversified across funds, managers, strategies, geographies and sectors, to limit the impact of any individual investment. In spite of such level of diversification, equity market risk remains the primary source of the overall return volatility of the Plans.

Risk management practices

Managing investment risk is an integral part of managing the assets of the Plans. Liability driven investment management and asset diversification are central to the overall investment strategy and risk management approach for the SRP. The surplus volatility risk (defined as the annualized standard deviation of asset returns relative to that of liabilities) is considered the primary indicator of the overall investment risk of the Plans. It is used to define the risk tolerance level and establish the overall level of investment risk.

Investment risk is regularly monitored at the absolute level, as well as at the relative levels with respect to the investment policy, manager benchmarks, and liabilities of the Plans. Stress tests are performed periodically using relevant market scenarios to assess the impact of extreme market events. Monitoring of performance (at both manager and asset class levels) against benchmarks, and compliance with investment guidelines, is carried out on a regular basis as part of the risk monitoring process. Risk management for different asset classes is tailored to their specific characteristics and is an integral part of the external managers' due diligence and monitoring processes.

Credit risk is monitored on a regular basis and assessed for possible market event impacts. The liquidity position of the Plans is analyzed at regular intervals and periodically tested using various stress scenarios to ensure that the Plans have sufficient liquidity to meet all cash flow requirements. In addition, the long-term cash flow needs of the Plans are considered during the SAA exercise and are one of the main drivers in determining maximum allocation to the illiquid investment vehicles.

Fair Value Measurements and Disclosures

All plan assets are measured at fair value on a recurring basis. The following table presents the fair value hierarchy of major categories of plan assets as of June 30, 2012 and June 30, 2011.

In millions of U.S. dollars

	June 30, 2012							
	SRP				RSBP			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Debt securities								
Time deposits	$ —	$ 42	$ —	$ 42	$ —	$ 21	$ —	$ 21
Securities purchased under resale agreements	78	—	—	78	19	—	—	19
Government and agency securities	3,085	540	—	3,625	206	263	—	469
Corporate and convertible bonds	—	142	1	143	—	18	—	18
Asset backed securities	—	41	2	43	—	2	1	3
Mortgage backed securities	—	255	2	257	—	7	*	7
Total Debt securities	3,163	1,020	5	4,188	225	311	1	537
Equity securities								
Stocks	1,625	—	—	1,625	222	—	—	222
Mutual funds	554	—	—	554	49	—	—	49
REITS	291	—	—	291	19	—	—	19
Total Equity securities	2,470	—	—	2,470	290	—	—	290
Commingled funds	—	723	—	723	—	152	—	152
Private equity	—	—	2,539	2,539	—	—	389	389
Real estate (including infrastructure and timber)		335	903	1,238	—	12	123	135
Hedge funds	—	899	354	1,253	—	81	39	120
Derivative assets / liabilities	(1)	(7)	—	(8)	1	(3)	—	(2)
Other assets / liabilities[a], net	—	—	—	188	—	—	—	3
Total Assets	$5,632	$2,970	$3,801	$12,591	$516	$553	$552	$1,624

a. Includes receivables and payables carried at amounts that approximate fair value.
** Indicates amount less than $0.5 million*

In millions of U.S. dollars

	June 30, 2011							
	SRP				RSBP			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Debt securities								
Time deposits	$ —	$ 225	$ —	$ 225	$ —	$ 23	$ —	$ 23
Securities purchased under resale agreements	283	—	—	283	20	—	—	20
Government and agency securities	2,478	938	—	3,416	64	280	—	344
Corporate and convertible bonds	—	247	2	249	—	123	—	123
Asset backed securities	—	115	25	140	—	6	2	8
Mortgage backed securities	—	408	14	422	—	8	1	9
Total Debt securities	2,761	1,933	41	4,735	84	440	3	527
Equity securities								
Stocks	1,482	—	—	1,482	188	—	—	188
Mutual funds	249	—	—	249	38	—	—	38
Real estate investment trusts (REITS)	250	—	—	250	3	—	—	3
Total Equity Securities	1,981	—	—	1,981	229	—	—	229
Commingled funds	—	726	—	726	—	181	—	181
Private equity	—	—	2,504	2,504	—	—	388	388
Real estate (including infrastructure and timber)	—	309	733	1,042	—	11	101	112
Hedge funds	—	1,150	322	1,472	—	92	34	126
Derivative assets / liabilities	17	(24)	—	(7)	*	(6)	—	(6)
Other assets / liabilities[a], net	—	—	—	(81)	—	—	—	2
Total Assets	$4,759	$4,094	$3,600	$12,372	$313	$718	$526	$1,559

a. Includes receivables and payables carried at amounts that approximate fair value.
** Indicates amount less than $0.5 million*

The following tables present a reconciliation of Level 3 assets held during the year ended June 30, 2012 and 2011. For the fiscal year ended June 30, 2011, investments in certain real estate funds that were identified as redeemable within 90 days of the period end were transferred out of Level 3 into Level 2.

In millions of US dollars

	June 30, 2012 SRP						
	Corporate and Convertible Debt	*Asset-backed Securities*	*Mortgage-backed Securities*	*Private Equity*	*Real Estate*	*Hedge Funds*	*Total*
Beginning of the fiscal year	$2	$25	$14	$2,504	$733	$322	$3,600
Actual return on plan assets:							
Relating to assets still held at the reporting date	*	(1)	5	(238)	18	(7)	(223)
Relating to assets sold during the period	*	*	(4)	194	27	(4)	213
Purchases, issuance and settlements, net	(1)	(22)	(8)	79	125	51	224
Transfers in	—	—	1	—	—	20	21
Transfers out	—	(*)	(6)	—	—	(28)	(34)
End of fiscal year	$1	$2	$2	$2,539	$903	$354	$3,801

* *Indicates amount less than $0.5 million*

In millions of US dollars

	June 30, 2011 SRP						
	Corporate and Convertible Debt	*Asset-backed Securities*	*Mortgage-backed Securities*	*Private Equity*	*Real Estate*	*Hedge Funds*	*Total*
Beginning of the fiscal year	$ 4	$50	$ 23	$2,177	$ 729	$ 416	$3,399
Actual return on plan assets:							
Relating to assets still held at the reporting date	*	5	1	53	146	41	246
Relating to assets sold during the period	—	(3)	(1)	240	17	25	278
Purchases, issuance and settlements, net	*	3	(2)	34	153	(166)	22
Transfers (out) in	(2)	(30)	(7)	—	(312)	6	(345)
End of fiscal year	$2	$25	$14	$2,504	$ 733	$ 322	$3,600

* *Indicates amount less than $0.5 million*

In millions of US dollars

	June 30, 2012 RSBP						
	Corporate and Convertible Debt	*Asset-backed Securities*	*Mortgage-backed Securities*	*Private Equity*	*Real Estate*	*Hedge Funds*	*Total*
Beginning of the fiscal year	$—	$2	$1	$388	$101	$34	$526
Actual return on plan assets:							
Relating to assets still held at the reporting date	—	(*)	*	(32)	16	(1)	(17)
Relating to assets sold during the period	—	(*)	*	33	11	(*)	44
Purchases, issuance and settlements, net	—	(1)	(1)	*	(5)	10	3
Transfers in	—			—	—	2	2
Transfers out	—	(*)	(*)	—	—	(6)	(6)
End of fiscal year	$—	$1	$*	$389	$123	$39	$552

* *Indicates amount less than $0.5 million*

In millions of US dollars

	June 30, 2011 RSBP						
	Corporate and Convertible Debt	*Asset-backed Securities*	*Mortgage-backed Securities*	*Private Equity*	*Real Estate*	*Hedge Funds*	*Total*
Beginning of the fiscal year	$ *	$ 2	$ 1	$340	$ 74	$ 44	$461
Actual return on plan assets:							
Relating to assets still held at the reporting date	*	1	*	16	12	3	32
Relating to assets sold during the period	(*)	*	(*)	32	3	4	39
Purchases, issuance and settlements, net	(*)	1	*	*	22	(17)	6
Transfers out	—	(2)	—	—	(10)	*	(12)
End of fiscal year	$—	$ 2	$ 1	$388	$101	$ 34	$526

* *Indicates amount less than $0.5 million*

Valuation methods and assumptions

The following are general descriptions of asset categories, as well as the valuation methodologies and inputs used to determine the fair value of each major category of Plan assets. It is important to note that the investment amounts in the asset categories shown in the table above may be different from the asset category allocation shown in the Investment Strategy section of the note. Asset classes in the table above are grouped by the characteristics of the investments held. The asset class break-down in the Investment Strategy section is based on management's view of the economic exposures after considering the impact of derivatives and certain trading strategies.

Debt securities

Debt securities include time deposits, U.S. treasuries and agencies, debt obligations of foreign governments and debt obligations in corporations of domestic and foreign issuers. Fixed income also includes investments in asset backed securities such as collateralized mortgage obligations and mortgage backed securities. These securities are valued by independent pricing vendors at quoted market prices for the same or similar securities, where available. If quoted market prices are not available, fair values are based on discounted cash flow models using market-based parameters such as yield curves, interest rates, volatilities, foreign exchange rates and credit curves. Some debt securities are valued using techniques which require significant unobservable inputs. The selection of these inputs may involve some judgment. Management believes its estimates of fair value are reasonable given its processes for obtaining securities prices from multiple independent third-party vendors, ensuring that valuation models are reviewed and validated, and applying its approach consistently from period to period. Unless quoted prices are available, money market instruments and securities purchased under resale agreements are reported at face value which approximates fair value.

Equity securities

Equity securities (including REITS) are invested in companies in various industries and countries. Investments in public equity listed on securities exchanges are valued at the last reported sale price on the last business day of the fiscal year.

Commingled funds

Commingled funds are typically common or collective trusts reported at net asset value (NAV) as provided by the investment manager or sponsor of the fund based on valuation of underlying investments, and reviewed by management.

Private equity

Private equity includes investments primarily in leveraged buyouts, distressed investments and venture capital funds across North America, Europe and Asia in a variety of sectors. A large number of these funds are in the investment phase of their life cycle. Private Equity investments do not have a readily determinable fair market value and are reported at NAV provided by the fund managers, and reviewed by management, taking into consideration the latest audited financial statements of the funds. The underlying investments are valued using inputs such as cost, operating results, discounted future cash flows and trading multiples of comparable public securities.

Real estate

Real estate includes several funds which invest in core real estate as well as non-core type of real estate investments such as debt, value add, and opportunistic equity investments. Real estate investments do not have a readily determinable fair market value and are reported at NAV provided by the fund managers, and reviewed by management, taking into consideration the latest audited financial statements of the funds. The valuations of underlying investments are based on income and/or cost approaches or comparable sales approach, and

taking into account discount and capitalization rates, financial conditions, local market conditions among others.

Hedge fund investments

Hedge fund investments include those seeking to maximize absolute returns using a broad range of strategies to enhance returns and provide additional diversification. Hedge Funds include investments in equity, event driven, fixed income, multi strategy and macro relative value strategies. These investments do not have a readily determinable fair market value and are reported at NAVs provided by external managers or fund administrators (based on the valuations of underlying investments) on a monthly basis, and reviewed by management, taking into consideration the latest audited financial statements of the funds.

Investments in hedge funds and commingled funds can typically be redeemed at NAV within the near term while investments in private equity and most real estate are inherently long term and illiquid in nature with a quarter lag in reporting by the fund managers. Reporting of those asset classes with a reporting lag, management estimates are based on the latest available information taking into account underlying market fundamentals and significant events through the balance sheet date.

Investment in derivatives

Investment in derivatives such as equity or bond futures, TBA securities, swaps, options and currency forwards are used to achieve a variety of objectives that include hedging interest rates and currency risks, gaining desired market exposure of a security, an index or currency exposure and rebalancing the portfolio. Over-the-counter derivatives are reported using valuations based on discounted cash flow methods incorporating market observable inputs.

Estimated Future Benefit Payments

The following table shows the benefit payments expected to be paid in each of the next five years and subsequent five years. The expected benefit payments are based on the same assumptions used to measure the benefit obligation at June 30, 2012:

In millions of U.S. dollars

	SRP	*RSBP*		*PEBP*
		Before Federal Subsidy	*Federal Subsidy*[a]	
July 1, 2012 - June 30, 2013	$ 634	$ 58	$ 1	$ 38
July 1, 2013 - June 30, 2014	667	63	—	41
July 1, 2014 - June 30, 2015	701	69	—	43
July 1, 2015 - June 30, 2016	733	75	—	45
July 1, 2016 - June 30, 2017	763	81	—	47
July 1, 2017 - June 30, 2022	4,198	504	—	266

a. Effective January 1, 2013, IBRD will be moving from RDS to EGWP. See page 92 for further discussion.

Expected Contributions

IBRD's contribution to the SRP and RSBP varies from year to year, as determined by the Pension Finance Committee, which bases its judgment on the results of annual actuarial valuations of the assets and liabilities of the SRP and RSBP. The best estimate of the amount of contributions expected to be paid to the SRP and RSBP by IBRD and IDA during the fiscal year beginning July 1, 2012 is $201 million and $72 million, respectively.

NOTE K—COMPREHENSIVE INCOME

Comprehensive income consists of net income and other gains and losses affecting equity that, under U.S. GAAP, are excluded from net income. Comprehensive income (loss) comprises the cumulative effects of a change in accounting principle related to the implementation of FASB's derivatives and hedging guidance, currency translation adjustments, pension-related items, and net income. These items are presented in the Statement of Comprehensive Income.

The following tables present the changes in Accumulated Other Comprehensive Loss for the fiscal years ended June 30, 2012, June 30, 2011, and June 30, 2010:

In millions of U.S. dollars

	2012					
	Cumulative Translation Adjustment	*Cumulative Effect of Change in Accounting Principle[a]*	*Reclassification[a]*	*Unrecognized Net Actuarial (Losses) Gains on Benefit Plans*	*Unrecognized Prior Service (Costs) Credits on Benefit Plans*	*Total Accumulated Other Comprehensive Loss*
Balance, beginning of the fiscal year	$1,016	$500	$(521)	$(2,385)	$ (29)	$(1,419)
Changes from period activity	(704)	—	5	(2,158)	(141)	(2,998)
Balance, end of the fiscal year	$312	$500	$(516)	$(4,543)	$(170)	$(4,417)

In millions of U.S. dollars

	2011					
	Cumulative Translation Adjustment	*Cumulative Effect of Change in Accounting Principle[a]*	*Reclassification[a]*	*Unrecognized Net Actuarial (Losses) Gains on Benefit Plans*	*Unrecognized Prior Service (Costs) Credits on Benefit Plans*	*Total Accumulated Other Comprehensive Loss*
Balance, beginning of the fiscal year	$223	$500	$(510)	$(3,219)	$(37)	$(3,043)
Changes from period activity	793	—	(11)	834	8	1,624
Balance, end of the fiscal year	$1,016	$500	$(521)	$(2,385)	$(29)	$(1,419)

In millions of U.S. dollars

	2010					
	Cumulative Translation Adjustment	*Cumulative Effect of Change in Accounting Principle[a]*	*Reclassification[a]*	*Unrecognized Net Actuarial Losses on Benefit Plans*	*Unrecognized Prior Service (Costs) Credits on Benefit Plans*	*Total Accumulated Other Comprehensive Loss*
Balance, beginning of the fiscal year	$ 860	$500	$(505)	$(2,495)	$(43)	$(1,683)
Changes from period activity	(637)	—	(5)	(724)	6	(1,360)
Balance, end of the fiscal year	$223	$500	$(510)	$(3,219)	$(37)	$(3,043)

a. *The Cumulative effect of change in accounting principle and subsequent reclassification to net income relates to the adoption of FASB's guidance on derivatives and hedging on July 1, 2000.*

NOTE L—OTHER FAIR VALUE DISCLOSURES

The table below presents IBRD's estimates of fair value of its financial assets and liabilities along with their respective carrying amounts as of June 30, 2012 and June 30, 2011.

In millions of U.S. dollars

	2012		2011	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Due from Banks	$ 5,806	$ 5,806	$ 2,462	$ 2,462
Investments (including Securities purchased under resale agreements)	33,675	33,675	32,645	32,645
Net Loans Outstanding	134,209	132,198	130,470	129,447
Derivative Assets				
Investments	18,554	18,554	12,423	12,423
Client operations	27,560	27,560	31,978	31,978
Borrowings	110,103	110,103	97,199	97,199
Other Asset/Liability	4,597	4,597	3,111	3,111
Borrowings	145,339	145,337[a]	135,242	135,223[a]
Securities sold/lent under repurchase agreements/securities lending agreements and payable for cash collateral received	3,700	3,700	2,184	2,184
Derivative Liabilities				
Investments	18,631	18,631	13,275	13,275
Client operations	27,551	27,551	31,964	31,964
Borrowings	97,839	97,839	84,458	84,458
Other Asset/Liability	816	816	732	732

a. Includes $2 million relating to transition adjustment on adoption of a new accounting standard on derivatives and hedging on July 1, 2000 ($19 million — June 30, 2011).

As of June 30, 2012, IBRD's loans, including the one loan reported at fair value on a recurring basis, are classified as Level 3 within the fair value hierarchy.

Valuation Methods and Assumptions

As of June 30, 2012 and June 30, 2011, IBRD had no assets or liabilities measured at fair value on a non-recurring basis.

For valuation methods and assumptions of the following items refer to the respective notes as follows:

Investments – Notes A and C

Loans – Notes A and D

Borrowings – Notes A and E

Derivative assets and liabilities – Notes A, C, E and F

Due from Banks

The carrying amount of unrestricted and restricted currencies is considered a reasonable estimate of the fair value of these positions.

Fair Value Adjustment on Non-Trading Portfolios, Net

The following table reflects the components of the fair value adjustment on non-trading portfolios, net for the fiscal years ended June 30, 2012, June 30, 2011, and June 30, 2010.

In millions of U.S. dollars

	Fiscal years ended June 30,		
	2012	2011	2010
Fair value adjustments— gains (losses):			
Borrowings—Note E	$(4,558)	$1,505	$(3,024)
Derivatives—Note F			
Borrowing derivatives[a]	2,311	(842)	868
Other assets/liabilities derivatives	1,437	(248)	1,097
Client operations derivatives	2	1	6
Loan—Note D	(1)	4	15
Total	$ (809)	$ 420	$(1,038)

a. Includes derivatives associated with the loan portfolio which are used to manage the repricing risk between loans and borrowings.

International Development Association

Management's Discussion and Analysis
June 30, 2012

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Throughout Management's Discussion and Analysis, terms in **boldface** type are defined in the Glossary of Terms.

The Management Discussion and Analysis contains forward looking statements which may be identified by such terms as "anticipates," "believes," "expects," "intends," or words of similar meaning. Such statements involve a number of assumptions and estimates that are based on current expectations, which are subject to risks and uncertainties beyond IDA's control. Consequently, actual results in the future could differ materially from those currently anticipated.

Box 1: Five-Year Summary of Selected Financial Data

As of or for the fiscal years ended June 30,

In millions of US dollars, except ratios and return data in percentages and months	*2012*	*2011*	*2010*	*2009*	*2008*
Development Operations (Discussed in Section 4)					
Commitments of development credits, grants and guarantees	$ 14,753	$ 16,269	$ 14,550	$ 14,041[a]	$ 11,235
of which development grants	2,225	2,822	2,678	2,600	3,216
Gross Disbursements	11,061	10,282	11,460	9,219	9,160
of which development grants (including PPA grant activity)	2,398	2,261	2,124	2,208	2,626
Net Disbursements including development grants	7,037[b]	7,781	9,111	7,010	6,978
Balance Sheet (Discussed in Section 1)					
Total Assets	$160,028	$162,544	$138,070	$137,709	$141,715
Net Investment portfolio	26,333	24,872	21,639	21,287	19,053
of which core liquidity	9,698	11,987	9,811	8,594	5,364
Development credits outstanding	123,576	125,287	113,474	112,894	113,542
Development grants payable	6,161	6,830	5,837	5,652	5,522
Subscriptions and Contributions paid-in	175,587	167,610	157,413	150,085	142,416
Income Statement (Discussed in Section 7)					
Income from development credits and guarantees	$ 914	$ 897	$ 837	$ 801	$ 921
Investment income, net	1,006	305	910	1,499	1,006
Transfers and grants	858	991	990	1,037	1,104
Development grants	(2,062)	(2,793)	(2,583)	(2,575)	(3,151)
Net (Loss) Income	(210)	(2,332)	(1,077)	1,850	(283)
Funding Position (Discussed in Section 6)					
Investment portfolio and unrestricted demand notes as a percentage of undisbursed commitments of credits and development grants payable	81%	77%	78%	83%	82%
Liquidity Position (Discussed in Section 6)					
Months of average monthly gross disbursements covered by core liquidity	11	14	10	11	N/A

a. FY 2009 commitments of credits and grants include Heavily Indebted Poor Countries (HIPC) grants totaling $46 million.
b. FY 2012 net disbursements includes $940 million of prepayments. The associated funds were received in June 2011 but were effective for July, 2011..

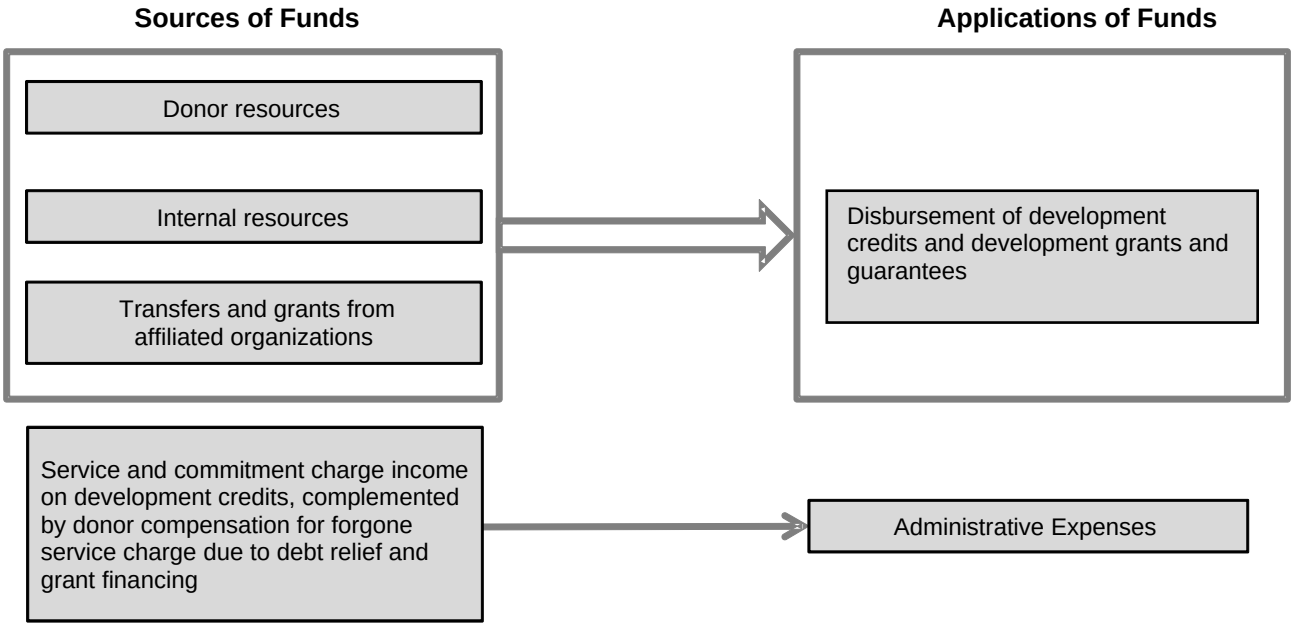
SECTION 1: INTRODUCTION AND OVERVIEW OF FINANCIAL RESULTS

Introduction

The International Development Association (IDA) is an international organization established in 1960 and is owned by its member countries. It is the largest multilateral channel for providing concessional financing to the world's poorest countries. Since its inception, IDA has played a pivotal role in the global aid architecture and in efforts to foster economic growth, lower poverty, and improve the living conditions of people. IDA pursues these goals by providing concessional development credits, development grants and guarantees to its recipient member countries for programs and operations that help meet development needs. It also provides technical assistance, policy advice, and global knowledge services through economic sector work and country studies.

Sources and Applications of IDA's Funds

IDA's lending, grant financing and guarantee activities are funded by donor and internal resources, and transfers and grants from affiliated organizations. These key activities are presented and discussed below.



Sources of Funds

Donor Resources (Subscriptions and Contributions)*:* IDA finances its new commitments for development credits and development grants primarily through contributions from donor countries. IDA's financial assistance is highly concessional and its resources must therefore be periodically replenished, normally every three years. The donor resources are in the form of subscriptions and contributions with assigned voting rights.

Internal Resources*:* These comprise contractual principal repayments (including any accelerated repayments and voluntary prepayments), income from the investment portfolio, and interest income from Blend and Hard-term credits, see **Table 4*, Summary of Repayment terms for Development Credits***.

Transfers and Grants from affiliated organizations: These are transfers from the International Bank for Reconstruction and Development's (IBRD) net income and grants from the International Finance Corporation's (IFC) retained earnings.

Applications of Funds

Disbursement of development credits and grants: Through its development operations**,** IDA's development credits, development grants and guarantees benefit the poorest and least creditworthy countries.

Basis of Reporting

IDA prepares its financial statements in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP), referred to in this document as the "reported basis". Under the reported basis, IDA's Statement of Income does not reflect the true economic results of IDA due to a number of asymmetries, as discussed in detail in ***Section 7: Reported Basis Results.*** These include the following:

- The recording of development grants as charges to net income, while the associated funding resources are recorded as equity through members' subscriptions and contributions.

- The reporting of the translation adjustments on the non-**SDR** currencies (non functional currencies) associated with IDA's currency forward contracts on the Statement of Income; the economic offset, represented by the translation adjustment on the future donor inflows being hedged, is not reported in the financial statements.

- The reporting of the unrealized mark-to-market gains/losses on the donor asset and liability management component of (see ***Section 5: Investment Portfolio Management***) of the investment portfolio on the Statement of Income; the economic offset, represented by the change in the present value of the associated future net cash outflows reflected in the immunization strategy, is not reported in IDA's financial statements.

- The donor compensation received for forgone charges which would have funded part of the net administrative expenses, is recorded as equity through members' contributions.

Statement of Activities Analysis

To partly address the asymmetries embedded in IDA's reported results; management believes that a Statement of Activities (**Table 1**), better reflects the operating results of IDA. The Statement of Activities categorizes activities under two broad headings, namely: operating activities and risk management activities. In addition, the following adjustments have been made to the Statement of Income to arrive at the Statement of Activities:

The following are reflected as operating activities:

- Cash inflows from members in the form of subscriptions and contributions, including those inflows relating to donor compensation for forgone charges, as detailed earlier.
- Cash inflows from principal repayments and prepayments of development credits.
- Cash outflows relating to development credit disbursements.

The following are reflected as risk management activities:

- The translation adjustment on the non functional currencies of the currency forward contracts, together with any associated unrealized mark-to-market gains or losses.
- The translation adjustment on future cash inflows, relating to donor contributions being hedged.

The impact of the immunization strategy (see ***Section 5: Investment Portfolio Management*** for details) under which the donor asset and liability management component of the investment portfolio is managed, has not been shown separately as a risk management activity, however the amount of investment income related to it is included in the relevant discussions below.

The table below presents the Statement of Activities, designed to show the financial impact of IDA's cash and non cash operating and risk management activities.

Table 1 : Statement of Activities for the fiscal years ended June 30, 2012 and June 30, 2011

Expressed in millions of U.S. dollars

	FY 2012	FY 2011	Variance
Operating Activities			
Contributions and Other Support			
Subscriptions and Contributions	$ 8,958	$ 7,580	$1,378
Transfers and Grants from affiliated organizations and trust funds	858	991	(133)
	9,816	8,571	1,245
Development Operations			
Development Credit Disbursements	(8,650)	(8,021)	(629)
Principal Repayments	3,041	2,501	540
Discount on Prepaid Development Credits	(113)	–	(113)
Write-off on buydown of Development Credits	(45)	–	(45)
Proceeds from buydown of Development Credits	42	–	42
Development Grant Disbursements	(2,398)	(2,261)	(137)
Provision for Debt Relief and for losses on Development Credits and other exposures, net – (charge)/release	(66)	44	(110)
	(8,189)	(7,737)	(452)
Investments			
Investment Income, net	1,006	305	701
Administrative and Other activities			
Service and Interest Charges	912	895	17
Administrative Expenses, net	(1,156)	(1,234)	78
PPA Grants and other	(7)	16	(23)
	(251)	(323)	72
Results from Operating Activities	2,382	816	1,566
Risk Management Activities			
Non functional currency translation adjustment gains/(losses), net	424	(455)	879
Translation adjustment on non functional currency donor inflows (losses)/gains, net	(449)	457	(906)
Fair Value adjustment on non-trading portfolios, net	39	(101)	140
Results from Risk Management Activities	14	(99)	113
Results from Operating and Risk Management Activities	$ 2,396	$ 717	$1,679

Reconciliation to Reported Basis Net Loss

Expressed in millions of U.S. dollars

	FY 2012	FY 2011
Results from Operating and Risk Management Activities	$ 2,396	$ 717
Subscriptions and Contributions	(8,958)	(7,580)
Development Credit Disbursements	8,650	8,021
Principal Repayments and Prepayments	(3,041)	(2,501)
Proceeds from buydown of development credits	(42)	–
Development Grant Disbursements	2,398	2,261
Development Grants	(2,062)	(2,793)
Translation adjustment on donor inflows being hedged	449	(457)
Reported Basis Net Loss	$ (210)	$(2,332)

Results from Operating and Risk Management Activities

The overall results from IDA's Operating and Risk Management Activities show a positive result of $2,396 million. This increase contributed to the increase in IDA's funding position from 77% as of June 30, 2011 to 81% as of June 30, 2012, and was primarily due to the $9.8 billion of cash receipts relating to donor contributions and transfers and grants from IBRD and IFC, significantly offset by the $8 billion of net cash outflows for development credit and development grant disbursements.

Results from Operating Activities

The key drivers of IDA's Results from Operating Activities are: (i) Contributions and Other Support, (ii) Development Operations, (iii) Investments, and (iv) Administrative Expenses. The impact of these activities on IDA's Results from Operating Activities between FY 2012 and FY 2011 are discussed below.

Contributions and Other Support

Subscriptions and Contributions

The subscriptions and contributions of $8,958 million represent the cash contributions received from members of $1,655 million and the encashment of demand obligations of $7,303 million. The increase of $1,378 million as compared to FY 2011 is primarily due to an increase in note encashments. The timing of encashments is driven by the schedule agreed upon for each replenishment, however members are able to accelerate their encashments and receive discounts for early payment (see ***Section 2: Financial Resources***). In FY 2012, the cash inflows from IDA16 contributions of $4,230 million included a significant portion of accelerated encashments. Included in the subscriptions and contributions received during FY 2012 is $282 million relating to the financing by members of forgone charges relating to the Multilateral Debt Relief Initiative (MDRI) and the HIPC Debt Initiative and development grant financing.

Development Operations

Development Credit Disbursements

Gross disbursements of development credits in FY 2012 were $8,650 million, an increase of $629 million (7.8%) from FY 2011. In terms of regional focus, Africa and East Asia and Pacific accounted for $714 million of the increase. Africa and the South Asian Region accounted for 76% of the total FY 2012 gross disbursements.

Of the $8,650 million in development credit disbursements, 11% relate to commitments made under IDA16, 54% under IDA15, 27% under IDA14 and the remaining 8% relate to commitments made under earlier replenishments.

Principal Repayments

Principal repayments in FY 2012 were $3,041 million, an increase of $540 million from FY 2011. This amount excludes the prepayment of $940 million for certain development credits under IDA16 by two **graduate members**, as the related funds were received in July 2011 but were effective for July 1, 2011. These voluntary prepayments by IDA **graduate members** have increased the resources that IDA can redistribute to countries most in need of concessional funding.

Discount on Prepaid Development Credits

During FY 2012, the total amount prepaid by the two IDA **graduate members** of $940 million, reflected the present value of the development credits as of the date of the prepayment, resulting in an aggregate discount of $113 million.

Development Grants

Most of the $137 million increase in development grants disbursed between FY 2012 and FY 2011 is attributable to the Africa region.

Investments

Investment Income

IDA's investment portfolio has two components: core liquidity and donor and asset and liability management, and had a duration of approximately 3 years as of June 30, 2012 (see ***Section 5: Investment Portfolio Management*** for details). The increase of $701 million in investment income (of which $627 million relates to the donor and asset and liability management component), was primarily driven by the unrealized mark-to-market gains experienced as a result of the decrease in the yield curves for all major currencies in FY 2012, as compared to the unrealized mark-to-market losses incurred as a result of the increase in the yield curves in FY 2011.

Administrative and Other Activities

Administrative Expenses, net

The decrease of $78 million was primarily due to lower pension costs in FY 2012 compared to FY 2011 driven by lower amortization of unrecognized losses, higher expected asset returns and lower interest cost.

IDA's policy is to maintain its service and commitment charges at a level that will cover its administrative expenses. Commitment charges, of between zero and 50 basis points, are set annually taking into account the extent to which service charges, adjusted for the donor compensation for forgone charges on development credits forgiven under MDRI and HIPC, and development grant financing, cover administrative expenses. In FY 2012, IDA's service charges and compensation received from donors were sufficient to cover its administrative expenses.

Risk Management Activities

The key drivers of IDA's Results from Risk Management Activities are the results of the hedging of future donor contributions.

IDA uses currency forward contracts to economically hedge those donor contributions which are denominated in non-functional currencies, to **SDR** denominated currencies. There are certain non-functional currencies, which, due to the relatively small size of the contribution or the unpredictability of the expected payment date, are not being hedged.

The payable leg of the currency forward contracts economically **hedging** donor pledges are composed of non-functional currencies. Appreciation (depreciation) of these currencies against the U.S. dollar results in exchange rate losses (gains). The translation adjustment gains on non-functional currencies of $424 million in FY 2012 were primarily due to the significant depreciation of the majority of the non-functional currencies against the U.S. dollar. In contrast, the significant appreciation of the non-functional currencies against the U.S. dollar in FY 2011 resulted in $455 million of translation adjustment losses. The translation adjustment on the economic offset to the currency forward contracts; the future inflows from donors , was a loss of $449 million in FY 2012 and a gain of $457 million in FY 2011. The differences between the reported translation adjustments and the related economic offsets primarily represent the donor contributions in non functional currencies that are not hedged due to the reasons outlined above.

Balance Sheet Analysis

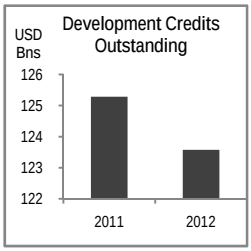
The principal components of IDA's balance sheet are development credits outstanding, investment assets net of liabilities, and subscriptions and contributions paid-in. Movements in these principal components between FY 2011 and FY 2012 are discussed further below.

Table 2: Condensed Balance Sheet

In millions of U.S. dollars

As of June 30,	2012	2011	Variance
Assets			
Investment assets including derivatives	$ 34,079	$ 32,479	$ 1,600
Derivatives relating to asset-liability management	7,327	9,886	(2,559)
Receivables and other assets, including non-investment cash	1,769	1,839	(70)
Development credits outstanding	123,576	125,287	(1,711)
Accumulated provision for debt relief and losses on development credits	(6,723)	(6,947)	224
Total assets	$160,028	$162,544	$(2,516)
Liabilities and equity			
Liabilities and derivatives relating to investments	$ 7,746	$ 7,607	$ 139
Derivatives relating to asset-liability management	7,714	9,893	(2,179)
Payables and other liabilities, including maintenance of value	6,788	8,399	(1,611)
Subscriptions and contributions paid-in	175,587	167,610	7,977
Demand obligations	(8,678)	(9,663)	985
Accumulated deficit	(39,306)	(39,096)	(210)
Accumulated other comprehensive income	10,177	17,794	(7,617)
Total liabilities and equity	$160,028	$162,544	$(2,516)

Development Credits Outstanding



Development credits outstanding decreased by $1,711 million in FY 2012. This was primarily due to negative currency translation adjustments of $6,175 million due to the 5.18% depreciation of the SDR against the U.S. dollar, partially offset by positive net disbursements of $4,627 million, (including prepayments of $940 million).

Investment Assets, net of related Liabilities

As noted above, IDA's investment portfolio has two main components: donor and asset and liability management, and core liquidity, and is managed in three separate tranches. This separation of tranches improves transparency and allows for better tailoring of investment objectives to the purpose of holding the investments (see ***Section 5: Investment Portfolio Management*** for details).

The net investment portfolio increased from $24,872 million as of June 30, 2011 to $26,333 million as of June 30, 2012, reflecting the net results of IDA's cash related activities as follows:

Table 3: Changes in the net asset value of the investment portfolio
In millions of U.S. dollars

As of June 30,	2012	2011
Beginning of fiscal year	$24,872	$21,636
Net cash used in development activities	(5,567)	(5,520)
Net cash from contributions and other support	8,958	7,580
Net cash used in operating activities	(796)	(458)
Effects of exchange rates	(1,128)	1,638
Others	(6)	(4)
End of fiscal year	$26,333	$24,872

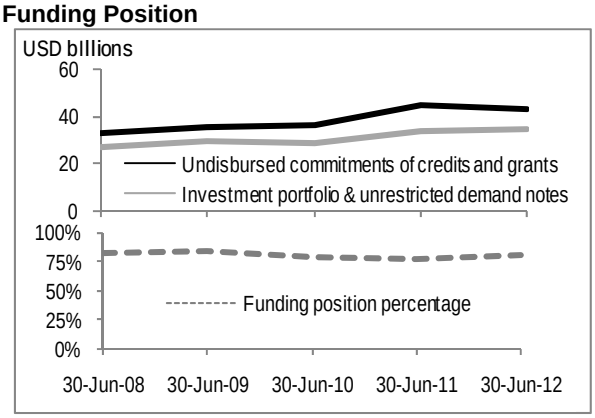
Subscriptions and Contributions

The $7,977 million increase in subscriptions and contributions paid in is primarily due to the receipt from members of $6,848 million of demand notes and $1,655 million of cash contributions.

Funding and Liquidity Position

Management monitors IDA's funding and liquidity positions as key indicators to assess IDA's ability to conduct its operations. Since IDA does not borrow from the capital markets, even though it is allowed to do so under its Articles of Agreement, it is important that it has sufficient funding resources and liquidity to meet its contractual obligations to disburse approved development credits and grants in a timely manner. See ***Section 6: Financial Risk Management*** for more details**.**

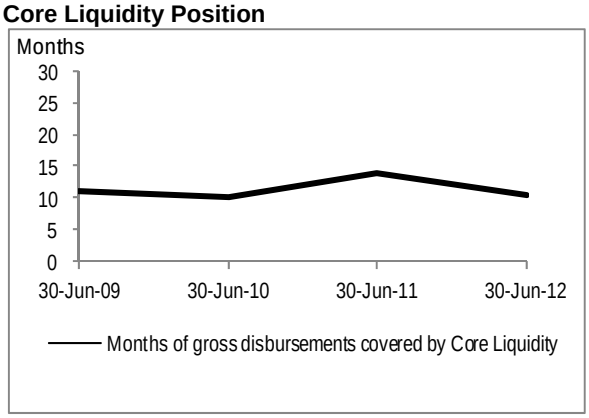
Funding Position



As of June 30, 2012, the investment portfolio and unrestricted demand notes covered 81% of all undisbursed commitments of development credits and grants, compared with 77% as at June 30, 2011.

As shown above, IDA's funding position has been relatively stable for the last 5 years, ranging from 77% to 83%.

Core Liquidity Position



As of June 30, 2012, core liquidity accounted for $9,698 million, comprising short-term and medium-term investments, and was sufficient to cover nearly 11 months of average monthly gross disbursements, based on FY 2012 volume.

As shown above, IDA's core liquidity position has been relatively stable for the last 4 years, ranging from 10 to 14 months of average monthly gross disbursements since FY 2009.

SECTION 2: FINANCIAL RESOURCES

Commitment Authority

The resources available to IDA for funding its lending activities constitute its **commitment authority**. IDA finances its development credit, development grant and guarantee commitments primarily from contributions from donor countries. Additional funds are obtained from IDA's internal resources, including reflows (repayments of principal on outstanding development credits), investment income, transfers by IBRD out of its net income, and grants designated out of IFC's retained earnings. Since IDA's lending is highly concessional, its resources are periodically replenished. Since its inception, IDA's resources have been replenished sixteen times, including the Sixteenth Replenishment of IDA's Resources (IDA16), complemented by an additional **replenishment** agreed to in 2006 for financing the MDRI.

Starting from FY1989, the Executive Directors authorized IDA to make advance commitments against future reflows and other internal resources. The Advance Commitment Scheme[1] was established in recognition of the fact that credits disburse over several years and therefore cash in hand is not needed at the time of commitment.[2]

Donor Resources

Donor resources constitute the principal component of IDA's financial resources, represented primarily by member contributions.

Replenishment Process

Donors normally replenish IDA's resources every three years. The regular **replenishment** process has several steps:

(a) **Replenishment** Discussions. These include meetings between IDA's management and donor country representatives, called IDA **Deputies**. Issues discussed include the size of the **replenishment**, relative burden-sharing among donors, and the policy framework for the **replenishment**. Contributions are negotiated in **SDR** terms, and translated into national currencies using an average exchange rate, agreed upon early in the **replenishment** process.

(b) **Replenishment** Effectiveness. The effective date of a **replenishment** occurs when IDA receives **Instruments of Commitment** (**IoCs**) from donors whose aggregate contributions account for not less than the amount defined in the Replenishment Resolution. IDA16 became effective on November 30, 2011 when IDA received **IoCs** for subscriptions and contributions from donors of **SDR** 10.4 billion, exceeding the threshold level for effectiveness.

(c) **Advance Contribution Scheme**. To avoid disruption to IDA programs at the start of a new **replenishment**, donors have the option of participating in an Advance Contribution Scheme. This scheme allows IDA to continue making new lending commitments without waiting for the new **replenishment** to become effective. The Advance Contribution Scheme lapses once the new **replenishment** becomes effective.

(d) **Commitment Authority**. Donor contributions become available for commitment in three equal tranches. Part of the first tranche becomes available for commitment under the **Advance Contribution Scheme** and the remainder of the first tranche becomes available upon effectiveness of the **replenishment** provided that donors have submitted unqualified **IoCs**. The second and third tranches are subsequently released for commitment on the dates specified in the Replenishment Resolution.

(e) Payment of Contributions. Typically, donor contributions are made in cash or non-interest bearing demand notes, on specific dates in three equal annual installments.

(f) **Encashment**. Donor contributions which are paid by non-interest bearing demand notes are drawn down, on an approximately *pro-rata* basis among donors, in accordance with the agreed **encashment** schedule. IDA16 has a nine-year encashment schedule. A discount may be provided for cash payments based on an accelerated schedule rather than the standard **replenishment** schedule. The amount of discount is calculated so that the net present value of cash payments made according to the revised schedule is equal to the net present value of the cash payments under the **encashment** schedule agreed for in the **replenishment**.

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1 *Credits, which disburse over several years, do not have to be fully cash funded at the time of their approval by the Executive Directors. This allows donor contributions to be encashed over several years and internal resources to be committed in advance of their anticipated receipt.*

2 *To determine the appropriate level of internal resources during a replenishment period, long-term financial projections are used to manage IDA's cash flows on a going concern basis, under a set of underlying assumptions relating to future lending volumes and the level of future donor contributions.*

Other Resources

These comprise: internal resources, IBRD transfers and IFC grants.

Internal Resources

IDA's internal resources include reflows (principal repayments and prepayments), interest on blend and hard term credits, investment income from a portion of the investment portfolio, and residual resources from past **replenishment**s that become available to IDA during the current **replenishment** period. Repayments and prepayments of outstanding credits constitute the largest component of internal resources.

IBRD Transfers

Since 1964, IDA has received regular financial support towards its replenishment resources from IBRD, in the form of direct transfers out of IBRD's net income. The IDA16 financing framework includes an indicative amount of IBRD transfers of $1,824 million. Depending first on IBRD fulfilling its reserve retention needs, it is expected that this amount will be allocated in three installments during fiscal years 2012, 2013 and 2014. Each installment is required to be approved annually by IBRD's Board of Governors. If approved, each installment is expected to be drawn down by IDA immediately. In FY 2012, IDA received $520 million from IBRD (net of a $75 million grant from IBRD to South Sudan Transition Trust Fund), the first of the three installments, resulting in cumulative transfers received from IBRD of $12,115 million as of June 30, 2012.

In addition, IBRD has made cumulative contributions of $2,330 million to the Debt Relief Trust Fund, which were subsequently transferred to IDA to compensate it for debt relief costs incurred under the HIPC Debt Initiative.

IFC Grants

Since 2006, IDA has received financial support towards its replenishment resources from IFC in the form of grants out of its retained earnings. The IDA16 financing framework includes an indicative amount of $1,000 million in cash as designations out of IFC's retained earnings for grants to IDA. These grants are to be used by IDA for sectors and themes that contribute significantly to private sector growth and economic development in countries that are members of both IFC and IDA. These grants will be spread across three installments for fiscal years 2012, 2013 and 2014. The installments are subject to availability of funds and annual approval, and are recognized upon IDA and IFC signing the respective grant agreements. Of the IDA16 indicative amount, $330 million was received in FY 2012, resulting in cumulative transfers of $2,230 million as of June 30, 2012.

IDA16 Commitment Authority

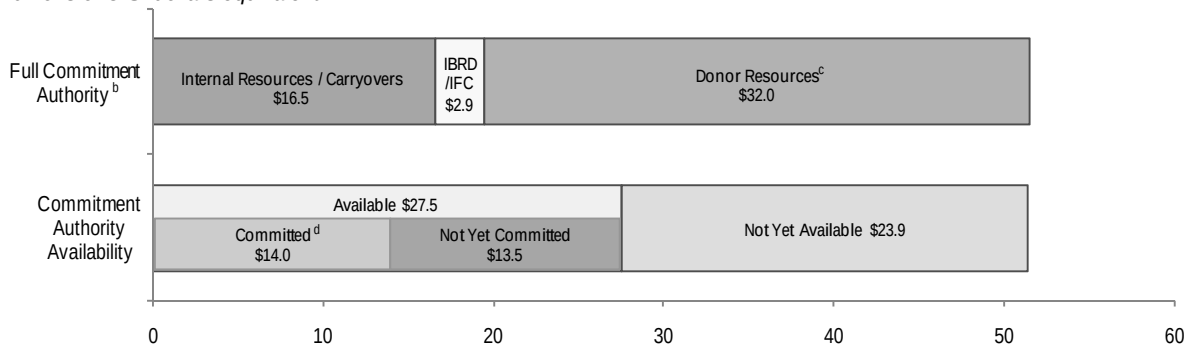
Chart 1 provides a breakdown of the principal sources making up the total lending envelope of SDR 33.9 billion (U.S. dollar equivalent 51.4 billion) under the revised IDA16 Commitment Authority and the extent to which these sources have been used for commitment of development credits and grants through June 30, 2012.

Of the $14 billion committed during FY 2012, approximately $12 billion relates to development credits and $2 billion relates to development grants. The impact of the use of the IDA16 Commitment Authority on IDA's June 30, 2012 Balance Sheet is as follows:

- The $12 billion committed for development credits has increased total development credits and, correspondingly, the undisbursed balance, to the extent that no related disbursements have been made. Disbursements made relating to IDA16 credit commitments result in an increase in Development Credits outstanding. In FY 2012, $0.9 billion of the total disbursements related to development credits committed under IDA16 and the remainder related to earlier replenishments.
- The $2 billion committed for development grants has increased the payable for development grants, to the extent that no related disbursements have been made. Payments made relating to IDA16 development grant commitments result in a decrease in the payable for development grants. In FY 2012, $0.6 billion of development grant disbursements related to development grants committed under IDA16 and the remainder related to prior replenishments.

Chart 1 : IDA16 Commitment Authority Status

In billions of U.S. dollars equivalent[a]



a. Commitment Authority is measured and monitored in SDR. The chart represents the U.S. dollar equivalent amounts based on USD/SDR exchange rate at June 30, 2012 for presentational purposes only. Actual commitments are recorded based on historical USD rates.
b. Amounts may not add due to rounding
c. Includes U.S.dollar equivalent 5.3 billion of donor commitments for compensation of debt relief provided under MDRI.
d. FY 2012 guarantee commitments totaled $448 million, of which only 25% ($112 million) is used for the purposes of the Commitment Authority.

SECTION 3: ALLOCATION OF RESOURCES

Performance Based Allocation (PBA) System

A key concern for IDA is inequitable allocation of resources to recipients. This risk of inequitable allocation is managed using the PBA system. Under the PBA system, one country's gain in terms of more allocations would result in fewer resources available for others for a given level of the resource envelope. The system has evolved over time with modifications and enhancements being incorporated at successive **replenishments,** including IDA16. The base allocation per country increased to **SDR** 9 million per replenishment (or **SDR** 3 million annually), in order to better meet the fixed costs of country engagement and maintain an effective country program.

Under the PBA system, individual country allocations are derived substantially from the annual Country Performance Ratings (CPR), population and, to a lesser extent, Gross National Income per capita. Before arriving at a country's final allocation, adjustments are made for any grant allocations to that country. In addition, for those countries eligible for debt cancellation under the MDRI, the debt service due in the relevant fiscal year is netted against that year's allocation.

Under the IDA16 period, the PBA system has continued to balance performance with needs by allocating, consistent with performance, the majority of resources to Sub Saharan Africa.

SECTION 4: DEVELOPMENT ACTIVITIES, PRODUCTS AND PROGRAMS

IDA has a common framework which extends across all of its development activities. The main elements of this framework are eligibility criteria, financing principles, financing cycles and financing categories.

Eligibility Criteria

Two basic criteria govern a country's eligibility for IDA resources, namely: relative poverty defined as Gross National Income per capita below an established threshold (updated annually), and lack of creditworthiness to borrow from both commercial sources and IBRD, and therefore a need for concessional resources. As of July 1, 2012, 81 countries are eligible to borrow from IDA. Of these, 64 are not considered sufficiently creditworthy to borrow from IBRD and are referred to as "IDA only" countries. The remaining 17 countries are deemed to have limited IBRD creditworthiness. These latter countries may receive both IDA and IBRD financing and are referred to as "blend" countries. With a few exceptions, IDA's eligibility cutoff for FY2013 has been set at a Gross National Income per capita in 2011 of $1,195 (the "operational cutoff"). The operational cutoff for FY 2012 was a Gross National Income per capita in 2010 of $1,175.

Financing Principles

IDA's operations are required to conform with the general principles derived from its Articles of Agreement. These principles are described in **Box 2**. Within the scope permitted by the Articles of Agreement, application of these financing principles must be developed and adjusted in light of experience and changing conditions.

Box 2: Financing Principles

(i) IDA may provide financing for its development operations in the form of development credits, development grants, and guarantees directly to its members, public or private entities and regional or public international organizations.

(ii) IDA's financing of its development operations is designed to promote economic development, increase productivity and thus raise standards of living in its member countries. Investment projects financed by IDA are required to meet IDA's standards for technical, economic, financial, institutional and environmental soundness. Specific provisions apply to development policy financing, including the treatment of the macroeconomic framework, poverty and social impact, environment, forests and other natural resources.

(iii) Decisions to approve financing are based upon, among other things, studies by IDA of a member country's economic structure, including assessments of its resources and ability to generate sufficient foreign exchange to meet debt-service obligations.

(iv) IDA must be satisfied that in the prevailing market conditions (taking into account the member's overall external financing requirements), the recipient would be unable to obtain financing under conditions which, in the opinion of IDA, are reasonable for the recipient. This would include loans made by private sources or IBRD.

(v) The use of funds by recipients is supervised. IDA makes arrangements intended to ensure that funds provided are used only for authorized purposes and, where relevant, with due attention to considerations of cost-effectiveness. This policy is enforced primarily by requiring recipients (a) to submit documentation establishing, to IDA's satisfaction, that the expenditures financed with the proceeds of development credits or grants are made in conformity with the applicable financing agreements, and (b) to maximize competition in the procurement of goods and services by using, wherever possible, international competitive bidding procedures or, when it is not appropriate, other procedures that ensure maximum economy and efficiency. In addition, under pilot programs approved by the Executive Directors, IDA considers the use of recipient country procurement, and environmental and social safeguard systems in selected operations where these systems are assessed by IDA as being equivalent to IDA's systems and where the recipient's policies and procedures, implementation practices, track record, fiduciary and safeguard risks and capacity are considered acceptable to IDA.

Financing Cycles

The process of identifying and appraising a project and approving and disbursing the funds often extends over several years. However, on numerous occasions, IDA has shortened the preparation and approval cycle in response to emergency situations, such as natural disasters and financial crises. After appraisal of a project by staff, with certain exceptions, IDA's Executive Directors must approve each development credit, development grant and guarantee. Disbursements are subject to the fulfillment of conditions set out in the credit or grant agreement. During implementation of IDA-supported operations, staff review progress, monitor compliance with IDA policies, and assist in resolving any problems that may arise. An independent unit, the Independent Evaluations Group, assesses the extent to which operations have met their major objectives, and these evaluations are reported directly to the Executive Directors.

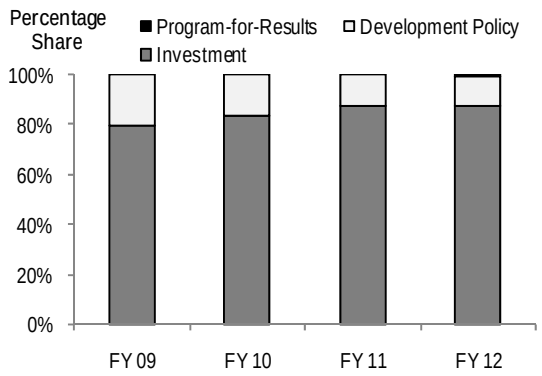
Financing Categories

IDA's financing of its development operations in the form of development credits and grants falls into one of three categories – investment financing, development policy financing, and program-for-results. Investment financing is generally used to procure goods, works and services in support of economic and social development projects in a broad range of sectors. Development policy financing provides quick disbursing credits or grants to members with external financing needs to support structural reforms in a sector or the economy as a whole. Program-for-Results, which was approved on January 24, 2012, is an innovative financing instrument that links the disbursement of funds directly to the delivery of defined, verifiable results.

Through Program-for-Results, IDA will help member countries improve the design and implementation of their development programs and increase accountability. The new instrument's key features include: financing and support for borrower programs, disbursement of funds upon achievement of results, focus on strengthening institutional capacity, and providing assurance that IDA's financing is used appropriately and that the environmental and social impacts of the program are adequately addressed.

These three complementary categories support the policy and institutional changes needed to create an environment conducive to sustained and equitable growth. The share of investment financing has increased from 80 percent in FY 2009 to 88 percent in FY 2012 as illustrated in **Chart 2.** For the year ended June 30, 2012 commitments made under the new Program-For-Results category amounted to $60 million.

Chart 2: Share of Financing Categories



Development Credits

Since August 1, 1980, all development credits approved are denominated in **SDR**s. Prior to that, development credits were denominated in U.S. dollars. Principal payments and service and commitment charges are due in the currency specified in the Development Credit Agreement in an amount equivalent to the **SDR**s required under the agreement.

In June 2012, the Board of Executive Directors approved the introduction of a two-year pilot program of up to SDR 3 billion for single-currency lending to IDA countries, aimed at reducing their currency exposures, especially for countries with national currencies pegged to one of the four **SDR** component currencies. The program will take effect in FY2013 and will allow IDA to provide development credits in the underlying currencies of the **SDR** basket (US dollars, Euro, Pounds sterling or Japanese yen). The repayment terms will be the same as those available for **SDR**-denominated development credits, see **Table 4**.

IDA will manage the currency risk associated with the single currency development credits under the existing currency risk management framework (see ***Section 6: Financial Risk Management***).

Charges on development credits

IDA's policy is to maintain its charges (service and commitment charges) at a level that will cover its administrative expenses. In addition, there is an interest charge for the more economically advanced recipient countries.

Service Charge. A service charge is levied on the principal amount disbursed and outstanding on all development credits, regardless of repayment terms, at a SDR equivalent rate of 0.75% per annum.

Commitment Charge. A commitment charge, which is payable on the undisbursed amount of the development credit, is set by the Executive Directors at the beginning of each fiscal year. Since FY 2009 to FY 2012, IDA's Executive Directors have maintained the commitment charge on undisbursed development credits at nil. As noted previously, commitment charges are set at a level to ensure that service charges (adjusted to include income forgone from development credits forgiven under HIPC and MDRI, and from providing development grant financing) cover administrative expenses.

Interest. Interest is charged on all new credits subject to blend terms approved under IDA16 and on all hard-term credits. The interest charged on hard-term credits is more concessional than the fixed-rate equivalent of IBRD's lending rate. The rate is determined annually prior to the start of each fiscal year and is applicable to all such credits approved during a fiscal year. **Table 4** shows the applicable rates effective July 1, 2012.

Repayment Terms

Development credits approved through June 30, 1987 have a final maturity of 50 years, including a grace period of 10 years. More recently, differentiation in IDA's lending terms has been introduced to recognize the variation in economic development of broad categories of IDA recipients. **Table 4** provides a summary of the repayment terms of development credits based on eligibility, effective July 1, 2012.

Table 4: Summary of Repayment Terms for Development Credits, effective July 1, 2012

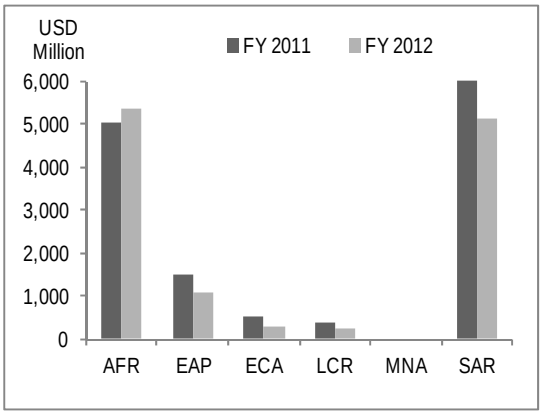
Terms	Eligibility Criteria	Repayment Terms	Service Charge	Interest
IDA Only	Not considered sufficiently creditworthy to borrow from IBRD (or a small island nation). For FY2013, "IDA-only" recipients with a 2011 Gross National Income per capita of $1,195 or less (the 'operational' cutoff).	40 years including a grace period of 10 years.	75 basis points	nil
Blend	Blend terms apply to both **blend borrowers** and IDA countries with Gross National Income per capita above the operational cut-off for more than two consecutive years, known previously as "gap" or "hardened term" countries.	25 years including a grace period of 5 years.[a]	75 basis points	1.25 %
Hard-terms	A **blend borrower** will be eligible for an additional window of IDA lending at hard-terms (excluding small island nations receiving credits on IDA-only terms).	25 years including a grace period of 5 years.[b]	75 basis points	1.50%

a. For credits approved during IDA15, 35-year maturity for blend borrowers, and 20 years maturity for hardened term countries, including a grace period of 10 years.
b. For credits approved during IDA15, 35 year maturity including a grace period of 10 years.

Commitments of Development Credits

Commitments of development credits in FY 2012 were $12,080 million, a decrease of $1,366 million (10%) over FY 2011. In terms of regional focus, SAR accounted for $888 million of the decrease. AFR and SAR together accounted for 87% of the FY 2012 commitments (see **Chart 3**).

Chart 3: Commitments of Development Credits by Region

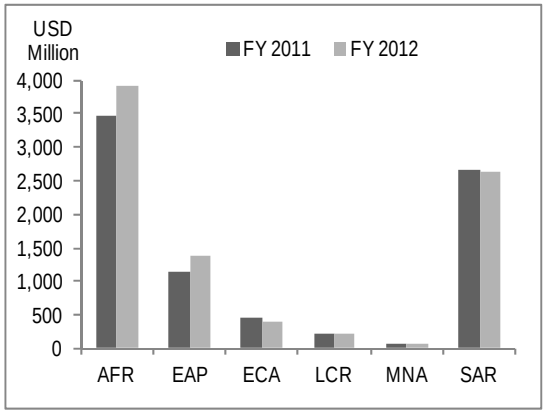


Regions:
AFR Africa
EAP East Asia and Pacific
ECA Europe and Central Asia
LCR Latin America and the Caribbean
MNA Middle East and North Africa
SAR South Asia

Gross Disbursements of Development Credits

Gross disbursements of credits in FY 2012 reached $8,650 million, an increase of $629 million (8%) from FY 2011. In terms of regional focus, AFR and EAP accounted for $714 million of the increase. AFR and SAR accounted for 76% of the total FY 2012 gross disbursements (see **Chart 4**).

Chart 4: Gross Disbursements of Development Credits by Region



Development Grants

Commitment Authority for Funding of Grants

Only funds that are provided with specific grant authorization may be used to finance IDA development grants.[3] Beginning with the transfer out of IBRD's FY1997 net income, funds received from IBRD as net income transfers have included explicit authority that the funding could be used for development grants. Recent **replenishment** resolutions have also authorized the financing of development grants from donor resources. In addition, all grants received from IFC's retained earnings have also included the explicit authorization that IDA could use such funding for development grants.

Charges on Development Grants

Commitment charges on the undisbursed balances of development grants are set annually by the Executive Directors of IDA. From FY2003 through FY 2013, IDA's commitment charge on the undisbursed balances of development grants has been set at nil.

Allocation of Development Grants

Development grants under IDA16 are available solely for IDA-only countries. The amount available for each country is a function of the country's performance-based IDA allocation (see ***Section 3: Allocation of Resources***), and its eligibility for development grants is based on an assessment of the risk of debt distress. Countries with low risk of debt distress receive 100 percent of their IDA allocation as development credits. Countries with medium risk of debt distress receive 50 percent of their IDA allocation as development credits, and the remaining as development grants. Countries with high risk of debt distress will receive 100 percent of their allocation in the form of development grants, however the initial allocation of resources is reduced by 20%. The 20% is then returned to the performance based allocation calculation and is used in part to fund hard term credits.

Commitments of Development Grants

Commitments of development grants in FY 2012 were $2,225 million, a decrease of $597 million (21%) over FY 2011. In terms of regional focus, AFR accounted for $398 million of the decrease. AFR and SAR together accounted for 78% of the FY 2012 commitments (see **Chart 5**).

3 *IDA's Articles of Agreement (Article V, Section 2(a)) state, "financing by the Association shall take the form of loans." IDA may provide financing in different form, such as grants and guarantees, only if the funds for such financing are accompanied by express advance authorization for such other form of financing. The restriction also applies to "funds derived therefrom as principal, interest or other charges," i.e., reflows.*

Gross Disbursements

Gross disbursements of development grants in FY 2012 were $2,411 million, an increase of $150 million (7%) from FY 2011. In terms of regional focus, AFR accounted for $350 million of the increase, partially offset by decrease in SAR of $108 million. AFR and SAR accounted for 86% of the total FY 2012 gross disbursements (see **Chart 6**).

Chart 5: Commitments of Development Grants by Region

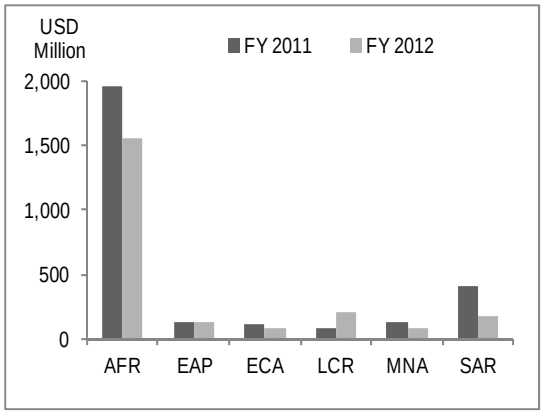
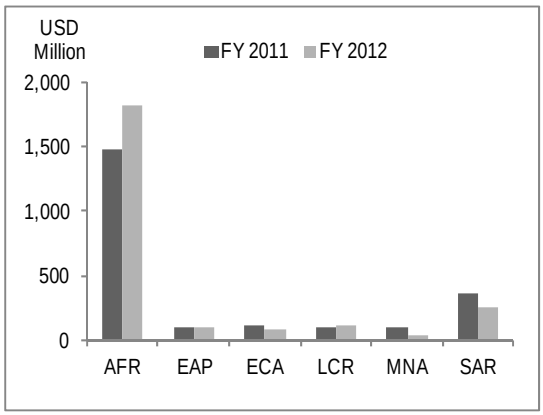


Chart 6: Gross Disbursements of Development Grants by Region



Other Development Activities and Programs

Guarantees

When IDA issues a guarantee, it obtains an indemnity agreement from the host government. If the guarantee is called, IDA pays the project lenders. Without limiting its rights under the indemnity agreement (counter-guarantee), IDA takes into account all relevant circumstances in deciding whether or not to exercise its right to demand compensation from the host government under the counter-guarantee, and what form the compensation will take. IDA currently only offers partial risk guarantees.

Guarantee Exposure

IDA's exposure on its guarantees (measured by discounting each guaranteed amount from its first call date) was $281 million at June 30, 2012 ($240 million—June 30, 2011). For additional information see the Notes to Financial Statements–Note E–Development Credits and Other Exposures.

Guarantee Pricing

Table 5 provides a summary of the Guarantee Pricing Terms for Partial Risk Guarantees, effective July 1, 2012. These guarantees cover private lenders against the risk of a public entity or government failing to perform its obligations with respect to a private project.

Table 5: Summary of Guarantee Pricing Terms for Partial Risk Guarantees, effective July1, 2012

Type of Fee	*Amount*
Annual guarantee fee[a]	0.75% per annum
Commitment charge[b]	Nil-0.5% per annum
One time initiation fee	Higher of 0.15% or $100,000
Processing fee[c]	Nil – 0.5%

a. Based on IDA's maximum exposure, being the full value of the disbursed and outstanding balance under the guarantee financing.

b. Set at Nil for FY 2012 and FY 2011

c. For all private sector borrowings and is determined on a case by case basis.

Debt Relief

Heavily Indebted Poor Countries (HIPC) Debt Initiative

The HIPC Debt Initiative is a comprehensive approach to reduce the external debt of the world's poorest, most heavily indebted countries, and it represented an important step forward in placing debt relief within an overall framework of poverty reduction. The countries that qualify for HIPC assistance are the poorest countries that are eligible for highly concessional assistance from IDA and from the International Monetary Fund's (IMF) Poverty Reduction and Growth Facility. The list of countries potentially eligible under the Enhanced HIPC Framework has been limited, whereby no new countries are considered for eligibility unless they meet the income and indebtedness criteria as of end calendar year 2004 as specified in the Initiative.

Implementation mechanisms of the Enhanced HIPC Framework include: (i) partial forgiveness of IDA debt service as it comes due, and (ii) in the case of countries with a substantial amount of outstanding IBRD debt, partial refinancing by IDA resources (excluding transfers from IBRD) of outstanding IBRD debt.

A provision is initially recorded for all of the estimated probable write-offs of development credits outstanding under the HIPC Debt Initiative, based on projected **Decision and Completion Point** dates. This provision is included as part of the accumulated provision for debt relief and losses on development credits as reported on the balance sheet. As borrowers continue to service the eligible development credits until these projected dates are reached, changes to these initially projected dates result in a revision to the provision estimates.

Donors compensate IDA on a "pay-as-you-go" basis to finance IDA's forgone credit reflows under the HIPC Debt Initiative. This means that for the debt relief provided by writing off the principal and charges during a **replenishment**, the donors compensate IDA for the forgone reflows through additional contributions in the relevant **replenishment** and these are recorded in IDA's balance sheet as subscriptions and contributions.

During FY 2012, $5 million of development credits and $2 million of charges were written off as debt relief under the partial forgiveness of debt service as it came due. During FY 2011, the comparable amounts were $15 million and $3 million respectively. On a cumulative basis, $2,082 million of development credits and $329 million of charges had been written off as of June 30, 2012.

Multilateral Debt Relief Initiative (MDRI)

The MDRI provides additional debt relief through 100 percent cancellation of eligible debt owed to IDA, the African Development Bank and the IMF by countries that reach the HIPC **Completion Point**. The objectives of MDRI are twofold: deepening debt relief to HIPC countries while safeguarding the long-term financial capacity of IDA and other participating multilateral institutions; and encouraging the best use of additional donor resources for development, by allocating these resources to low-income countries on the basis of policy performance.

A provision is initially recorded for all of the estimated probable write-offs of eligible development credits outstanding for debt relief to be delivered under the MDRI based on projected **Completion Point** dates. This provision is included as part of the accumulated provision for debt relief and losses on development credits as reported in the balance sheet. As borrowers continue to service the eligible development credits until the **Completion Points** are reached, changes to the initially projected dates result in a revision to the provision estimates. The eligible development credits are written off when a country reaches its **Completion Point** and the related provision reduced accordingly.

Donors have agreed to compensate IDA on a dollar-for-dollar basis for forgone credit reflows due to debt cancellation under the MDRI. The value of the compensation is reassessed every three years, normally at the time of regular IDA replenishment. In this context, donors have agreed to provide IDA with additional resources of **SDR** 3.5 billion ($5.3 billion) to cover debt relief costs due to MDRI during the IDA16 disbursement period. The donor compensation received is recorded in the balance sheet as subscriptions and contributions.

As of June 30, 2012, donor commitments to the MDRI stood at $31,286 million at the agreed **replenishment** foreign exchange reference rates, representing 88% of the total financing requirements, based on the latest updated cost estimates for the MDRI.

Cote d'Ivoire reached the **Completion Point** under HIPC on June 26, 2012, allowing for the cancellation of eligible development credits under the MDRI totaling $1,559 million on July 1, 2012. On a cumulative basis, $36,992 million of development credits have been written off under the MDRI as of June 30, 2012.

Trust Funds Administration

IDA, alone or jointly with one or more of its affiliated organizations, administers on behalf of donors, including members, their agencies and other entities, funds restricted for specific uses in accordance with administration agreements with donors. These funds are held in trust and are not included in IDA's Balance Sheet, except for undisbursed third party contributions to IDA-executed trust funds,. The cash and investment assets held in trust by IDA as administrator and trustee at June 30, 2012 and June 30, 2011 are summarized in **Table 6.** IDA's contribution to these trust funds for the year ended June 30, 2012 and June 30, 2011 was Nil.

Table 6: Cash and Investment Assets Held In Trust by IDA

In millions of U.S. dollars

	Total fiduciary assets	
	June 30, 2012	*June 30, 2011*
IDA-executed	$ 58	$ 60
Jointly administered with affiliated organizations	533	547
Recipient-executed	2,709	2,409
Financial intermediary funds	735	1,224
Execution not yet assigned[a]	3,754	3,756
Total	$7,789	$7,996

a. These represent assets held in trust for which the agreement as to the type of execution is to be finalized jointly by the donors and IDA.

During the fiscal year ended June 30, 2012, IDA, as executing agency, disbursed $309 million ($289 million—fiscal year ended June 30, 2011) for trust fund program funds. For additional information, see the Notes to Financial Statements-Note G-Trust Funds Administration.

SECTION 5: INVESTMENT PORTFOLIO MANAGEMENT

IDA's primary objective in the management of its investment portfolio is to ensure that funds will be available on a timely basis in the amount needed to meet future cash flow requirements, including disbursements for development credits, grants and administrative expenses. Consistent with the primary objective, IDA also seeks to maximize returns, subject to loss constraints, to generate investment income, which can be added to IDA's internal resources.

IDA faces timing mismatches between cash receipts from donors and recipients and disbursements of new development credits and development grants. To manage these timing mismatches between cash inflows and outflows, and to ensure optimal use of development resources, IDA employs a number of financial practices, namely:

- Use of **hedging** strategies to minimize currency mismatches of cash flows.
- Encashment of donor contributions over time so as to match the eleven year average disbursement profile of development credits and development grants during a given replenishment. For both IDA15 and IDA16, donors have agreed to a nine year standard encashment period, which is an acceleration of the 11-year disbursement profile in order for IDA to generate additional investment income.
- Provision of incentives in the form of discounts to donors for early **encashments**, provided that the present value of their contributions remains intact.
- A portion of expected principal repayments on disbursed and outstanding credits are committed in advance of new credits and grants, so that resulting disbursements match the time profile of credit reflows.

Additionally, IDA needs to be able to address any unexpected demands on its core liquidity by maintaining a sufficient level of liquid assets.

Minimum Liquidity

Minimum liquidity represents the liquidity that IDA holds as a reserve against cash flow volatility. Liquidity planning is essential for IDA since IDA does not borrow from capital markets as a matter of policy, other than for short-term cash management purposes. Minimum liquidity serves the dual purpose of cushioning against expected future cash flow volatility; and meeting unexpected liquidity demands. 40% of the minimum liquidity is held in Tranche 2 and 60% is held in Tranche 3.

For the IDA16 period, IDA's minimum liquidity is targeted at 33 percent of a three-year annual moving average of gross disbursements, representing approximately $3.9 billion.

General Investment Authorization

The General Investment Authorization for IDA, approved by the Executive Directors, provides the basic authority under which the investment portfolio of IDA can be invested. Further, all investment activities are conducted in accordance with a more detailed set of Investment Guidelines. The Investment Guidelines are approved by the Chief Financial Officer (CFO) and implemented by the Treasurer. These Investment Guidelines provide detailed trading and operational rules including: criteria for eligible instruments for investment, establishing risk parameters relative to benchmarks, such as an overall **stop-loss limit** and **duration** deviation, specifying concentration limits on counterparties and instrument classes, as well as establishing clear lines of responsibility for risk monitoring and compliance. See **Box 4** for the range of instruments permitted for investments under the existing General Investment Authorization for IDA.

Liquidity Tranching

All of IDA's investments are held in a trading portfolio but invested in three separate tranches which improves transparency and allows for better tailoring of investment objectives, risk tolerances and investment horizon to the purpose of holding the investments.

Donor Asset and Liability Management

This tranche, also referred to as Tranche 1, primarily consists of accelerated **encashments** of donor contributions, transfers and grants from IBRD and IFC, and voluntary credit prepayments under IDA16. It is managed under an immunization strategy, whereby the tranche **duration** benchmark is aligned with the weighted average duration of future net cash outflows, such that the variation in investment earnings is largely matched by equivalent changes in the present value of future net cash outflows. The **duration** is periodically reviewed and reset at least annually to reflect prevailing conditions.

Core Liquidity

Tranches 2 and 3 constitute IDA's core liquidity to meet working capital requirements, as well as expected and unexpected cashflow volatility. Core liquidity as a proportion of IDA's total liquidity holding at June 30, 2012 was 37% (48%—June 30, 2011).

Tranche 2 – Medium-term Investment tranche. This tranche includes the core liquidity of IDA which is expected to be available over at least a three year horizon. This tranche is managed in accordance with a return maximization strategy subject to pre-specified risk constraints over a medium-term (three years) investment horizon.

Tranche 3 – Short-term Investment tranche. This tranche is used for managing the operational liquidity for IDA. The investment objective of this tranche is to ensure liquidity and timely availability of the investment balances when needed, with investment returns being a secondary consideration. The tranche is invested in overnight and very short-term cash investments.

Table 7 provides a breakdown of the average balances and returns by tranches of IDA's liquidity portfolio for FY 2012 and FY 2011. For an explanation of the increase in financial returns of the total portfolio, refer to ***Section 7: Reported Basis Results.***

Table 7: Average Balances and Returns by Tranches

In millions of U.S. dollars

	FY 2012		*FY 2011*	
Tranches	*Average Balance*	*Financial Return*	*Average Balance*	*Financial Return*
1	$14,452	5.72%	$12,626	1.59%
2	4,163	3.40%	4,643	1.59%
3	6,344	0.39%	5,211	0.46%
Total	$24,959	4.00%	$22,480	1.33%

Table 8: Short-term Borrowings

In millions of U.S. dollars, except ratios data in percentages

	June 30, 2012	June 30, 2011	June 30, 2010
Securities sold under repurchase agreements and securities lent under securities lending agreements,			
Balance at year-end	$3,824	$6,013	$4,968
Average monthly balance during the year	$3,992	$5,450	$4,538
Maximum month-end balance	$4,938	$7,984	$6,139
Weighted-average rate at June 30,	0.28%	0.38%	0.15%
Weighted-average rate during the year	0.26%	0.38%	0.25%

Short-term Borrowings

IDA does not borrow long-term from the capital markets but it is allowed to do so under its Articles. IDA's short-term borrowings consist primarily of securities sold under repurchase agreements and securities lent under securities lending agreements. These agreements are secured predominantly by high quality securities collateral, including government issued debt, and are used both to enhance returns and for liquidity management purposes.

As of June 30, 2012, securities lent or sold under repurchase agreements totaled $3,824 million, a decrease of $2,189 million over June 30, 2011.

Table 8 provides data on short-term borrowings activities.

SECTION 6: FINANCIAL RISK MANAGEMENT

The processes and procedures by which IDA manages its risk profile continually evolve as its activities change in response to market, credit, product, operational and other developments. The Executive Directors, particularly the Audit Committee members, periodically review trends in IDA's risk profiles and performance, as well as any significant developments in risk management policies and controls. In addition, on an annual basis, Management prepares an integrated risk monitoring report for the Executive Directors to provide a holistic picture of risk management activities within IDA.

The Chief Risk Officer (CRO) reports to the CFO, and is responsible for: (i) assessing risks; (ii) benchmarking existing risk management practices against major financial institutions; (iii) ensuring consistency of risk management activities with best practice; and (iv) considering unique risks that are specific to multilateral development banks and international financial institutions.

Governance Structure

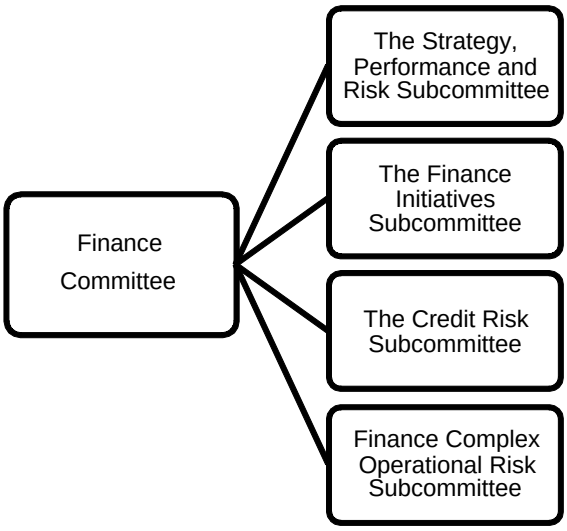
The governance structure supports senior management in their oversight function, particularly in the coordination of different aspects of risk management, and in connection with risks that run across functional areas.

The Finance Committee (**Chart 7**) which is chaired by the CFO, reviews, evaluates and decides on matters related to IDA finances to ensure that these are aligned with corporate financial and risk tolerance objectives set by the Board. Topics covered by the Finance Committee include:

- financial policies and guidelines
- new financial initiatives
- financial risks under the CFO's purview and setting risk tolerances

The four subcommittees that report to the Finance Committee are shown in **Chart 7**.

Chart 7: Finance Committee Governance Structure



The Strategy, Performance and Risk Subcommittee develops, approves and monitors the policies under which market and commercial credit risks faced by IDA are measured, reported and managed. Such policies are ratified by the CFO. The subcommittee also monitors compliance with policies governing commercial credit exposure and currency management. Specific areas of activity include reviewing and endorsing guidelines for limiting balance sheet and market risks, the use of derivative instruments, investing activities, and monitoring the alignment between assets and their funding. The subcommittee meets quarterly to formally review current and proposed business strategy and risk

policies, along with business results and financial risk profile to facilitate alignment between IDA's financial and risk management objectives, plans and activities.

The Finance Initiatives Subcommittee provides a comprehensive review of new business initiatives related to IDA. The review covers all financial management, legal/reputational, financial operations and reporting perspectives including risk/reward parameters. This subcommittee's approval is required before a new IDA initiative may be proposed to the Finance Committee or the Board of Executive Directors. The subcommittee meets as needed.

The Credit Risk Subcommittee: The subcommittee meets at least quarterly to review the impact on the provision for losses on development credits and other exposures of any changes in risk ratings of borrowing member countries and developments in the nonaccrual portfolio and other factors including expected default frequencies. In addition, the Audit Committee of the Board of Executive Directors is apprised by management at least twice a year on the accumulated provision for losses on development credits and other exposures.

The Operational Risk Subcommittee provides oversight on operational risks for financial operations. The subcommittee meets on a quarterly basis to ensure key operational risks relating to financial operations are monitored and managed appropriately, recognizing that primary responsibility for the management of operational risk resides with the business units.

In addition to the previously discussed committees, the following departments are also involved in IDA's financial risk management:

The IDA Resource Mobilization Department which reports to the Vice President of Concessional Finance and Global Partnerships, manages IDA **replenishments**. This department discusses policy and funding frameworks with donors, and allocates concessional resources between borrowing member countries based on the agreed performance based allocation system. Responsibility for financial management, including asset-liability management and the management of liquidity, currency and interest rate risks, also lies with this department.

The Credit Risk Department, which reports to the Vice-President, Corporate Finance and Risk Management, is responsible for determining the adequacy of provisions for losses on credits and other exposures.

The Market and Counterparty Risk Department is responsible for market and credit risk oversight, assessment and reporting. It works with IDA's financial managers, who are responsible for the day-to-day management of market and counterparty risks. The department's responsibilities include establishing and maintaining guidelines, volume limits and risk oversight processes to facilitate effective monitoring and control. Under the auspices of the Finance Committee and the Strategy, Performance and Risk subcommittee, policies and procedures for measuring and managing such risks are formulated, approved and communicated throughout IDA. The department's management represented on the Finance Committee is responsible for ensuring effective oversight, which includes maintaining sound credit assessments, addressing transaction and product risk issues, providing an independent review function and monitoring the development credit and investment portfolios.

Risk-Bearing Capacity

The risk bearing capacity of IDA falls under four main categories. The first is the extent to which IDA can commit to new financing of development credits, grants and guarantees given its financial position at any point in time and whether there are sufficient resources to meet undisbursed commitments of credits and grants, the funding risk. The second is whether IDA has sufficient core liquidity to meet disbursements of approved credits and grants, the liquidity risk. The third is the risk of default by recipient countries and market counterparties, the credit risk. The fourth is the exposure to currency and interest rate risks, the market risk.

Funding Risk

IDA's capacity to commit to new financing of credits, grants and guarantees at any point in time is defined by the **Commitment Authority** Framework of the particular **replenishment** which is effective at that time (see ***Section 2: Financial Resources*** for details).

As previously discussed, (see ***Section 1: Introduction and Overview of Financial Results***) management monitors IDA's funding position as a key indicator to assess IDA's ability to conduct its operations. Funding risk relates to whether there are sufficient resources (investment portfolio and demand notes) to meet undisbursed commitments of credits and grants.

Further details on IDA's funding risk management, including details of the three tranches which comprise IDA's investment portfolio, together with a description of the General Investment Authorization are provided in ***Section 5: Investment Portfolio Management.***

Liquidity Risk

Liquidity risk is also a key risk to IDA's operations. It is managed through a combination of IDA's daily cash flow monitoring and management, timing of donor contributions, and prudent investment policies under an established financial framework. A key indicator of liquidity management is the core liquidity position which reflects the number of months of gross disbursements (based on the average for a particular year) that can be met out of the core liquidity (tranches 2 and 3) available at a point in time (see ***Section 1: Introduction and Overview of Financial Results***).

Further details on IDA's liquidity risk management, including details of the three tranches which comprise IDA's investment portfolio, together with a description of the General Investment Authorization, are provided in ***Section 5: Investment Portfolio Management.***

Credit Risk

IDA has two types of credit risk: country credit risk and commercial credit risk. Country credit risk is the risk of loss due to a country not meeting its contractual obligations and commercial credit risk is the risk of loss due to a counterparty not honoring its contractual obligation.

Country Credit Risk

The IDA Resource Mobilization Department regularly reviews the credit risk of its recipient member countries in terms of the country's debt sustaining capacity. These reviews provide an input into the composition of development credits versus grants for new operations. ***Section 4: Development Activities, Products and Programs*** describes how funds are allocated for development grants based on a country's risk of debt distress.

Overdue and non-performing development credits

When a borrower fails to make payment on any principal, interest or other charges, IDA has the contractual right to suspend disbursements immediately on all credits and grants. IDA's current policy however, is to exercise this right through a graduated approach as summarized in **Box 3**. These policies also apply to those member countries who are eligible to borrow from both IBRD and IDA, and whose payments on IBRD loans may become overdue. For borrowers with IDA development credits who become overdue in their debt service payments on IBRD loans, IDA also applies the treatment described in **Box 3**. As of June 30, 2012, IDA had $123,576 million of development credits of which credits in non-accrual status represent 2.8% of total development credits outstanding. For a summary of countries with development credits or guarantees in nonaccrual status at June 30, 2012, see Notes to Financial Statements–Note E–Development Credits and Other Exposures.

Commercial Credit Risk

In the normal course of its business, IDA utilizes various derivatives and foreign exchange financial transactions to manage its exposure to fluctuations in interest and currency rates. Derivative and foreign exchange transactions also involve credit risk. The effective management of credit risk is vital to the success of IDA's investment and asset/liability management activities. The monitoring and managing of these risks is a continuous process due to changing market environments.

IDA mitigates the counterparty credit risk arising from investments, derivatives and asset/liability management activities through its credit approval process and monitoring procedures. The credit approval process involves evaluating counterparty creditworthiness, assigning credit limits and determining the risk profile of specific transactions. Credit limits are calculated and monitored on the basis of potential exposures taking into consideration current market values and estimates of potential future movements in those values, and collateral agreements with counterparties. If there is a collateral agreement with the counterparty to reduce credit risk, then the amount of collateral obtained is based on the credit rating of the counterparty.

Box 3: Treatment of Overdue Payments

Overdue by 30 days	Where the borrower is the member country, no new development credits or grants to the member country, or to any other borrower in the country, will be presented to the Executive Directors for approval; nor will any previously approved credits or grants be signed, until payments for all amounts 30 days overdue or longer have been received. Where the borrower is not the member country, no new credits or grants to that borrower will be signed or approved.
Overdue by 45 days	In addition to the provisions cited above for payments overdue by 30 days, to avoid proceeding further on the notification process leading to suspension of disbursements, the country as borrower or guarantor and all borrowers in the country must pay not only all payments overdue by 30 days or more, but also all payments due regardless of the number of days since they have fallen due. Where the borrower is not the member country, no new development credits or grants to, or guaranteed by, the member country, will be signed or approved.
Overdue by 60 days	In addition to the suspension of approval for new development credits or grants and signing of previously approved credits or grants, disbursements on all grants or credits to or guaranteed by the member country are suspended until all overdue amounts have been paid. This policy applies even when the borrower is not the member country. Under exceptional circumstances, disbursements could be made to a member country upon approval by the Executive Directors.
Overdue by more than six months	All development credits made to or guaranteed by a member of IDA are placed in nonaccrual status, unless IDA determines that the overdue amount will be collected in the immediate future. Unpaid service charges and other charges not yet paid on development credits outstanding are deducted from the income of the current period. To the extent that these payments are received, they are included in income. At the time of arrears clearance, a decision is made on the restoration of accrual status on a case-by-case basis; in certain cases that decision may be deferred until after a suitable period of payment performance has passed.

For derivative products, IDA uses the estimated replacement cost of the derivative as the measure of credit exposure. While the contractual principal amount of derivatives is the most commonly used volume measure in the derivative markets, it is not a measure of credit or market risk.

For all securities, IDA limits trading to a list of authorized dealers and counterparties. With the exception of transactions with IBRD, credit risk is managed through application of eligibility criteria, (see **Box 4**) volume limits and through the use of mark-to-market collateral arrangements for swap transactions.

Under the mark-to-market collateral arrangements, when IDA is in a net receivable position higher than the agreed upon collateral threshold, counterparties are required to post collateral with IDA. Collateral posted is in the form of certain approved highly liquid investment securities or cash.

As of June 30, 2012 and 2011, the outstanding swap transactions with counterparties other than IBRD, did not exceed the threshold amount for either requiring counterparties to post collateral with IDA, or for IDA to post collateral with counterparties.

IDA's commercial credit risk is concentrated in investments in debt instruments issued by sovereign governments, agencies, banks and corporate entities. The majority of these investments are in AAA and AA rated instruments (see **Table 9**).

With respect to futures and options, IDA generally closes out most open positions prior to expiration. Futures are settled on a daily basis.

For the contractual value, notional amounts and related credit risk exposure amounts by instrument see the Notes to Financial Statements-Note D-Derivative Instruments.

Table 9 provides details of IDA's estimated credit exposure on its investments by counterparty rating category.

Market Risk

IDA faces risks which result from market movements, primarily changes in currency exchange rates and interest rates. The manner in which these market risks impact IDA's finances and the steps taken by IDA to counter them are described below.

Box 4: Eligibility Criteria for IDA's Investment Securities

Instrument Securities	*Description*
Sovereigns	IDA may only invest in obligations issued or unconditionally guaranteed by governments of member countries with a minimum credit rating of AA-. However, if government obligations are denominated in the national currency of the issuer, no rating is required.
Agencies	IDA may only invest in obligations issued by an agency or instrumentality of a government of a member country, a multilateral organization or any other official entity other than the government of a member country, with a minimum credit rating of AA-.
Corporates and asset-backed securities (ABS)	IDA may only invest in securities with an AAA credit rating.
Time deposits[a]	IDA may only invest in time deposits issued or guaranteed by financial institutions, whose senior debt securities are rated at least A-.

a. Time deposits include certificates of deposit, bankers' acceptances and other obligations issued or unconditionally guaranteed by banks or other financial institutions

Table 9: Commercial Credit Exposure, Net of Collateral Held, by Counterparty Rating

In millions of U.S. dollars

	At June 30, 2012				*At June 30, 2011*	
Counterparty Rating	*Sovereigns*	*Agencies, ABS, Swaps,Corporate and Time Deposits*	*Total*	*% of Total*	*Total*	*% of Total*
AAA	$18,233	$3,259	$21,492	70	$17,849	59
AA	3,507	3,379	6,886	22	8,963	30
A	–	2,173	2,173	7	3,235	11
BB or below	–	81	81	*	14	*
Total	$21,740	$8,892	$30,632	100	$30,061	100

** Denotes less than 0.5%.*

Of IDA's total commercial credit exposure, net of any collateral held of $30,632 million as of June 30, 2012, $10,768 million (35%) relates to countries in the Euro Zone, of which $9,877 million (92%) is rated AA or above, and none are rated below A+.

Currency Exchange Rate Risk

IDA faces currency exchange rate risk exposure as a result of the currency mismatch between its commitments for development credits and grants, which are denominated in **SDR**s; donor contributions, which are typically denominated in national currencies; and the portion of IDA's internal resources and expenditures that is denominated in U.S. dollars.

IDA uses currency forward contracts to convert donors' **encashments** provided in national currencies into the four currencies of the **SDR** basket. These transactions are intermediated by IBRD for efficiency purposes.

Under this arrangement, IDA enters into foreign exchange forwards with IBRD, and IBRD simultaneously enters into off-setting foreign exchange forwards with market counterparts. For further details, see Notes to Financial Statements–Note D–Derivative Instruments.

IDA mitigates the currency exchange rate risk by aligning the currency composition of its liquid asset portfolio and the hedges of its non-**SDR** cash flows with the **SDR** composition.

Interest Rate Risk

IDA funds a portion of its development credits and grants with internal resources, including income on its investment portfolio. IDA's liquid assets are invested in separate tranches each with its own set of **duration** benchmarks. Changes in interest rates have a direct impact on the mark-to-market values of the investment portfolio and hence on the investment income reported by IDA. Further details of the three tranches which comprise IDA's investment portfolio are discussed in ***Section 5: Investment Portfolio Management.***

Additional Risks Associated with Donor Resources

Delays in the timing of **encashment** affect IDA's liquidity. If **encashment** delays occur, IDA may agree with the donor on a revised **encashment** schedule that yields at least an equivalent value. Another risk is the potential for delays in declaring effectiveness of a **replenishment** due to a delay in receipt of **IoCs**. It is only upon the effectiveness of a **replenishment** that donor contributions become payable to IDA.

SECTION 7: REPORTED BASIS RESULTS

Under the reported basis, IDA's Statement of Income does not reflect the true economic results of IDA due to of a number of asymmetries as discussed below.

Development grants: Development grants are recorded as charges to net income under U.S. GAAP. In contrast, the significant inflows of resources from IDA's donors, which fund these expenses, are recorded as equity through members' subscriptions and contributions and therefore do not flow through the income statement.

Currency forward contracts: As part of its currency risk management strategy, IDA uses currency forward contracts at the start of each replenishment to hedge its exposure to potential changes in the value of donor contributions. The translation adjustment on the non-functional currency forward contracts, together with the related unrealized mark-to-market gains/losses, are reported in the income statement. However, the economic offset represented by the change in value of the related donor pledges are not reported in the Statement of Income, since donor pledges do not meet the definition of assets.

Investment Income: Tranche 1 of the investment portfolio is managed under an immunization strategy, whereby its duration is aligned with the average duration of the future net cash outflows. Accordingly, this tranche has a long duration of between 4 and 6 years and is sensitive to interest rate movements. An asymmetry arises due to the fact that the significant unrealized mark-to-market gains or losses on this tranche are reported in the Statement of Income, however, the economic offset, represented by the change in the present value of the associated future net cash outflows is not reported in IDA's financial statements.

Administrative expenses: IDA's administrative expenses are expected to be covered by both charge income and the donor compensation for forgone charges on cancelled credits under the HIPC Debt Initiative and MDRI, and for development grants provided. Under the reported basis, IDA's administrative expense net of related other income is included in the Statement of Income. However, the net amount is only partially covered by the charge income, with the additional contributions for forgone charges recorded as equity.

The asymmetries relating to development grants, administrative expenses, and the translation adjustment on currency hedges, have been addressed in the Statement of Activities as discussed in ***Section 1: Introduction and Overview of Financial Results.***

Condensed Statement of Income Analysis

Table 10: Condensed Statement of Income provides a comparison of the main sources of income and expenses between FY 2012 and FY 2011. The net loss of $210 million in FY 2012 is $2,122 million lower than the net loss of $2,332 million in FY 2011. The primary factors contributing to the improvement in the net results are as follows:

Investment income, net: The $701 million increase was primarily driven by the significant unrealized mark-to-market gains associated with the downward shift in the yield curves of the major currencies. In contrast, IDA experienced unrealized mark-to-market losses in FY 2011 due to the steepening of the applicable yield curves. IDA's investment portfolio is sensitive to interest rate movements as a result of having a longer duration to help it immunize interest rate risk. The duration of the portfolio was approximately 3 years as of June 30, 2012.

Translation adjustment gains on the non-functional currencies: The $424 million of translation adjustment gains on the non-functional currency liabilities were due to the depreciation of the majority of the non-functional currencies against the U.S. dollar in FY 2012. In contrast, the significant appreciation of these currencies against the U.S. dollar in FY 2011 resulted in $455 million of translation adjustment losses. These liabilities arise out of the payable leg of currency forwards used to hedge the **SDR** value of future donor commitments.

Development grants: The $731 million lower in development grant approvals was primarily accounted for by the Africa and South Asia regions, combined, which constituted 78% of the total development grant approvals in FY 2012.

Fair value adjustment on non-trading portfolios: The positive fair value adjustment of $39 million in FY 2012 was primarily due to the effect of the downward shift in the euro yield curve on the currency forward contracts used to hedge donor commitments of IDA16 and prior replenishments. In contrast, in FY 2011, the net negative fair value adjustment of $101 million was primarily due to the steepening of the euro yield curve on these currency forward contracts.

Administrative expenses, net: The decrease of $78 million was primarily due to lower pension costs. For a breakdown of IDA's administrative expenses for the last three years see **Table 11: Net Administrative Expenses.**

Table 10: Condensed Statement of Income for the fiscal years ended June 30, 2012 and June 30, 2011

Expressed in millions of U.S. dollars

	FY 2012	*FY 2011*	*Variance*
Income			
Income from development credits and guarantees	$ 914	$ 897	$ 17
Investment income, net	1,006	305	701
Transfers and grants from affiliated organizations and trust funds	858	991	(133)
Other income	518	482	36
Expenses			
Administrative expenses	(1,674)	(1,716)	42
Development grants	(2,062)	(2,793)	731
Provision for debt relief and losses on credits and other exposures, net	(66)	44	(110)
Other expenses	(2)	(2)	–
Effect of exchange rate changes on non functional currencies	424	(455)	879
Net unrealized losses on non-trading derivatives	39	(101)	140
Discount on prepaid development credits	(113)	–	(113)
Write-off on buydown of development credits	(45)	–	(45)
Project preparation advances (PPA) grants	(7)	16	(23)
Net Loss	$ (210)	$(2,332)	$ 2,122

Table 11: Net Administrative Expenses for the fiscal years ended June 30, 2012 and June 30, 2011

Expressed in millions of U.S. dollars

	FY 2012	*FY 2011*	*Variance*
Administrative expenses			
Staff costs	$ 750	$ 752	$ (2)
Operational travel	163	151	12
Consultant fees	274	263	11
Pension and other post-retirement benefits	174	241	(67)
Communications and IT	46	44	2
Contractual services	127	125	2
Equipment and buildings	117	124	(7)
Other expenses	23	16	7
Total administrative expenses	1,674	1,716	(42)
Service fee revenues	(191)	(173)	(18)
Revenue related to IDA Executed Trust Funds	(309)	(289)	(20)
Restricted income	(18)	(20)	2
Total Net Administrative Expenses	$1,156	$1,234	$(78)

Condensed Balance Sheet Analysis

Variances between June 30, 2012 and June 30, 2011 balances in IDA's condensed balance sheet are discussed in ***Section 1: Introduction and Overview of Financial Results.***

SECTION 8: CRITICAL ACCOUNTING POLICIES AND THE USE OF ESTIMATES

Note A of IDA's financial statements contains a summary of IDA's significant accounting policies. These policies, as well as significant estimates made by management, are integral to the presentation of IDA's financial position. While all of these policies require a certain level of management judgment and estimates, this section discusses the significant accounting policies that require management to make judgments that are difficult, complex or subjective and relate to matters that are inherently uncertain.

Fair Value of Financial Instruments

All fair value adjustments are recognized through the income statement. The fair values of financial instruments are based on a three level hierarchy.

For financial instruments classified as Level 1 and 2, inputs are based on observable market data and less judgment is applied in arriving at a fair value measurement. For financial instruments classified as Level 3, significant unobservable inputs are used. These inputs require management to make significant assumptions and judgments in arriving at a fair value measurement.

In instances where management relies on instrument valuations supplied by external pricing vendors, there are procedures in place to validate the appropriateness of the models used as well as the inputs applied in determining those values.

The majority of IDA's financial instruments are classified as Level 1 and Level 2, as the inputs are

based on observable market data and less judgment is applied in arriving at fair value measures.

On a quarterly basis, the methodology, inputs and assumptions are reviewed to assess the appropriateness of the fair value hierarchy classification of each financial instrument. All the financial models used for input to IDA's financial statements are subject to both internal and periodic external verification and review by qualified personnel.

Provision for HIPC Debt Initiative and MDRI

The adequacy of the accumulated provision for the HIPC Debt Initiative and MDRI is based on both quantitative and qualitative analyses of various factors, including estimates of **Decision** and **Completion Point** dates. IDA periodically reviews these factors and reassesses the adequacy of the accumulated provision for the HIPC Debt Initiative and MDRI. Adjustments to the accumulated provision are recorded as a charge against or addition to income.

Provision for Losses on Development Credits and Other Exposures

IDA's accumulated provision for losses on credits and other exposures reflects the probable losses inherent in its nonaccrual and accrual portfolios after taking into consideration the expected relief under the HIPC Debt Initiative and MDRI. The provision required is a function of the expected default frequency and the assumed severity of the loss given default for each of the borrowers.

The expected default frequency is based on the borrower's assigned risk rating. The determination of a borrower's risk rating is based on a quantitative framework which relies primarily on considerations of political risk, external debt and liquidity, fiscal policy and public debt burden, balance of payments risks, economic structure and growth prospects, monetary and exchange rate policy, financial sector risks and corporate sector debt and other vulnerabilities. IDA periodically reassesses the adequacy of the accumulated provision for losses on credits and other exposures accordingly. Adjustments to the accumulated provision are recorded as a charge against or addition to income. Actual losses may differ from expected losses due to unforeseen changes in any of the factors that affect borrowers' creditworthiness.

Additional information on IDA's provisioning policy and the status of nonaccrual loans can be found in the Notes to Financial Statements-Note A-Summary of Significant Accounting and Related Policies and Note E-Development Credits and Other Exposures.

SECTION 9: GOVERNANCE AND CONTROLS

General Governance

IDA's decision-making structure consists of the Board of Governors, Executive Directors (the Board) and the President and staff. The Board of Governors is the highest decision-making authority. Governors are appointed by their member governments for a five-year term which is renewable. The Board of Governors may delegate authority to the Board to exercise any of its powers, with the exception of certain powers enumerated in IDA's Articles of Agreement (Article VI, Section 2(c)).

The Board is responsible for IDA's general operations. It reviews and approves IDA's financial policies and practices, including:

- financial products and programs, such as the terms and conditions of development credits, grants and guarantees, and the provision and modalities of debt relief; and
- financial management policies, such as investment authority and policy, the method of apportioning administrative expenses between IDA and IBRD, and the use of IDA's internal resources.

Board Membership

In accordance with its Articles of Agreement, members of the Board are appointed or elected every two years by their member governments. Currently the Board is composed of 25 Executive Directors. These Executive Directors are neither officers nor staff of IDA. The President is the only member of the Board from management, serving as a non-voting member and as Chairman of the Board. The Executive Directors have established several committees including:

- Audit Committee
- Budget Committee
- Committee on Development Effectiveness
- Committee on Governance and Executive Directors' Administrative Matters
- Ethics Committee
- Human Resources Committee

The Board and its committees function in continuous session at the principal offices of IDA, as business requires. Each committee's terms of reference establishes its respective roles and responsibilities.

As committees do not vote on issues, their role is primarily to serve the Board in discharging its responsibilities.

The Board is required to consider proposals made by the President on IDA's development credits, grants and guarantees, and other policies that impact IDA's general operations. The Board is also responsible for presenting to the Board of Governors, at the Annual Meetings, audited accounts, an administrative budget, and an annual report on operations and policies as well as other matters.

Senior Management Changes

On August 15, 2011, Ngozi Okonjo-Iweala retired as Managing Director of IDA.

On September 19, 2011, Caroline Anstey was appointed as Managing Director of IDA.

On June 30, 2012, Robert B Zoellick retired as the President of IDA.

Effective July 1, 2012, Jim Yong Kim became the President of IDA.

Following the decision by Vincenzo La Via to retire as Chief Financial Officer (CFO) of IDA, Charles McDonough was appointed as acting CFO effective March 28, 2012. A global search for a new CFO is in progress.

Audit Committee

Membership

The Audit Committee consists of eight members drawn from the Board. Membership on the Audit Committee is determined by the Board, based upon nominations by the Chairman of the Board, following informal consultation with the Executive Directors. In addition, membership of the Audit Committee is expected to reflect the economic and geographic diversity of IDA's member countries and a balanced representation between recipient and non-recipient member countries. Generally, Audit Committee members are appointed for a two year term; reappointment to a second term, when possible, is desirable for continuity. Audit Committee meetings are generally open to any member of the Board who may wish to attend, and non-Audit Committee members of the Board may participate in the discussion. In addition, the Chairman of the Audit Committee may speak in that capacity at meetings of the Board, with respect to discussions held in the Audit Committee.

Key Responsibilities

The Audit Committee is appointed by the Board to assist it in the oversight and assessment of IDA's finances and accounting, including the effectiveness of financial policies, the integrity of financial statements, the system of internal controls regarding finance, accounting and ethics (including fraud and corruption), and financial and operational risks. The Audit Committee also has the responsibility for reviewing the performance and recommending to the Board the appointment of the external auditor, as well as monitoring the independence of the external auditor. The Audit Committee participates in oversight of the internal audit function and reviews the annual internal audit plan. In the execution of its role, the Audit Committee discusses with management, the external auditors, and the internal auditors, financial issues and policies which have a bearing on IDA's financial position. The Audit Committee also reviews with the external auditor IDA's annual financial statements prior to their publication and recommends them for approval to the Board. The Audit Committee monitors the evolution of developments in corporate governance and the role of audit committees on an ongoing basis and updated its terms of reference in July 2009.

Executive Sessions

Members of the Audit Committee may convene in executive session at any time, without management present. Under the Audit Committee's terms of reference, it meets separately in executive session with the external and internal auditors.

Access to Resources and to Management

Throughout the year, the Audit Committee receives a large volume of information, which supports the preparation of the financial statements. The Audit Committee meets both formally and informally throughout the year to discuss financial and accounting matters. Executive Directors have complete access to management. The Audit Committee reviews and discusses with management topics contemplated in their terms of reference.

The Audit Committee has the capacity, under exceptional circumstances, to obtain advice and assistance from outside legal, accounting or other advisors as deemed appropriate.

Business Conduct

The **World Bank** promotes a positive work environment where staff members understand their ethical obligations to the institution, which are embodied in its Core Values and Principles of Staff Employment. In support of this commitment, the institution has in place a Code of Conduct, entitled *Living our Values* (the Code). The Code applies to all staff worldwide and is available on the **World Bank's** website, www.worldbank.org. Staff, including consultants, are required to complete an acknowledgment that they will abide by the tenets of the Code.

The business conduct obligations of staff are articulated in the Staff Manual (Principles of Staff Employment, Staff Rules), Administrative Manual and other guidelines. The Principles and Staff Rules require that all staff avoid or properly manage conflicts of interest. In accordance with the Staff Rules, senior managers must complete a confidential financial disclosure instrument with the Office of Ethics and Business Conduct.

In addition to the Code, Staff and Administrative Manuals, guidance for staff is also provided through programs, training materials, and other resources. Managers are responsible for ensuring that internal systems, policies, and procedures are consistently aligned with the **World Bank's** business conduct framework.

The **World Bank** has both an Ethics Help Line and a Fraud and Corruption hotline. A third-party service offers numerous methods of worldwide communication. Other reporting channels include: phone, mail, email or through the units' respective websites. Callers may also visit the offices in person.

IDA has in place procedures for the receipt, retention and handling of recommendations and concerns relating to business conduct identified during accounting, internal control and auditing processes.

The **World Bank's** Staff Rules clarify and codify the obligations of staff in reporting suspected fraud, corruption or other misconduct that may threaten its operations or governance. Additionally, these rules offer protection from retaliation.

Auditor Independence

The appointment of the external auditor for IDA is governed by a set of Board-approved principles. Key features of these principles include:

- Prohibition of the external auditor from the provision of all non audit-related services.
- All audit-related services must be pre-approved on a case-by-case basis by the Board, upon recommendation of the Audit Committee.
- Mandatory rebidding of the external audit contract every five years, with a limitation of two consecutive terms and mandatory rotation thereafter.

External auditors are appointed to a five year term of service. This is subject to annual reappointment based on the recommendation of the Audit Committee and approval of a resolution by the Executive Directors.

Communication between the external auditor and the Audit Committee is ongoing, as frequently as deemed necessary by either party. The Audit Committee meets periodically with the external auditor and individual members of the Audit Committee have independent access to the external auditor. IDA's external auditors follow the communication requirements with audit committees set out under U.S. generally accepted auditing and attestation standards and International Standards on Auditing.

Internal Controls

Internal Control over Financial Reporting

Management makes an annual assertion that, as of June 30 of each fiscal year, its system of internal control over its external financial reporting has met the criteria for effective internal control over external financial reporting as described in the Internal Control-Integrated Framework issued by **The Committee of Sponsoring Organizations of the Treadway Commission (COSO)**. Concurrently, IDA's external auditor provides an attestation report that management's assertion regarding the effectiveness of internal control over external financial reporting is fairly stated in all material respects.

For each fiscal year, Management performs an evaluation of internal control over external financial reporting for the purpose of determining if there were any changes made in internal control during the fiscal year covered by this report that materially affected, or would be reasonably likely to materially affect IDA's internal control over external financial reporting. As of June 30, 2012, no such changes had occurred.

GLOSSARY OF TERMS

Asset-Backed Securities (ABS): Asset-Backed Securities are instruments whose cash flows are based on a pool of underlying assets managed by a trust. Mortgage-backed securities are a type of ABS whose cash flows are based on the repayments of the mortgages.

Blend Borrower: IDA Member that is eligible to borrow from IDA on the basis of per capita income and is also eligible to borrow from IBRD on the basis of limited creditworthiness. Given the access to both sources of funds, blend borrowers are expected to limit IDA funding to social sector projects and to use IBRD resources for projects in the 'harder' sectors.

Commitment Authority: Total value of resources available during a particular **replenishment** including donor contributions, internal resources, IBRD transfers, IFC grants and other resources. The Commitment Authority level is monitored periodically to ensure that funding is available to meet commitments and to provide early warning signs of any problems in terms of resource availability.

Completion Point: When conditions specified in the legal notification sent to a country are met and the country's other creditors have confirmed their full participation in the HIPC debt relief initiative. When a country reaches its Completion Point, IDA's commitment to provide the total debt relief for which the country is eligible, becomes irrevocable.

Committee of Sponsoring Organizations of the Treadway Commission (COSO): Committee of Sponsoring Organizations of the Treadway Commission. COSO was formed in 1985 to sponsor the National Commission on Fraudulent Financial Reporting, an independent private-sector initiative which studied the causal factors that can lead to fraudulent financial reporting. In 1992, COSO issued its Internal Control-Integrated Framework, which provided a common definition of internal control and guidance on judging its effectiveness.

Decision Point: Decision by the Executive Directors of IDA to provide debt relief under the HIPC Initiative.

Deputies: Representatives of countries who contribute to the resources of IDA. They include representatives from both **Part I members** and those **Part II members** who contribute to IDA's replenishments.

Development Committee: The Development Committee is a forum of the World Bank and the International Monetary Fund that facilitates intergovernmental consensus building on development issues.

Duration: Duration provides an indication of the interest rate sensitivity of a fixed income security to changes in its underlying yield.

Encashment: Draw down (payment in cash) of a promissory note in accordance with a schedule agreed for each replenishment.

Graduate Member: A member country that was once only eligible to borrow from IDA, however due to improvements in the member's economic results is no longer eligible to borrow from IDA, and is deemed to have "graduated" to IBRD.

Hedging: Hedging is a risk management technique of entering into offsetting commitments to eliminate or minimize the impact of adverse movements in value or cash flow of the underlying instrument or economic condition.

Instrument of Commitment (IoC): The instrument through which a government commits to make a subscription or a subscription and contribution to IDA's resources.

Membership votes*:* Voting rights accorded to IDA members are based on participation in the initial subscription and subsequent replenishments. All members whether they are **Part I** or **Part II** have the same number of membership votes.

Net Disbursements: Credit disbursements net of repayments and prepayments.

Part I and Part II Members: IDA's Articles distinguish between two categories of original members - Part I and Part II - and provide for a different treatment of the initial subscription payments by each group. Part I members were originally those countries, generally developed countries that contribute to the resources of IDA, whose economic and financial situation justified making the entire amount of their subscriptions available on a freely convertible basis. Part II members are mostly developing countries who subscribe to IDA replenishments for **voting rights**. Some Part II members also contribute to the resources of IDA.

Replenishment: The process of periodic review of the adequacy of IDA resources and authorization of additional subscriptions**.** Under IDA's Articles, replenishments are required to be approved by IDA's Board of Governors by a two-thirds majority of the total voting power.

Special Drawing Rights (SDR): The SDR is an international reserve asset, created by the International Monetary Fund in 1969 to supplement the existing official reserves of member countries. The SDR is defined as a basket of currencies, consisting of the euro, Japanese yen, pound sterling, and U.S. dollar. The basket composition is reviewed every five years to ensure that it reflects the relative importance of currencies in the world's trading and financial systems.

Stop-loss limits: Stop-loss limits are levels of mark-to-market losses against the benchmark, at which management will revert to passive management of the portfolio.

Subscription votes*:* Voting rights accorded to IDA members are based on subscriptions. Subscription votes are calculated at a specific cost per vote for each replenishment and are dependent on each member's subscription amount. Additional subscription votes are provided to members who contribute to the replenishment.

Voting Rights: IDA's voting rights consist of a combination of membership and subscription votes.

World Bank: Refers collectively to IBRD and IDA in this document.

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The World Bank
INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT
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Management's Report Regarding Effectiveness of Internal Control Over External Financial Reporting

August 9, 2012

The management of the International Development Association (IDA) is responsible for the preparation, integrity, and fair presentation of its published financial statements. The financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America and include amounts based on informed judgments and estimates made by management.

The financial statements have been audited by an independent audit firm, which was given unrestricted access to all financial records and related data, including minutes of all meetings of the Executive Directors and their Committees. Management believes that all representations made to the independent auditors during their audit of IDA's financial statements and attestation of its internal control over external financial reporting was valid and appropriate. The independent auditors' reports accompany the audited financial statements.

Management is responsible for establishing and maintaining effective internal control over external financial reporting for financial statement presentations in conformity with accounting principles generally accepted in the United States of America. Management maintains a comprehensive system of controls intended to ensure that transactions are executed in accordance with management's authorization, assets are safeguarded, and financial records are reliable. The system of internal control contains monitoring mechanisms, and actions are taken to correct deficiencies identified. Management believes that internal control over external financial reporting, which is subject to scrutiny by management and the internal auditors, and is revised as considered necessary, supports the integrity and reliability of the external financial statements.

There are inherent limitations in the effectiveness of any internal control, including the possibility of human error and the circumvention or overriding of controls. Accordingly, even effective internal controls can provide only reasonable assurance with respect to financial statement preparation. Further, because of changes in conditions, the effectiveness of internal controls may vary over time.

IDA assessed its internal control over external financial reporting for financial statement presentation in conformity with accounting principles generally accepted in the United States of America as of June 30, 2012. This assessment was based on the criteria for effective internal control over external financial reporting described in *Internal Control-Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based upon this assessment, management believes that IDA maintained effective internal control over external financial reporting presented in conformity with accounting principles generally accepted in the United States of America as of June 30, 2012. The independent audit firm that

audited the financial statements has issued an attestation report on management's assertion on IDA's internal control over external financial reporting.

The Executive Directors of IDA have appointed an Audit Committee responsible for monitoring the accounting practices and internal controls of IDA. The Audit Committee is comprised entirely of Executive Directors who are independent of IDA's management. The Audit Committee is responsible for recommending to the Executive Directors the selection of independent auditors. It meets periodically with management, the independent auditors, and the internal auditors to ensure that they are carrying out their responsibilities. The Audit Committee is responsible for performing an oversight role by reviewing and monitoring the financial, accounting and auditing procedures of IDA in addition to reviewing IDA's financial reports. The independent auditors and the internal auditors have full and free access to the Audit Committee, with or without the presence of management, to discuss the adequacy of internal control over external financial reporting and any other matters which they believe should be brought to the attention of the Audit Committee.

Jim Yong Kim
President

Charles A. McDonough
Acting Chief Financial Officer and Vice President and Controller

INDEPENDENT AUDITORS' REPORT ON MANAGEMENT'S ASSERTION REGARDING EFFECTIVENESS OF INTERNAL CONTROL OVER FINANCIAL REPORTING

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

Independent Auditors' Report

President and Board of Executive Directors
International Development Association:

We have examined management's assertion, included in the accompanying *Management's Report Regarding Effectiveness of Internal Control Over External Financial Reporting*, that the International Development Association (IDA) maintained effective internal control over financial reporting as of June 30, 2012, based on criteria established in *Internal Control – Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). IDA's management 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 Report Regarding Effectiveness of Internal Control Over External Financial Reporting*. 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. 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 accounting principles generally accepted in the United States of America. 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 accounting principles generally accepted in the United States of America, 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 financial statements.

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

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

We also have audited, in accordance with auditing standards generally accepted in the United States of America and International Standards on Auditing, the accompanying balance sheet of IDA as of June 30, 2012 and 2011, including the summary statement of development credits and the statement of voting power and subscriptions and contributions as of June 30, 2012, and the related statements of income, comprehensive income, changes in accumulated deficit and cash flows for each of the fiscal years in the three-year period ended June 30, 2012, and our report dated August 9, 2012 expressed an unqualified opinion on those financial statements.

KPMG LLP

August 9, 2012

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

Independent Auditors' Report

President and Board of Executive Directors
International Development Association:

We have audited the accompanying balance sheet of the International Development Association (IDA) as of June 30, 2012 and 2011, including the summary statement of development credits and the statement of voting power and subscriptions and contributions as of June 30, 2012, and the related statements of income, comprehensive income, changes in accumulated deficit and cash flows for each of the fiscal years in the three-year period ended June 30, 2012. These financial statements are the responsibility of IDA's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of IDA as of June 30, 2012 and 2011, and the results of its operations and its cash flows for each of the fiscal years in the three-year period ended June 30, 2012 in conformity with accounting principles generally accepted in the United States of America.

We also have examined, in accordance with attestation standards established by the American Institute of Certified Public Accountants, management's assertion, included in the accompanying *Management's Report Regarding Effectiveness of Internal Control Over External Financial Reporting*, that IDA maintained effective internal control over financial reporting as of June 30, 2012, based on criteria established in *Internal Control – Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO), and our report dated August 9, 2012 expressed an unqualified opinion on management's assertion.

KPMG LLP

August 9, 2012

BALANCE SHEET

June 30, 2012 and June 30, 2011

Expressed in millions of U.S. dollars

	2012	*2011*
Assets		
Due from Banks		
Unrestricted currencies	$ 78	$ 20
Currencies subject to restrictions	28	30
	106	50
Investments—Trading (including securities transferred under repurchase or securities lending agreements of $2,691 million-June 30, 2012; $4,375 million-June 30, 2011)—Note C	30,424	29,818
Securities Purchased Under Resale Agreements—Note C	441	-
Derivative Assets		
Investments—*Notes C and D*	1,905	304
Asset-liability management—*Notes D and F*	7,327	9,886
	9,232	10,190
Receivable from Affiliated Organization—Note F	1,006	999
Other Receivables		
Receivable from investment securities traded—*Note C*	1,255	2,355
Accrued service and commitment charges	236	259
	1,491	2,614
Development Credits Outstanding (Summary Statement of Development Credits, and Note E)		
Development credits	160,720	163,346
Less: Undisbursed balance	37,144	38,059
Development credits outstanding	123,576	125,287
Less: Accumulated provision for debt relief and losses on development credits	6,723	6,947
Plus: Deferred development credits origination costs	27	28
Net development credits outstanding	116,880	118,368
Other Assets—Notes A and G	448	505
Total Assets	$160,028	$162,544

	2012	2011
Liabilities		
Securities Sold Under Repurchase Agreements, Securities Lent under Securities Lending Agreements, and Payable for Cash Collateral Received—Note C	$ 3,824	$ 6,013
Derivative Liabilities		
Investments—*Notes C and D*	1,898	309
Asset-liability management—*Notes D and F*	7,714	9,893
	9,612	10,202
Payable for Development Grants—Note H	6,161	6,830
Payable to Affiliated Organization—Note F	375	370
Other Liabilities		
Payable for investment securities purchased—*Note C*	2,024	1,285
Accounts payable and miscellaneous liabilities—*Notes A, E and G*	486	1,428
	2,510	2,713
Total Liabilities	22,482	26,128
Equity		
Members' Subscriptions and Contributions (Statement of Voting Power and Subscriptions and Contributions, and Note B)		
Unrestricted	224,412	204,014
Restricted	320	318
Subscriptions and Contributions committed	224,732	204,332
Less:		
Subscriptions and Contributions receivable	46,571	34,510
Cumulative discounts on Subscriptions and Contributions	2,574	2,212
Subscriptions and Contributions paid-in	175,587	167,610
Nonnegotiable, Noninterest-bearing Demand Obligations on Account of Members' Subscriptions and Contributions		
Unrestricted	(8,627)	(9,610)
Restricted	(51)	(53)
	(8,678)	(9,663)
Deferred Amounts to Maintain Value of Currency Holdings	(234)	(229)
Accumulated Deficit (Statement of Changes in Accumulated Deficit)	(39,306)	(39,096)
Accumulated Other Comprehensive Income—Note I	10,177	17,794
Total Equity	137,546	136,416
Total Liabilities and Equity	$160,028	$162,544

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

STATEMENT OF INCOME

For the fiscal years ended June 30, 2012, June 30, 2011 and June 30, 2010

Expressed in millions of U.S. dollars

	2012	*2011*	*2010*
Income			
Development credits and guarantees—Note E			
Service and interest charges	$ 912	$ 895	$ 835
Guarantee fee income	2	2	2
	914	897	837
Investments—Trading, net—Notes C and D	1,013	320	921
Transfers and grants from affiliated organizations and trust funds—Notes F and G	858	991	990
Other income—Notes A, F and G	518	482	435
Total Income	3,303	2,690	3,183
Expenses			
Administrative expenses—Notes A, F, G and J	1,674	1,716	1,585
Development grants—Note H	2,062	2,793	2,583
Interest expense on securities sold under repurchase agreements	7	15	11
Provision for debt relief and for losses on development credits and other exposures, net—charge (release)—Note E	66	(44)	(90)
Non-functional currency translation adjustment (gains) losses, net	(424)	455	167
Discount on prepaid development credits—Note E	113	–	–
Write-off on buydown of development credits—Note E	45	–	–
Fair value adjustment on non-trading portfolios, net—Note D	(39)	101	3
Project Preparation Advances (PPA) grants	7	(16)	-
Other expenses	2	2	1
Total Expenses	3,513	5,022	4,260
Net Loss	$ (210)	$(2,332)	$(1,077)

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

STATEMENT OF COMPREHENSIVE INCOME

For the fiscal years ended June 30, 2012, June 30, 2011 and June 30, 2010

Expressed in millions of U.S. dollars

	2012	*2011*	*2010*
Net Loss	$ (210)	$(2,332)	$(1,077)
Other Comprehensive (Loss) Income—Note I			
Currency translation adjustments on functional currencies	(7,617)	9,935	(5,924)
Comprehensive (Loss) Income	$(7,827)	$ 7,603	$(7,001)

STATEMENT OF CHANGES IN ACCUMULATED DEFICIT

For the fiscal years ended June 30, 2012, June 30, 2011 and June 30, 2010

Expressed in millions of U.S. dollars

	2012	*2011*	*2010*
Accumulated Deficit at beginning of the fiscal year	$(39,096)	$(36,764)	$(35,687)
Net loss for the year	(210)	(2,332)	(1,077)
Accumulated Deficit at end of the fiscal year	$(39,306)	$(39,096)	$(36,764)

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

STATEMENT OF CASH FLOWS

For the fiscal years ended June 30, 2012, June 30, 2011 and June 30, 2010
Expressed in millions of U.S. dollars

	2012	2011	2010
Cash flows from investing activities			
Development credits			
Disbursements	$(8,650)	$(8,021)	$(9,336)
Principal repayments	3,041	2,501	2,349
Proceeds from buydown of development credits	42	–	–
Net cash used in investing activities	(5,567)	(5,520)	(6,987)
Cash flows from financing activities			
Members' subscriptions and contributions	8,958	7,580	8,730
Cash flows from operating activities			
Net loss	(210)	(2,332)	(1,077)
Adjustments to reconcile net loss to net cash used in operating activities			
Provision for debt relief and for losses on development credits and other exposures, net—charge (release)	66	(44)	(90)
Non-functional currency translation adjustment (gains) losses, net	(424)	455	167
Discount on prepaid development credits	113	–	–
Write-off on buydown of development credits	45	–	–
Fair value adjustment on non-trading portfolios, net	(39)	101	3
PPA grants/Development credits origination costs	9	(14)	–
Changes in:			
Investments—Trading	(1,964)	(1,245)	(778)
Net investment securities traded/purchased	1,826	(1,139)	(1,073)
Net derivatives—Investments	95	(59)	(10)
Net derivatives—Asset/liability management	(71)	(90)	(104)
Net securities purchased/sold under resale/repurchase agreements and payable for cash collateral received	(2,495)	834	548
Net receivable from affiliated organizations	(4)	103	62
Payable for development grants	(336)	532	444
Accrued service and commitment charges	8	(32)	12
Other assets	47	(106)	(17)
Accounts payable and miscellaneous liabilities	–	969	61
Net cash used in operating activities	(3,334)	(2,067)	(1,852)
Effect of exchange rate changes on unrestricted cash	1	12	(3)
Net increase (decrease) in unrestricted cash	58	5	(112)
Unrestricted cash at beginning of the fiscal year	20	15	127
Unrestricted cash at end of the fiscal year	$ 78	$ 20	$ 15
Supplemental disclosure			
(Decrease) increase in ending balances resulting from exchange rate fluctuations:			
Development credits outstanding	$(6,175)	$ 8,772	$(5,251)
Investment portfolio	(1,128)	1,638	(939)
Derivatives - Asset/liability management	(489)	61	(533)
Principal repayments written off under Heavily Indebted Poor Countries (HIPC) Debt Initiative	(5)	(15)	(48)
Development credits written off under HIPC Debt Initiative and Multilateral Debt Relief Initiative (MDRI) upon countries reaching their Completion Points	–	(2,464)	(1,108)
Amounts received in prior year relating to current year's development credit prepayments	940	–	–
Buydown of development credits – nominal value	87	–	–

The Notes to Financial Statements are an integral part of these Statements

SUMMARY STATEMENT OF DEVELOPMENT CREDITS

June 30, 2012

Expressed in millions of U.S. dollars

Borrower or guarantor	*Total development credits*	*Undisbursed development credits* [a]	*Development credits outstanding*	*Percentage of development credits outstanding*
Afghanistan	$ 421	$ 10	$ 411	0.33%
Albania	930	72	858	0.69
Angola	781	374	407	0.33
Armenia	1,260	39	1,221	0.99
Azerbaijan	1,096	287	809	0.66
Bangladesh	13,699	2,866	10,833	8.77
Benin	701	289	412	0.33
Bhutan	148	12	136	0.11
Bolivia	712	303	409	0.33
Bosnia and Herzegovina	1,269	91	1,178	0.95
Botswana	4	–	4	*
Burkina Faso	964	102	862	0.70
Burundi	175	4	171	0.14
Cambodia	645	68	577	0.47
Cameroon	1,198	746	452	0.37
Cape Verde	325	28	297	0.24
Central African Republic	60	38	22	0.02
Chad	895	69	826	0.67
China	7,050	–	7,050	5.71
Comoros	109	–	109	0.09
Congo, Democratic Republic of	988	51	937	0.76
Congo, Republic of	143	54	89	0.07
Cote d'Ivoire	1,678	8	1,670	1.35
Djibouti	151	1	150	0.12
Dominica	29	2	27	0.02
Dominican Republic	6	–	6	0.01
Ecuador	8	–	8	0.01
Egypt, Arab Republic of	1,250	6	1,244	1.01
El Salvador	6	–	6	0.01
Equatorial Guinea	41	–	41	0.03
Eritrea	481	7	474	0.38
Ethiopia	4,531	2,003	2,528	2.05
Gambia, The	63	–	63	0.05
Georgia	1,282	85	1,197	0.97
Ghana	3,738	1,400	2,338	1.89
Grenada	78	31	47	0.04
Guinea	1,164	26	1,138	0.92
Guinea-Bissau	56	–	56	0.05
Guyana	23	13	10	0.01
Honduras	965	207	758	0.61
India	33,234	7,043	26,191	21.19
Indonesia	2,243	26	2,217	1.79
Iraq	513	343	170	0.14
Jordan	29	–	29	0.02
Kenya	5,806	2,372	3,434	2.78
Kosovo	43	37	6	0.01
Kyrgyz Republic	751	91	660	0.53
Lao People's Democratic Republic	623	1	622	0.50
Lesotho	347	32	315	0.26
Liberia	304	274	30	0.02
Macedonia, former Yugoslav Republic of	347	–	347	0.28
Madagascar	1,363	150	1,213	0.98
Malawi	706	411	295	0.24
Maldives	111	9	102	0.08
Mali	1,435	443	992	0.80

SUMMARY STATEMENT OF DEVELOPMENT CREDITS *(continued)*

June 30, 2012

Expressed in millions of U.S. dollars

Borrower or guarantor	*Total development credits*	*Undisbursed development credits* [a]	*Development credits outstanding*	*Percentage of development credits outstanding*
Mauritania	$ 428	$ 63	$ 365	0.30 %
Mauritius	6	-	6	0.01
Moldova	553	107	446	0.36
Mongolia	527	77	450	0.36
Montenegro	88	4	84	0.07
Morocco	11	–	11	0.01
Mozambique	2,510	762	1,748	1.41
Myanmar	777	–	777	0.63
Nepal	1,983	531	1,452	1.17
Nicaragua	576	92	484	0.39
Niger	696	314	382	0.31
Nigeria	7,649	3,262	4,387	3.55
Pakistan	12,894	1,957	10,937	8.85
Papua New Guinea	259	147	112	0.09
Paraguay	11	–	11	0.01
Philippines	157	–	157	0.13
Rwanda	595	193	402	0.33
Samoa	121	22	99	0.08
Sao Tome and Principe	14	–	14	0.01
Senegal	1,743	532	1,211	0.98
Serbia	733	32	701	0.57
Sierra Leone	266	45	221	0.18
Solomon Islands	39	–	39	0.03
Somalia	438	–	438	0.35
Sri Lanka	3,181	507	2,674	2.16
St. Kitts and Nevis	1	–	1	*
St. Lucia	87	24	63	0.05
St. Vincent and the Grenadines	44	22	22	0.02
Sudan	1,277	–	1,277	1.03
Swaziland	2	–	2	*
Syrian Arab Republic	14	–	14	0.01
Tajikistan	371	2	369	0.30
Tanzania	5,385	1,578	3,807	3.08
Togo	14	14	–	*
Tonga	23	-	23	0.02
Tunisia	15	-	15	0.01
Turkey	33	-	33	0.03
Uganda	3,053	1,105	1,948	1.58
Uzbekistan	517	347	170	0.14
Vanuatu	10	–	10	0.01
Vietnam	12,763	4,341	8,422	6.81
Yemen, Republic of	2,217	120	2,097	1.70
Zambia	926	390	536	0.43
Zimbabwe	505	–	505	0.41
Subtotal - Members[c]	160,490	37,114	123,376	99.84

SUMMARY STATEMENT OF DEVELOPMENT CREDITS

June 30, 2012

Expressed in millions of U.S. dollars

Borrower or guarantor	*Total development credits*	*Undisbursed development credits* [a]	*Development credits outstanding*	*Percentage of development credits outstanding*
African Trade Insurance Agency [b]	$ 11	$ –	$ 11	0.01 %
Bank of The States of Central Africa [b]	49	23	26	0.02
Caribbean Development Bank [b]	20	–	20	0.02
West African Development Bank [b]	150	7	143	0.12
Subtotal - Regional development banks	230	30	200	0.16
Total—June 30, 2012[c]	$160,720	$37,144	$123,576	100.00 %
Total—June 30, 2011	$163,346	$38,059	$125,287	

** Indicates amounts less than $0.5 million or 0.005 percent.*

NOTES

a. Of the undisbursed balance at June 30, 2012, IDA has entered into irrevocable commitments to disburse $450 million ($463 million—June 30, 2011).

b. The development credits to these regional development banks and agencies are for the benefit of members of IDA or territories of members of IDA.

c. May differ from the sum of individual figures shown due to rounding.

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

STATEMENT OF VOTING POWER AND SUBSCRIPTIONS AND CONTRIBUTIONS

June 30, 2012

Expressed in millions of U.S. dollars

Member [a]	*Number of votes*	*Percentage of total votes*	*Subscriptions and contributions committed*
Part I Members			
Australia	260,654	1.18 %	$ 4,156.05
Austria	168,527	0.77	2,458.80
Belgium	235,983	1.07	4,022.93
Canada	562,221	2.55	10,260.50
Denmark	201,655	0.92	3,357.00
Estonia	42,040	0.19	8.31
Finland	132,974	0.60	1,629.12
France	833,247	3.79	15,821.84
Germany	1,219,662	5.54	24,095.61
Greece	53,182	0.24	201.94
Iceland	52,405	0.24	59.01
Ireland	72,255	0.33	611.60
Italy	489,675	2.23	8,497.17
Japan	1,882,463	8.55	42,443.87
Kuwait	101,027	0.46	949.07
Latvia	48,584	0.22	10.47
Lithuania [b]	42,004	0.19	7.91
Luxembourg	60,707	0.28	278.78
Netherlands	400,828	1.82	8,119.16
New Zealand	63,274	0.29	321.46
Norway	218,157	0.99	3,609.80
Portugal	55,655	0.25	283.20
Russian Federation	68,902	0.31	581.63
Slovenia	50,330	0.23	37.42
South Africa	61,963	0.28	204.93
Spain	206,661	0.94	3,141.66
Sweden	420,129	1.91	7,362.58
Switzerland	238,415	1.08	3,953.60
United Arab Emirates	1,367	0.01	5.58
United Kingdom	1,215,716	5.52	25,183.12
United States	2,372,764	10.78	46,543.24
Subtotal Part I Members [c]	11,833,426	53.76%	$218,217.37
Part II Members			
Afghanistan	54,983	0.25 %	$ 1.48
Albania	45,667	0.21	0.34
Algeria	83,313	0.38	5.47
Angola	66,873	0.30	8.30
Argentina	134,439	0.61	69.78
Armenia	54,615	0.25	0.69
Azerbaijan	58,826	0.27	1.16
Bahamas, The	52,341	0.24	4.47
Bangladesh	123,773	0.56	7.79
Barbados	52,347	0.24	2.34
Belize	13,653	0.06	0.26
Benin	54,711	0.25	0.77
Bhutan	43,467	0.20	0.08
Bolivia, Plurinational State of	63,414	0.29	1.58
Bosnia and Herzegovina	51,994	0.24	2.50
Botswana	51,149	0.23	1.64
Brazil	312,509	1.42	863.94
Burkina Faso	54,710	0.25	0.78
Burundi	52,038	0.24	1.09
Cambodia	61,049	0.28	1.53
Cameroon	60,782	0.28	1.62
Cape Verde	43,840	0.20	0.13
Central African Republic	48,910	0.22	0.77
Chad	48,910	0.22	0.77
Chile	40,499	0.18	38.97
China	449,652	2.04	236.37
Colombia	92,384	0.42	24.96

Expressed in millions of U.S. dollars

Member [a]	*Number of votes*	*Percentage of total votes*	*Subscriptions and contributions committed*
Comoros	43,840	0.20 %	$ 0.13
Congo, Democratic Republic of	79,399	0.36	4.59
Congo, Republic of	48,910	0.22	0.74
Costa Rica	18,689	0.08	0.27
Côte d'Ivoire	54,982	0.25	1.52
Croatia	73,491	0.33	5.86
Cyprus	58,205	0.26	13.59
Czech Republic	98,214	0.45	106.63
Djibouti	44,816	0.20	0.26
Dominica	49,640	0.23	0.14
Dominican Republic	27,780	0.13	0.58
Ecuador	50,151	0.23	0.94
Egypt, Arab Republic of	101,470	0.46	11.28
El Salvador	46,464	0.21	0.49
Equatorial Guinea	6,167	0.03	0.41
Eritrea	43,969	0.20	0.14
Ethiopia	48,923	0.22	0.71
Fiji	19,462	0.09	0.77
Gabon	2,093	0.01	0.63
Gambia, The	51,908	0.24	0.42
Georgia	58,401	0.27	1.03
Ghana	71,336	0.32	3.09
Grenada	26,427	0.12	0.13
Guatemala	37,396	0.17	0.55
Guinea	33,987	0.15	1.31
Guinea-Bissau	44,500	0.20	0.22
Guyana	52,674	0.24	1.17
Haiti	52,038	0.24	1.11
Honduras	52,855	0.24	0.44
Hungary	151,761	0.69	121.95
India	661,909	3.01	60.92
Indonesia	203,606	0.93	16.18
Iran, Islamic Republic of	15,455	0.07	5.69
Iraq	52,038	0.24	1.04
Israel	67,473	0.31	69.38
Jordan	24,865	0.11	0.41
Kazakhstan	12,518	0.06	4.88
Kenya	72,127	0.33	2.45
Kiribati	43,592	0.20	0.10
Korea, Republic of	161,879	0.74	1,568.47
Kosovo, Republic of	48,357	0.22	0.86
Kyrgyz Republic	54,311	0.25	0.58
Lao People's Democratic Republic	48,910	0.22	0.73
Lebanon	8,562	0.04	0.56
Lesotho	44,816	0.20	0.23
Liberia	52,038	0.24	1.12
Libya	44,771	0.20	1.43
Macedonia, former Yugoslav Republic of	46,885	0.21	1.10
Madagascar	54,982	0.25	1.39
Malawi	52,038	0.24	0.99
Malaysia	73,397	0.33	5.88
Maldives	49,126	0.22	0.05
Mali	53,345	0.24	1.32
Marshall Islands	4,902	0.02	0.01
Mauritania	48,910	0.22	0.77
Mauritius	60,782	0.28	1.32
Mexico	142,236	0.65	168.26
Micronesia, Federated States of	18,424	0.08	0.03
Moldova	56,582	0.26	0.90
Mongolia	45,667	0.21	0.32
Montenegro	52,896	0.24	0.75
Morocco	98,017	0.45	5.57
Mozambique	59,370	0.27	2.05
Myanmar	76,958	0.35	2.54
Nepal	54,710	0.25	0.74
Nicaragua	46,457	0.21	0.43
Niger	48,910	0.22	0.75
Nigeria	95,536	0.43	4.74

STATEMENT OF VOTING POWER AND SUBSCRIPTIONS AND CONTRIBUTIONS

June 30, 2012

Expressed in millions of U.S. dollars

Member [a]	*Number of votes*	*Percentage of total votes*	*Subscriptions and contributions committed*
Oman	52,997	0.24 %	$ 1.41
Pakistan	194,020	0.88	14.44
Palau	3,804	0.02	0.03
Panama	10,185	0.05	0.03
Papua New Guinea	55,805	0.25	1.34
Paraguay	29,968	0.14	0.43
Peru	71,557	0.33	18.06
Philippines	113,158	0.51	18.88
Poland	432,258	1.96	98.54
Rwanda	52,038	0.24	1.13
St. Kitts and Nevis	13,778	0.06	0.17
St. Lucia	30,532	0.14	0.23
St. Vincent and the Grenadines	40,587	0.18	0.12
Samoa	43,901	0.20	0.14
São Tomé and Principe	49,519	0.23	0.12
Saudi Arabia	696,582	3.17	2,498.33
Senegal	63,143	0.29	2.57
Serbia	79,477	0.36	7.08
Sierra Leone	57,838	0.26	1.05
Singapore	22,339	0.10	109.73
Slovak Republic	73,195	0.33	24.98
Solomon Islands	43,901	0.20	0.13
Somalia	10,506	0.05	0.95
South Sudan [d]	52,447	0.24	0.58
Sri Lanka	85,236	0.39	4.33
Sudan	54,982	0.25	1.52
Swaziland	19,022	0.09	0.42
Syrian Arab Republic	11,027	0.05	1.20
Tajikistan	53,918	0.24	0.54
Tanzania	68,943	0.31	2.38
Thailand	90,945	0.41	4.85
Timor-Leste	45,123	0.21	0.44
Togo	57,838	0.26	1.18
Tonga	43,714	0.20	0.11
Trinidad and Tobago	59,184	0.27	2.00
Tunisia	2,793	0.01	1.89
Turkey	130,681	0.59	171.09
Tuvalu	504	0.00	0.02
Uganda	47,092	0.21	2.36
Ukraine	1,762	0.01	7.61
Uzbekistan	65,964	0.30	1.95
Vanuatu	50,952	0.23	0.31
Vietnam	61,168	0.28	2.24
Yemen, Republic of	68,976	0.31	2.23
Zambia	75,427	0.34	3.61
Zimbabwe	105,982	0.48	6.41
Subtotal Part II Members [c]	10,172,921	46.24 *%*	$6,514.72
Total—June 30, 2012 [c]	22,006,347	100.00 %	$224,732
Total—June 30, 2011	20,579,262	100.00 %	$204,332

* *Indicates less than 0.005 percent.*

NOTES

a. See Notes to Financial Statements—Note A for an explanation of the two categories of membership.

b.. Lithuania became a member of IDA on September 23, 2011.

c. May differ from the sum of individual figures shown due to rounding.

d. South Sudan became a member of IDA on April 18, 2012.

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

PURPOSE AND AFFILIATED ORGANIZATIONS

The International Development Association (IDA) is an international organization established in 1960. IDA's main goal is reducing poverty through promoting sustainable economic development in the less developed countries of the world that are members of IDA, by extending concessionary financing in the form of grants, development credits and guarantees, and by providing related technical assistance. The activities of IDA are complemented by those of three affiliated organizations, the International Bank for Reconstruction and Development (IBRD), the International Finance Corporation (IFC), and the Multilateral Investment Guarantee Agency (MIGA). Each of these organizations is legally and financially independent from IDA, with separate assets and liabilities, and IDA is not liable for their respective obligations. Transactions with these affiliates are disclosed in the notes that follow. The principal purpose of IBRD is to promote sustainable economic development and reduce poverty in its member countries, primarily by providing loans, guarantees and related technical assistance for specific projects and for programs of economic reform in developing member countries. IFC's purpose is to encourage the growth of productive private enterprises in its member countries through loans and equity investments in such enterprises without a member's guarantee. MIGA's purpose is to encourage the flow of investments for productive purposes between member countries and, in particular, to developing member countries by providing guarantees against noncommercial risks for foreign investment in its developing member countries.

IDA is immune from taxation pursuant to Article VIII, Section 9, *Immunities from Taxation*, of IDA's Articles of Agreement.

NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING AND RELATED POLICIES

IDA's financial statements are prepared in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP).

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of income and expenses during the reporting period. Actual results could differ from these estimates. Significant judgment has been used in the valuation of certain financial instruments and the determination of the adequacy of the accumulated provisions for debt relief and losses on development credits and other exposures (irrevocable commitments, guarantees and repaying project preparation facilities).

Certain reclassifications of the prior year's information have been made to conform with the current year's presentation. In particular, effective July 1, 2011, as part of the move toward a more integrated reporting of IDA's trust fund activities and as permitted under U.S. GAAP, certain income and the related expenses pertaining to IDA-executed trust funds are now presented on a gross basis; previously these amounts were presented on a net basis. For the fiscal years ended June 30, 2011 and June 30, 2010, the impact of this change was an increase in Other income of $289 million and $262 million, respectively, and corresponding increases in Administrative expenses. In line with the change in reporting of trust fund related expenses, IDA also changed the presentation of income and expenses jointly earned and incurred with IBRD, respectively, from a net basis to a gross basis. For the fiscal years ended June 30, 2011 and June 30, 2010, the impact of this change was an increase in Other income of $193 million and $173 million, respectively, and corresponding increases in Administrative expenses. These changes in presentation had no effect on the net loss for the fiscal years ended June 30, 2011 and June 30, 2010.

In addition, IDA now recognizes on its balance sheet all undisbursed contributions made by third party donors to IDA-executed trust funds. The impact of this change on the June 30, 2011 Balance Sheet was an increase in Other Assets of $343 million and a corresponding increase in Other Liabilities-Accounts payable and miscellaneous liabilities, but no effect on Equity or cash from operating activities.

On August 9, 2012, the Executive Directors approved these financial statements for issue, which was also the date through which IDA's management evaluated subsequent events.

Translation of Currencies

IDA's financial statements are expressed in terms of U.S. dollars for the purpose of summarizing its financial position and the results of its operations for the convenience of its members and other interested parties.

IDA conducts its operations in Special Drawing Rights (SDRs) and its component currencies of U.S. dollar, euro, Japanese yen and pound sterling. These constitute the functional currencies of IDA.

Assets and liabilities are translated at market exchange rates in effect at the end of the accounting period, except Members' Subscriptions and Contributions which are translated in the manner described below. Income and expenses are translated at either the market exchange rates in effect on the dates of income and expense recognition, or at an average of the exchange rates in effect during each month. Translation adjustments relating to the revaluation of development credits, development grants payable and all other assets and liabilities denominated in either SDR or the component currencies of SDR, are reflected in Accumulated Other Comprehensive Income. Translation adjustments relating to non-functional currencies are reported in the Statement of Income.

Members' Subscriptions and Contributions

Recognition

Members' Subscriptions and Contributions committed for each IDA replenishment are initially recorded both as Subscriptions and Contributions committed and, correspondingly, as Subscriptions and Contributions receivable. Prior to effectiveness, only a portion of the value of Instruments of Commitment (IoCs) received as specified in the replenishment resolution is recorded as Subscriptions and Contributions committed. Upon effectiveness, the remainder of the value of IoCs received is subsequently recorded as Subscriptions and Contributions committed.

IoCs can contain unqualified or qualified commitments. Under an unqualified commitment, a contributing member agrees to pay a specified amount of its subscription and contribution without requiring appropriation legislation. A qualified commitment is subject to the contributing member obtaining the necessary appropriation legislation. Subscriptions and contributions made under IoCs become available for commitment for development credits, grants, and guarantees by IDA for a particular replenishment in accordance with the IDA commitment authority framework as approved by the Executive Directors.

A replenishment becomes effective when IDA receives IoCs from members whose subscriptions and contributions aggregate to a specified portion of the full replenishment. Amounts not yet paid in at the date of effectiveness, are recorded as Subscriptions and Contributions receivable and shown as a reduction of Subscriptions and Contributions committed. These receivables become due throughout the replenishment period (generally three years) in accordance with an agreed payment schedule. The actual payment of receivables when they become due may be subject to the budgetary appropriation processes for certain members.

The Subscriptions and Contributions receivable are settled through payment of cash or deposit of nonnegotiable, noninterest-bearing demand notes. The notes are encashed by IDA on an approximately *pro rata* basis either as provided in the relevant replenishment resolution over the disbursement period of the development credits and grants committed under the replenishment, or as needed.

In certain replenishments, donors have had the option of paying all of their subscription and contribution amounts in cash before they become due, and thereby receiving discounts. In addition, some replenishment arrangements have incorporated accelerated encashment schedules, and the related discounts. In these cases, IDA retains the related income, with the donor receiving voting rights for the full undiscounted amount. Subscriptions and Contributions committed are recorded at the full undiscounted amount. The discounts are deducted in arriving at the Subscriptions and Contributions paid-in.

For the purposes of its financial resources, the membership of IDA is divided into two categories: (1) Part I members, which make payments of subscriptions and contributions provided to IDA in convertible currencies that may be freely used or exchanged by IDA in its operations and (2) Part II members, which make payments of ten percent of their initial subscriptions in freely convertible currencies, and the remaining 90 percent of their initial subscriptions, and all additional subscriptions and contributions in their own currencies or in freely convertible currencies. Certain Part II members provide a portion of their subscriptions and contributions in the same manner as mentioned in (1) above. IDA's Articles of Agreement and subsequent replenishment resolutions provide that the currency of any Part II member paid in by it may not be used by IDA for projects financed by IDA and located outside the territory of the member except by agreement between the member and IDA. The national currency portion of subscriptions of Part II members is recorded as restricted under Members' Subscriptions and Contributions unless released under an agreement between the member and IDA or used for administrative expenses. The cash paid and notes deposited in nonconvertible local currencies for the subscriptions of Part II members are recorded either as currencies subject to restriction under Due from Banks, or as restricted notes included under Non-negotiable, noninterest-bearing demand obligations on account of member subscriptions and contributions.

Following adoption by the Board of Governors on April 21, 2006 of a resolution authorizing additions to IDA's resources to finance the MDRI, pledges received in the form of IoCs for financing the MDRI

are recorded and accounted for in their entirety. Therefore, the full value of all IoCs received is recorded as Subscriptions and Contributions committed. Correspondingly, the IoCs are also recorded as Subscriptions and Contributions Receivable and deducted from equity.

Under IDA's Articles of Agreement, a member may withdraw from membership in IDA at any time. When a government ceases to be a member, it remains liable for all financial obligations undertaken by it to IDA, whether as a member, borrower, guarantor or otherwise. The Articles provide that upon withdrawal, IDA and the government shall proceed to a settlement of accounts. If agreement is not reached within six months, standard arrangements are provided. Under these arrangements, IDA would pay to the government the lower of the member's total paid-in subscriptions and contributions or the member's proportionate share of IDA's net assets. These funds would be paid as a proportionate share of all principal repayments received by IDA on development credits made during the period of the government's membership.

Valuation of Subscriptions and Contributions

The subscriptions and contributions provided through the Third Replenishment are expressed in terms of "U.S. dollars of the weight and fineness in effect on January 1, 1960" (1960 dollars). Following the abolition of gold as a common denominator of the monetary system and the repeal of the provision of the U.S. law defining the par value of the U.S. dollar in terms of gold, the pre-existing basis for translating 1960 dollars into current dollars or any other currency disappeared. The Executive Directors of IDA decided, that until such time as the relevant provisions of the Articles of Agreement are amended, the words "U.S. dollars of the weight and fineness in effect on January 1, 1960" in Article II, Section 2(b) of the Articles of Agreement of IDA are interpreted to mean the SDR introduced by the International Monetary Fund as the SDR was valued in terms of U.S. dollars immediately before the introduction of the basket method of valuing the SDR on July 1, 1974, such value being equal to $1.20635 for one SDR (the 1974 SDR). The Executive Directors also decided to apply the same standard of value to amounts expressed in 1960 dollars in the relevant resolutions of the Board of Governors.

The subscriptions and contributions provided through the Third Replenishment are expressed on the basis of the 1974 SDR. Prior to the decision of the Executive Directors, IDA had valued these subscriptions and contributions on the basis of the SDR at the current market value of the SDR.

The subscriptions and contributions provided under the Fourth Replenishment and thereafter are expressed in members' currencies or SDRs and are payable in members' currencies. Subscriptions and contributions made available for disbursement in cash to IDA are translated at market exchange rates in effect on the dates they were made available. Subscriptions and contributions not yet available for disbursements are translated at market exchange rates in effect at the end of the accounting period.

Maintenance of Value

Article IV, Section 2(a) and (b) of IDA's Articles of Agreement provides for maintenance of value payments on account of the local currency portion of the initial subscription whenever the par value of the member's currency or its foreign exchange value has, in the opinion of IDA, depreciated or appreciated to a significant extent, so long as, and to the extent that, such currency shall not have been initially disbursed or exchanged for the currency of another member. The provisions of Article IV, Section 2(a) and (b) have by agreement been extended to cover additional subscriptions and contributions of IDA through the Third Replenishment, but are not applicable to those of the Fourth and subsequent replenishments.

The Executive Directors decided on June 30, 1987 that settlements of maintenance of value, which would result from the resolution of the valuation issue on the basis of the 1974 SDR, would be deferred until the Executive Directors decide to resume such settlements. These amounts are shown as Deferred Amounts to Maintain Value of Currency Holdings and deducted from equity; any changes relate solely to translation adjustments.

Nonnegotiable, Noninterest-bearing Demand Obligations on Account of Members' Subscriptions and Contributions

Payments on these instruments are due to IDA upon demand and are held in bank accounts which bear IDA's name. These instruments are carried and reported at face value as a reduction to equity on the Balance Sheet.

Development Credits

In fulfilling its mission, IDA makes concessional development credits to the poorest countries. These development credits are made to, or guaranteed by, member governments or to the government of a territory of a member (except for development credits which have been made to regional development institutions for the benefit of members or territories of members of IDA). In order to qualify for lending on IDA terms, a country's per capita income must be below a certain cut-off level

($1,175 for FY2012 and $1,165 for FY2011) and the country may have only limited or no creditworthiness for IBRD lending.

Development credits are carried in the financial statements at amortized cost, less an accumulated provision for debt relief and development credit losses, plus the deferred development credits origination costs.

Commitment charges on the undisbursed balance of development credits, when applicable, are recognized in income as accrued.

Incremental direct costs associated with originating development credits are capitalized and amortized over the term of the credit.

It is IDA's practice not to reschedule service charge, interest or principal payments on its development credits or participate in debt rescheduling agreements with respect to its development credits.

It is the policy of IDA to place in nonaccrual status all development credits made to, or guaranteed by, a member government or to the government of a territory of a member if principal or charges with respect to any such development credit are overdue by more than six months, unless IDA's management determines that the overdue amount will be collected in the immediate future. In addition, if loans by IBRD to a member government are placed in nonaccrual status, all development credits to that member government will also be placed in nonaccrual status by IDA. On the date a member's development credits are placed in nonaccrual status, outstanding charges that had accrued on development credits that remained unpaid are deducted from the income from development credits of the current period. Income on nonaccrual development credits is included in income only to the extent that payments have actually been received by IDA. If collectability risk is considered to be particularly high at the time of arrears clearance, the member's development credits may not automatically emerge from nonaccrual status, even though the member's eligibility for new credits may have been restored in such instances. In such instances, a decision on the restoration of accrual status is made on a case-by-case basis after a suitable period of payment or policy performance has passed from the time of arrears clearance.

The repayment obligations of development credits funded from resources through the Fifth Replenishment are expressed in the development credit agreements in terms of 1960 dollars. In June 1987, the Executive Directors decided to value those development credits at the rate of $1.20635 per 1960 dollar on a permanent basis. Development credits funded from resources provided under the Sixth Replenishment and thereafter are denominated in SDRs; the principal amounts disbursed under such development credits are to be repaid in currency amounts currently equivalent to the SDRs disbursed.

Sale of Credits Under Buy-down Mechanism

The Investment Partnership for Polio program to fund the immunization of children in high-risk polio countries has a funding mechanism that allows the purchase of oral vaccines from the proceeds of development credits, which are subsequently converted to grant terms under the "buy-down mechanism", upon attainment of agreed performance goals.

Pursuant to the applicable buy-down terms, IDA enters into an arrangement with third party donors who make payments on the borrower's service and commitment charges through a trust fund until the borrower reaches agreed performance goals. At that time, IDA sells the related credits to the trust fund for an amount equivalent to the present value of the remaining cash flows of the related credits, based on appropriate discount rates. The trust fund subsequently cancels the purchased credits, thereby converting them to grant terms.

The difference between the carrying amount of the development credit bought down and the amount received is written-off as an expense in the Statement of Income.

Development Grants

Development grants are charged to income, and a liability recognized, upon approval by the Executive Directors.

Project Preparation Advances

Project preparation advances (PPAs) are advances made to borrowers to finance project preparation costs pending the approval of follow-on development operations. These amounts are charged to income upon approval by management. To the extent there are follow-on development credits or grants, these PPAs are refinanced out of the proceeds of the development credits and grants. Accordingly, the PPA grant expenses initially charged to income are reversed upon approval of the follow-on development grants, or at the effectiveness of the follow-on development credits.

Guarantees

IDA provides guarantees for credits issued in support of projects located within a member country that are undertaken by private entities. These financial guarantees are commitments issued by IDA to guarantee payment performance by a borrowing member country to a third party in the event that a member government (or government-

owned entity) fails to perform its contractual obligations with respect to a private project.

Guarantees are regarded as outstanding when the underlying financial obligation of the borrower is incurred, and called when a guaranteed party demands payment under the guarantee. IDA would be required to perform under its guarantees if the payments guaranteed are not made by the borrower and the guaranteed party called the guarantee by demanding payment from IDA in accordance with the terms of the guarantee.

At inception of the guarantees, IDA records the fair value of the obligation to stand ready and a corresponding asset, included in Accounts payable and miscellaneous liabilities and Other Assets, respectively, on the Balance Sheet.

In the event that a guarantee is called, IDA has the contractual right to require payment from the member country that has provided the counter guarantee to IDA, on demand, or as IDA may otherwise direct.

Guarantee fee income received is deferred and amortized over the life of the guarantee.

IDA records a contingent liability for the probable losses related to guarantees outstanding. This provision, as well as the unamortized balance of the deferred guarantee fee income, and the unamortized balance of the obligation to stand ready, are included in Accounts payable and miscellaneous liabilities on the Balance Sheet.

HIPC Debt Initiative

The HIPC Debt Initiative was launched in 1996 as a joint effort by bilateral and multilateral creditors to ensure that reform efforts of HIPCs would not be put at risk by unsustainable external debt burdens.

Under the Enhanced HIPC Framework, implementation mechanisms include: (i) partial forgiveness of IDA debt service as it comes due, and ii) in the case of countries with a substantial amount of outstanding IBRD debt, partial refinancing by IDA resources (excluding transfers from IBRD) of outstanding IBRD debt.

Upon signature by IDA of the country specific legal notification, immediately following the decision by the Executive Directors of IDA to provide debt relief to the country (the Decision Point), the country becomes eligible for debt relief up to the nominal value equivalent of one third of the net present value of the total HIPC debt relief committed to the specific country. A Completion Point is reached when the conditions specified in the legal notification are met and the country's other creditors have confirmed their full participation in the debt relief initiative. When the country reaches its Completion Point, IDA's commitment to provide the total debt relief for which the country is eligible, becomes irrevocable.

Donors compensate IDA on a "pay-as-you-go" basis to finance IDA's forgone credit reflows under the HIPC Debt Initiative. This means that for the debt relief provided by writing off the principal and charges during a replenishment, the donors compensate IDA for the forgone reflows through additional contributions in the relevant replenishment.

MDRI

Debt relief provided under the MDRI, which is characterized by the write-off of eligible development credits upon qualifying borrowers reaching the HIPC Completion Point date, is in addition to existing debt relief commitments provided by IDA and other creditors under the HIPC Debt Initiative. Specifically, for forgone reflows under MDRI, donors established a separate MDRI replenishment spanning four decades (FY2007-44) and pledged to compensate IDA for the costs of providing debt relief under MDRI on a "dollar-for-dollar" basis. These additional resources are accounted for as subscriptions and contributions.

Accumulated Provision for Debt Relief and Losses on Development Credits and Other Exposures

Accumulated Provision for HIPC Debt Initiative and MDRI

The adequacy of the accumulated provision for the HIPC Debt Initiative and MDRI is based on both quantitative and qualitative analyses of various factors, including estimates of decision and completion point dates. IDA periodically reviews these factors and reassesses the adequacy of the accumulated provision for the HIPC Debt Initiative and MDRI. Adjustments to the accumulated provision are recorded as a charge against or addition to income.

Upon approval by the Executive Directors of IDA of debt relief for a country under the Enhanced HIPC Initiative, the principal component of the estimated debt relief costs is recorded as a reduction of the disbursed and outstanding development credits under the accumulated provision for debt relief, and as a charge to income. This estimate is subject to periodic revision. The accumulated provision for HIPC Debt Initiative is written off as and when debt relief is provided.

Following the Executive Directors' approval of IDA's participation in the MDRI in June 2006, IDA provided in full for the estimated probable write-off

of the principal component of debt relief to be delivered under the MDRI for the HIPC eligible countries confirmed by the Executive Directors as eligible for relief at that time.

The provision is recorded as a reduction of the disbursed and outstanding development credits under the accumulated provision for debt relief and as a charge against income. The applicable development credits are written off when the country reaches the Completion Point and the related provision reduced accordingly.

Accumulated Provision for Losses on Development Credits and Other Exposures

Delays in receiving development credit payments result in present value losses since IDA does not charge fees or additional interest on any overdue service charges or interest. These present value losses are equal to the difference between the present value of payments of service charges, interest and other charges made according to the related development credit's contractual terms and the present value of its expected future cash flows. Except for debt relief provided under the HIPC Debt Initiative and MDRI, it is IDA's practice not to write off its development credits. To date, no development credits have been written off, other than under the HIPC Debt Initiative and MDRI. Notwithstanding IDA's historical experience, the risk of losses associated with nonpayment of principal amounts due is included in the accumulated provision for losses on development credits and other exposures (exposures). Other exposures include irrevocable commitments, guarantees and repaying project preparation facilities.

Management determines the appropriate level of accumulated provision for losses, which reflects the probable losses inherent in IDA's exposures. Probable losses comprise estimates of losses arising from default and nonpayment of principal amounts due, as well as present value losses due to delay in receiving payments when compared to the schedule of payments.

Several steps are taken to determine the appropriate level of provision. First, the exposures are disaggregated into two groups: exposures in accrual status and exposures in nonaccrual status. In each group, the net exposures for each borrower (defined as the nominal amount of development credits disbursed and outstanding less the accumulated provision for debt relief under the HIPC Debt Relief Initiative and MDRI plus other applicable exposures) are then assigned the credit risk rating of that borrower. With respect to countries with exposures in accrual status, these exposures are grouped according to the assigned borrower risk rating. Second, each risk rating is mapped to an expected default frequency (probability of default) based on historical experience. Finally, the provision required is calculated by multiplying the net exposures by the expected default frequency and by the assumed severity of loss given default. The severity of loss given default, which is assessed periodically, is dependent on the borrower's eligibility, namely: IDA, Blend (IBRD and IDA) and IBRD, with the highest severity associated with IDA. Borrower's eligibility is assessed at least annually. This methodology is also applied to countries with exposures in nonaccrual status. Generally, all exposures in nonaccrual status have the same risk rating.

The determination of borrowers' ratings is based on both quantitative and qualitative factors. IDA periodically reviews these factors and reassesses the adequacy of the accumulated provision accordingly. Adjustments to the accumulated provision are recorded as a charge against or addition to income.

Statement of Cash Flows

For the purpose of IDA's Statement of Cash Flows, cash is defined as the amount of unrestricted currencies Due from Banks.

Investments

Investment securities are classified based on management's intention on the date of purchase, their nature, and IDA's policies governing the level and use of such investments. At June 30, 2012 and June 30, 2011, all investment securities were held in a trading portfolio. Investment securities and related financial instruments held in a trading portfolio are carried and reported at fair value. The first-in first-out method is used to determine the cost of securities sold in computing the realized gains and losses on these instruments. Unrealized gains and losses for investment securities and related financial instruments held in the trading portfolio are included in income. Derivative instruments used in liquidity management are not designated as hedging instruments.

Securities Purchased Under Resale Agreements, Securities Lent Under Securities Lending Agreements and Securities Sold Under Repurchase Agreements and Payable for Cash Collateral Received

Securities purchased under resale agreements, securities lent under securities lending agreements, and securities sold under repurchase agreements are recorded at face value which approximates fair value. IDA receives securities purchased under resale agreements, monitors the fair value of the securities and, if necessary, closes out transactions and enters into new repriced transactions. The

securities transferred to counterparties under the repurchase and security lending arrangements and the securities transferred to IDA under the resale agreements have not met the accounting criteria for treatment as a sale. Therefore, securities transferred under repurchase agreements and security lending arrangements are retained as assets on the Balance Sheet, and securities received under resale agreements are not recorded on the Balance Sheet.

Accounting for Derivatives

IDA has elected not to designate any hedging relationships for accounting purposes. Rather, all derivative instruments are marked to fair value on the Balance Sheet, with changes in fair value accounted for through the Statement of Income. The presentation of derivative instruments is consistent with the manner in which these instruments are settled. Currency swaps are settled on a gross basis, while interest rate swaps are settled on a net basis.

Valuation of Financial Instruments

Derivative financial instruments and investment securities are recorded in the financial statements at fair value.

IDA 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, foreign exchange rates and credit curves, and may incorporate unobservable inputs. Selection of these inputs may involve some judgment. In instances where management relies on instrument valuations supplied by external pricing vendors, there are procedures in place to validate the appropriateness of the models used as well as the inputs applied in determining those values.

To ensure that the valuations are appropriate where internally-developed models are used, IDA has various controls in place, which include both internal and periodic external verification and review.

As of June 30, 2012 and June 30, 2011, IDA had no financial assets or liabilities measured at fair value on a non-recurring basis.

Fair Value Hierarchy

Financial instruments are categorized based on the priority of the inputs to the valuation technique. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1), the next highest priority to observable market-based inputs or inputs that are corroborated by market data (Level 2) and the lowest priority to unobservable inputs that are not corroborated by market data (Level 3).

Financial assets and liabilities recorded at fair value on the Balance Sheet are categorized based on the inputs to the valuation techniques as follows:

Level 1: Financial assets and liabilities whose values are based on unadjusted quoted prices for identical assets or liabilities in active markets.

Level 2: Financial assets and liabilities whose values are based on quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in non-active markets; or pricing models for which all significant inputs are observable, either directly or indirectly for substantially the full term of the asset or liability.

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

IDA's policy is to recognize transfers in and transfers out of levels as of the end of the reporting period in which they occur.

Transfers and Grants

Transfers from IBRD's net income and grants made from the retained earnings of IFC to IDA are recorded through the Statement of Income and are receivable upon approval by the Board of Governors of IBRD and execution of a grant agreement between IFC and IDA, respectively. In addition, IDA periodically receives transfers from trust funds and private institutions. IDA does not assign any voting rights for these transfers and grants.

Temporary restrictions relating to these transfers may arise from the timing of receipt of cash, or donor imposed restrictions as to use. When the cash is received and any other restrictions on the transfers and grants are complied with, the temporary restrictions are removed.

Donor Contributions to Trust funds: For those IDA-executed trust funds where IDA acts as an intermediary agent, third party donor contributions are recorded as assets held on behalf of the specified beneficiaries, with corresponding liabilities. For recipient-executed trust funds, since IDA acts as a

trustee, no assets or liabilities relating to these activities are recorded on the Balance Sheet.

Accounting and Reporting Developments

In July 2010, the Dodd-Frank Wall Street Reform and Consumer Protection Act (the Act) became law in the United States. The Act seeks to reform the U.S. financial regulatory system by introducing new regulators and extending regulation over new markets, entities, and activities. The implementation of the Act is dependent on the development of various rules to clarify and interpret its requirements. Pending the development of these rules, no impact on IDA has been determined as of June 30, 2012. IDA continues to evaluate the potential future implications of the Act.

In April 2011, the FASB issued ASU 2011-03, *Transfers and Servicing (Topic 860): Reconsideration of Effective Control for Repurchase Agreements.* The ASU changes the assessment of effective control by focusing on the transferor's contractual rights and obligations and removing the criterion to assess its ability to exercise those rights or honor those obligations. This ASU was effective for IDA from the quarter ended March 31, 2012. The ASU did not have an impact on IDA's financial statements, as IDA accounts for transfers of securities as secured borrowings.

In May 2011, the FASB issued ASU 2011-04, *Fair Value Measurement (Topic 820): Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and International Financial Reporting Standards (IFRS).* The amendments result in common fair value measurement and disclosure requirements in U.S. GAAP and IFRSs. While many of the amendments relate to the harmonization of terminology and do not significantly impact current practice, some of the amendments have changed the existing fair value measurement and disclosure requirements. Although this ASU is effective for annual periods beginning after December 15, 2011 for non-public entities, IDA early adopted this ASU from the quarter ended March 31, 2012. For the related additional fair value disclosures, see Note C—Investments and Note K—Other Fair Value Disclosures.

In June 2011, the FASB issued ASU 2011-05, *Comprehensive Income (Topic 220): Presentation of Comprehensive Income.* The ASU requires comprehensive income to be reported in either a single statement or in two consecutive statements. The ASU does not change which items are reported in other comprehensive income or existing requirements to reclassify items from other comprehensive income to net income.

Subsequently, in December 2011, the FASB issued ASU 2011-12, *Deferral of the Effective Date for Amendments to the Presentation of Reclassifications of Items Out of Accumulated Other Comprehensive Income in Accounting Standards Update No. 2011-05*, which deferred certain reclassification provisions in ASU 2011-05. For IDA, the ASUs are effective for fiscal years ending after December 15, 2012, and interim and annual periods thereafter, with early adoption permitted. IDA is currently evaluating the impact of these ASUs on its financial statements.

In December 2011, the FASB issued ASU 2011-11, *Balance Sheet (Topic 210): Disclosures about Offsetting Assets and Liabilities*. The ASU requires entities to disclose both gross information and net information about instruments and transactions eligible for offset in the statement of financial position, and instruments and transactions subject to a master netting agreement and agreements similar to a master netting agreement. The new disclosure requirements will facilitate comparison between US. GAAP and IFRS. This ASU is effective for annual reporting periods beginning on or after January 1, 2013, and interim periods within those annual periods. IDA is currently evaluating the impact of this ASU on its financial statements.

NOTE B—MEMBERS' SUBSCRIPTIONS AND CONTRIBUTIONS

The Sixteenth Replenishment of IDA's Resources (IDA16): IDA16 became effective on November 30, 2011. This followed the receipt of IoCs for subscriptions and contributions which exceeded the threshold level of SDR 10,395 million required for effectiveness as specified in the resolution of IDA's Board of Governors authorizing IDA16.

Subscriptions and Contributions Paid-In: The movement in Subscriptions and Contributions Paid-In during the fiscal years ended June 30, 2012 and June 30, 2011 is summarized below:

In millions of U.S. dollars

	June 30, 2012	*June 30, 2011*
Beginning of the fiscal year	$167,610	$157,413
Cash contributions received	1,655	1,724
Demand obligations received	6,848	7,549
Translation adjustment	(526)	924
End of the fiscal year	$175,587	$167,610

During the fiscal year ended June 30, 2012, IDA encashed demand obligations totaling $7,303 million ($5,856 million—fiscal year ended June 30, 2011).

Membership: On September 23, 2011, Lithuania became the 171st member country of IDA with a subscription of $1.6 million.

On April 18, 2012, South Sudan became the 172nd member country of IDA with a subscription of $0.6 million.

Cumulative Discounts on Subscriptions and Contributions: At June 30, 2012, the cumulative discounts on Subscriptions and Contributions totaled $2,574 million ($2,212 million—June 30, 2011) and comprised the following:

In millions of U.S. dollars

	June 30, 2012	*June 30, 2011*
Discounts on Advance Subscriptions and Contributions	$2,062	$1,700
Allocation to Switzerland	512	512
Cumulative discounts	$2,574	$2,212

The allocation to Switzerland represents the discount given to Switzerland when they became a member of IDA. Switzerland had provided $580 million in co-financing grants to IDA borrowers before it became a member of IDA. These grant contributions were converted to subscriptions and contributions upon membership at $512 million, representing the present value of the future reflows of the co-financing grants had they been made through IDA on its repayment terms existing then.

Donor Financing of MDRI: As of June 30, 2012, donor commitments to the MDRI stood at $31,286 million at the agreed replenishment foreign exchange reference rates, representing 88% of the total financing requirements based on the latest cost estimates for the MDRI. Of the cumulative donor commitments, $9,388 million were unqualified and $21,898 million were qualified, with unqualified donor commitments covering 26% of the total costs.

NOTE C—INVESTMENTS

The investment securities held are designated as trading and are carried and reported at fair value, or at face value which approximates fair value.

As of June 30, 2012, the majority of Investments-Trading is comprised of government and agency obligations (76%), with almost all the instruments being classified as either Level 1 or Level 2 within the fair value hierarchy.

The majority of the instruments in Investments-Trading are denominated in U.S. dollars (44%), Euro (31%), Pounds sterling (11%) and Japanese yen (12%). IDA uses derivative instruments to align the currency composition of the investment portfolio to the SDR basket of currencies and to manage other currency and interest rate risks in the portfolio. After considering the effects of these derivatives, the investment portfolio has an average repricing of 3.9 years and the following currency composition: U.S. dollars (49%), Euro (29%), Pounds sterling (10%) and Japanese yen (12%).

Investments–Trading

A summary of IDA's Investments-Trading and the currency composition at June 30, 2012 and June 30, 2011 is as follows:

In millions of U.S. dollars

	Carrying Value	
	June 30, 2012	*June 30, 2011*
Investments—Trading		
Government and agency obligations	$23,140	$18,683
Time deposits	6,104	9,651
Asset-backed securities	1,180	1,484
Total	$30,424	$29,818

In millions of U.S. dollars

	June 30, 2012		*June 30, 2011*	
	Carrying value	*Average Repricing (years)*[a]	*Carrying value*	*Average Repricing (years)*[a]
Euro	$ 9,423	3.55	$ 9,804	2.53
Japanese yen	3,531	2.72	2,587	2.15
Pounds sterling	3,478	3.05	3,052	2.28
U.S. dollars	13,262	4.09	14,051	2.03
Other	730	0.39	324	0.06
Total	$30,424	3.51	$29,818	2.21

a. The average repricing represents the remaining period to the contractual repricing or maturity date, whichever is earlier. This indicates the average length of time for which interest rates are fixed.

Net Investment Portfolio

IDA manages its investments on a net portfolio basis. The following tables summarize the net portfolio position and currency composition as of June 30, 2012 and June 30, 2011:

In millions of U.S. dollars

	Carrying Value	
	June 30, 2012	*June 30, 2011*
Investments—Trading	$30,424	$29,818
Securities purchased under resale agreements	441	–
Securities sold under repurchase agreements, securities lent under securities lending agreements, and payable for cash collateral received	(3,824)	(6,013)
Derivatives Assets		
Currency forward contracts	743	302
Currency swaps	1,159	–
Interest rate swaps	2	2
Other[a]	1	*
Total	1,905	304
Derivatives Liabilities		
Currency forward contracts	(747)	(305)
Currency swaps	(1,149)	–
Interest rate swaps	(2)	(3)
Other[a]	(*)	(1)
Total	(1,898)	(309)
Cash held in investment portfolio[b]	54	2
Receivable from investment securities traded	1,255	2,355
Payable for investment securities purchased	(2,024)	(1,285)
Net Investment Portfolio	$26,333	$24,872

a. These relate to TBA securities.
b. This amount is included in Unrestricted currencies under Due from Banks on the Balance Sheet.
** Indicates amount less than $0.5 million.*

In millions of U.S. dollars

	June 30, 2012		June 30, 2011	
	Carrying value	*Average Repricing (years)[a]*	*Carrying value*	*Average Repricing (years)[a]*
Euro	$ 7,647	3.91	$ 8,268	3.18
Japanese yen	3,145	3.33	2,109	2.72
Pounds sterling	2,581	4.90	2,540	3.30
U.S. dollars	12,948	3.83	11,935	2.36
Other	12	0.01	20	*
Total	$26,333	3.88	$24,872	2.73

** Indicates amounts not meaningful.*

a. The average repricing represents the remaining period to the contractual repricing or maturity date, whichever is earlier. This indicates the average length of time for which interest rates are fixed.

IDA uses derivative instruments to manage currency and interest rate risk in the investment portfolio. For details regarding these instruments, see Note D–Derivative Instruments.

As of June 30, 2012 there were short sales totaling $32 million (Nil million—June 30, 2011) included in Payable for investment securities purchased on the Balance Sheet.

For the fiscal year ended June 30, 2012, IDA's income included $334 million of net unrealized gains (net unrealized losses of $340 million—fiscal year ended June 30, 2011 and net unrealized gains of $151 million—fiscal year ended June 30, 2010).

Fair Value Disclosures

The following tables present IDA's fair value hierarchy for investment assets and liabilities measured at fair value on a recurring basis as of June 30, 2012 and June 30, 2011:

In millions of U.S. dollars

	Fair Value Measurements on a Recurring Basis As of June 30, 2012			
	Level 1	*Level 2*	*Level 3*	*Total*
Assets:				
Investments–Trading				
Government and agency obligations	$7,131	$16,009	$–	$23,140
Time deposits	997	5,107	–	6,104
Asset-backed securities	–	1,176	4	1,180
Total Investments – Trading	8,128	22,292	4	30,424
Securities purchased under resale agreements	335	106	–	441
Derivative assets-Investments				
Currency forward contracts	–	743	–	743
Currency swaps	–	1,159	–	1,159
Interest rate swaps	–	2		2
Other[a]	–	1	–	1
	–	1,905	–	1,905
Total Investment assets	$8,463	$24,303	$4	$32,770
Liabilities:				
Securities sold under repurchase agreements and securities lent under security lending agreements	$ 97	$ 3,727	$–	$ 3,824
Derivative liabilities-Investments				
Currency forward contracts	–	747	–	747
Currency swaps	–	1,149	–	1,149
Interest rate swaps	–	2	–	2
Other[a]	–	*	–	*
	–	1,898	–	1,898
Total Investment liabilities	$ 97	$ 5,625	$-	$ 5,722

a. These relate to TBA securities.
** Indicates amount less than $0.5 million.*

In millions of U.S. dollars

	Fair Value Measurements on a Recurring Basis As of June 30, 2011			
	Level 1	*Level 2*	*Level 3*	*Total*
Assets:				
Investments–Trading				
Government and agency obligations	$4,936	$13,747	$ –	$18,683
Time deposits	3,170	6,481	–	9,651
Asset-backed securities	–	1,466	18	1,484
Total Investments – Trading	8,106	21,694	18	29,818
Derivative assets-Investments				
Currency forward contracts	–	302	–	302
Interest rate swaps	–	2	–	2
Other[a]	–	*	–	*
	–	304	–	304
Total Investment assets	$8,106	$21,998	$18	$30,122
Liabilities:				
Securities sold under repurchase agreements and securities lent under security lending agreements	$ –	$ 6,013	$ –	$6,013
Derivative liabilities-Investments				
Currency forward contracts	–	305	–	305
Interest rate swaps	–	3	–	3
Other[a]	–	1	–	1
	–	309	–	309
Total Investment liabilities	$ –	$ 6,322	$ –	$6,322

a. These relate to TBA securities.
** Indicates amount less than $0.5 million.*

Level 3 Financial Instruments

The following table provides a summary of changes in the fair value of the Level 3 financial instruments relating to Investments-Trading during the fiscal years ended June 30, 2012 and June 30, 2011:

In millions of U.S. dollars

	Level 3 Financial Instruments	
	Investments – Trading (Asset-backed securities)	
	Fiscal Year Ended June 30,	
	2012	*2011*
Beginning of the period	$ 18	$13
Total unrealized/realized gains (losses) in:		
Net income:	*	5
Purchases	–	2
Sales/Settlements	(2)	(4)
Transfers (out) in, net	(12)	2
End of the period	$ 4	$18

** Indicates amount less than $0.5 million.*

The following table provides information on the unrealized gains or losses included in income for the fiscal years ended June 30, 2012, June 30, 2011 and June 30, 2010, relating to the Level 3 financial instruments still held as of those dates, as well as where those amounts are included in the Statement of Income.

In millions of U.S. dollars

	Level 3 Financial Instruments Still Held as of the reporting date		
Unrealized Gains (Losses)	*Investments – Trading (Asset-backed securities)*		
Statement of Income Location	*Fiscal Year Ended June 30,*		
	2012	*2011*	*2010*
Income: Investments—Trading, net	$*	$5	$6

** Indicates amount less than $0.5 million.*

The fair value of Level 3 instruments (Asset-backed securities) in the investment portfolio is estimated using valuation models that incorporate observable market inputs and unobservable inputs. The significant unobservable inputs include constant prepayment rates, probability of default, and loss severity rate. The constant prepayment rate is an annualized expected rate of principal prepayment for a pool of asset-backed securities. The probability of default is an estimate of the expected likelihood of not collecting contractual amounts owed. Loss severity is the present value of lifetime losses (both interest and principal) as a percentage of the principal balance.

Significant increases (decreases) in the assumptions used for these inputs in isolation would result in a significantly lower (higher) fair value measurement. Generally, a change in the assumption used for the probability of default is accompanied by a directionally similar change in the assumption used for the loss severity and a directionally opposite change in the assumption used for constant prepayment rates.

The following table provides a summary of the valuation technique applied in determining fair values of these Level 3 instruments and quantitative information regarding the significant unobservable inputs used:

In millions of U.S. dollars

Instrument type	*Fair value at June 30, 2012*	*Valuation Technique*	*Unobservable input*	*Range (weighted average)*
Asset-backed securities	$4	Discounted Cash Flow	Constant prepayment rate	0.5% to 5.0% (4.48%)
			Probability of default	0% to 8.0% (1.14%)
			Loss severity	0% to 100% (45.9%)

Inter-level transfers

The transfers from Level 1 to Level 2 reflect the unavailability of quoted prices for identical instruments resulting from a decreased volume of trading for these instruments.

The transfers from Level 2 to Level 3 reflect the unavailability of quoted prices for similar instruments resulting from a decreased volume of trading for these instruments. Conversely, transfers from Level 3 to Level 2 reflect the availability of quoted prices for similar instruments resulting from increased volume of trading for these instruments.

The table below provides the details of all gross inter-level transfers during the fiscal years ended June 30, 2012 and June 30, 2011:

In millions of U.S. dollars	*Fiscal Year Ended June 30, 2012*		
	Level 1	*Level 2*	*Level 3*
Investments-Trading			
Asset-backed securities			
Transfers (out of) into	$–	$ (5)	$ 5
Transfers into (out of)	–	17	(17)
	$–	$12	$(12)

In millions of U.S. dollars	*Fiscal Year Ended June 30, 2011*		
	Level 1	*Level 2*	*Level 3*
Investments-Trading			
Government and Agency obligations			
Transfers (out of) into	$(404)	$404	$ –
Asset-backed securities			
Transfers into (out of)	–	10	(10)
Transfers (out of) into	–	(12)	12
	$(404)	$402	$ 2

Valuation Methods and Assumptions

Summarized below are the techniques applied in determining the fair values of investments.

Investment securities

Where available, quoted market prices are used to determine the fair value of trading securities. Examples include futures contracts and most government and agency securities.

For instruments for which market quotations are not available, fair values are determined based on model-based valuation techniques, whether internally-generated or vendor-supplied, that include the standard discounted cash flow method using market observable inputs such as yield curves, credit spreads, and prepayment speeds. Where applicable, unobservable inputs such as constant prepayment rates, probability of default, and loss severity are used.

Unless quoted prices are available, time deposits are reported at face value which approximates fair value.

Securities Purchased under Resale Agreements, Securities Sold under Agreements to Repurchase and Securities Lent Under Securities Lending Agreements

These securities are reported at face value which approximates fair value.

Commercial Credit Risk

For the purpose of risk management, IDA is party to a variety of financial transactions, certain of which involve elements of credit risk. Credit risk exposure represents the maximum potential loss due to possible nonperformance by obligors and counterparties under the terms of the contracts. For all securities, IDA limits trading to a list of authorized dealers and counterparties. In addition, credit limits have been established for counterparties by type of instrument and maturity category.

Swap Agreements: Credit risk is mitigated through a credit approval process, volume limits, monitoring procedures and the use of mark-to-market collateral arrangements. IDA may require collateral in the form of cash or other approved liquid securities from individual counterparties to mitigate its credit exposure.

IDA has entered into master derivatives agreements which contain legally enforceable close-out netting provisions. These agreements may further reduce the gross credit risk exposure related to the swaps. The reduction in exposure as a result of these netting provisions can vary as additional transactions are entered into under these agreements. The extent of the reduction in exposure may therefore change substantially within a short period of time following the balance sheet date.

Securities Lending: IDA may engage in securities lending and repurchases, against adequate collateral, as well as securities borrowing and reverse repurchases (resales) of government and agency obligations, and corporate and asset-backed securities. Transfers of securities by IDA to counterparties are not accounted for as sales as the accounting criteria for the treatment as a sale have not been met. Counterparties are permitted to repledge these securities until the repurchase date.

The following is a summary of the carrying amount of the securities transferred under repurchase or securities lending agreements, and the related liabilities:

In millions of U.S. dollars

	June 30, 2012	*June 30, 2011*	*Financial Statement Presentation*
Securities transferred under repurchase or securities lending agreements	$2,691	$4,375	Included under Investments-Trading on the Balance Sheet
Liabilities relating to securities transferred under repurchase or securities lending agreements	$3,772	$6,013	Included under Securities Sold Under Repurchase Agreements, Securities Lent under Securities Lending Agreements, and Payable for Cash Collateral Received on the Balance Sheet.

At June 30, 2012, the liabilities relating to securities transferred under repurchase or securities lending agreements included $1,046 million ($1,599 million—June 30, 2011) of repurchase agreement trades that had not settled at that date. Of this amount, $685 million ($1,162 million—June 30, 2011) represented replacement trades entered into in anticipation of maturing trades.

IDA receives collateral in connection with resale agreements. This collateral serves to mitigate IDA's exposure to credit risk. The collateral received is in the form of liquid securities and it is permitted to repledge these securities. While these transactions are legally considered to be true purchases and sales, the securities received are not recorded on the Balance Sheet as the accounting criteria for treatment as a sale have not been met. As of June 30, 2012, IDA had received securities with a fair value of $442 million (Nil—June 30, 2011) in connection with resale agreements. Of these securities, $52 million of these securities (Nil—June 30, 2011) had been transferred under repurchase or security lending agreements.

NOTE D—DERIVATIVE INSTRUMENTS

IDA uses derivative instruments in its investment portfolio and for asset/liability management purposes. All derivative instruments are classified as Level 2 within the fair value hierarchy.

The following table summarizes IDA's use of authorized derivatives in its various financial portfolios:

Portfolio	Derivative instruments used	Purpose/Risk being managed
Risk management purposes:		
Investments—Trading	Interest rate swaps, currency forward contracts, currency swaps, options, swaptions and futures contracts	Manage currency and interest rate risk in the portfolio.
Other assets/liabilities	Currency forward contracts and currency swaps	Manage foreign exchange risks of future cash flows in non-SDR component currencies.
Other purposes:		
Client operations	Structured swaps	Assist clients in managing commodity output risks.

Under its derivative agreement with IBRD, IDA is not required to post collateral as long as it maintains liquidity holdings at pre-determined levels that are a proxy for AAA credit rating. As of June 30, 2012, IDA had not posted any collateral with IBRD.

The following tables provide information on the fair value amounts and the location of the derivative instruments on the Balance Sheet, as well as the notional amounts and credit risk exposures of those derivative instruments, as of June 30, 2012 and June 30, 2011:

Fair value amounts of the derivative instruments on the Balance Sheet:

In millions of U.S. dollars

	Derivative assets			*Derivative liabilities*		
	Balance Sheet Location	*June 30, 2012*	*June 30, 2011*	*Balance Sheet Location*	*June 30, 2012*	*June 30, 2011*
Derivatives not designated as hedging instruments						
Options, Swaptions and Futures-Investments	Other assets	$ *	$ *	Other liabilities	$ 1	$ 1
Interest rate swaps	Derivative assets	2	2	Derivative liabilities	2	3
Currency forward contracts	Derivative assets	8,070	10,188	Derivative liabilities	8,461	10,198
Currency swaps	Derivative assets	1,159	–	Derivative liabilities	1,149	–
Other[a]	Derivative assets	1	*	Derivative liabilities	*	1
Total Derivatives		$9,232	$10,190		$9,613	$10,203

a. These relate to TBA securities.
** Indicates amount less than $0.5 million.*

Notional amounts and credit risk exposure of the derivative instruments:

In millions of U.S. dollars

Type of contract	*June 30, 2012*	*June 30, 2011*
Investments—Trading		
Interest rate swaps		
Notional principal	$ 60	$ 40
Credit exposure	2	2
Currency swaps (including currency forward contracts)		
Credit exposure	28	–
Swaptions, exchange traded Options and Futures contracts[a]		
Notional long position	1,251	698
Notional short position	4,778	3,756
Credit exposure	2	–
Other[b]		
Notional long position	203	246
Notional short position	26	13
Credit exposure	1	*
Derivatives—Asset/liability management		
Currency forward contracts		
Credit exposure	57	174

a. *Exchange traded instruments are generally subject to daily margin requirements and are deemed to have no material credit risk. All options and futures contracts are interest rate contracts.*
b These relate to TBA securities.
** Indicates amount less than $0.5 million.*

Amounts of gains and losses on the non-trading derivative instruments and their location on the Statement of Income for the fiscal years ended June 30, 2012, June 30, 2011 and June 30, 2010 are as follows:

Derivatives not designated as hedging instruments and not held in a trading portfolio[a]

In millions of U.S. dollars

		Gains (Losses)		
		Fiscal Year Ended June 30,		
	Statement of Income Location	*2012*	*2011*	*2010*
Currency forward contracts, currency swaps and structured swaps	Fair value adjustment on non-trading portfolios, net	$39	$(101)	$(3)

a. For alternative disclosures about trading derivatives, see the following table.

All instruments in IDA's investment portfolio are held for trading purposes. Within the investment portfolio, IDA holds highly rated fixed income instruments as well as derivatives. The investment portfolio is primarily held to ensure the availability of funds to meet future cash flow requirements and for liquidity management purposes.

The following table provides information on the amount of gains and losses on the net investment portfolio (derivative and non-derivative instruments), and their location on the Statement of Income for the fiscal years ended June 30, 2012, June 30, 2011 and June 30, 2010:

Investments—Trading portfolio

In millions of U.S. dollars

		Gains (Losses)		
		Fiscal Year Ended June 30,		
	Statement of Income Location	*2012*	*2011*	*2010*
Type of instrument				
Fixed income	Investments—Trading, net	$521	$(167)	$392

Fair Value Disclosures

IDA's fair value hierarchy for derivative assets and liabilities measured at fair value on a recurring basis as of June 30, 2012 and June 30, 2011 is as follows:

In millions of U.S. dollars

	Fair Value Measurements on a Recurring Basis As of June 30, 2012			
	Level 1	*Level 2*	*Level 3*	*Total*
Derivative assets:				
Derivative assets				
Investments				
Currency forward contracts	$–	$ 743	$–	$ 743
Currency swaps	–	1,159	–	1,159
Interest rate swaps	–	2	–	2
Other[a]	–	1	–	1
	–	1,905	–	1,905
Asset-liability management				
Currency forward contracts	–	7,327	–	7,327
Total derivative assets	$–	$9,232	$–	$9,232
Derivative liabilities:				
Derivative Liabilities				
Investments				
Currency forward contracts	$–	$ 747	$–	$ 747
Currency swaps	–	1,149	–	1,149
Interest rate swaps	–	2	–	2
Other[a]	–	*	–	*
	–	1,898	–	1,898
Asset-liability management				
Currency forward contracts	–	7,714	–	7,714
Total derivative liabilities	$–	$9,612	$–	$9,612

a.These relate to TBA securities.
** Indicates amount less than $0.5 million.*

In millions of U.S. dollars

	Fair Value Measurements on a Recurring Basis As of June 30, 2011			
	Level 1	*Level 2*	*Level 3*	*Total*
Derivative assets:				
Derivative assets				
Investments				
Currency forward contracts	$–	$ 302	$–	$ 302
Interest rate swaps	–	2	–	2
Other[a]	–	*	–	*
	–	304	–	304
Asset-liability management				
Currency forward contracts	–	9,886	–	9,886
Total derivative assets	$–	$10,190	$–	$10,190
Derivative liabilities:				
Derivative Liabilities				
Investments				
Currency forward contracts	$–	$ 305	$–	$ 305
Interest rate swaps	–	3	–	3
Other[a]	–	1	–	1
	–	309		309
Asset-liability management				
Currency forward contracts	–	9,893		9,893
Total derivative liabilities	$–	$10,202	$–	$10,202

a.These relate to TBA securities.
***** *Indicates amount less than $0.5 million*

During the fiscal years ended June 30, 2012 and June 30, 2011, there were no inter-level transfers in the derivatives portfolio.

Valuation Methods and Assumptions

Derivative contracts include currency forward contracts, swaptions, plain vanilla swaps, and structured swaps, and are valued using the standard discounted cash flow methods using market observable inputs such as yield curves, foreign exchange rates and basis spreads.

NOTE E—DEVELOPMENT CREDITS AND OTHER EXPOSURES

Development credits and other exposures are generally made directly to member countries of IDA.

Development credits are carried and reported at amortized cost. Of the total development credits outstanding as of June 30, 2012, 89% were to the South Asia, Africa, and East Asia and Pacific regions, combined.

Based on IDA's internal credit quality indicators, the majority of the development credits outstanding are in the Medium and High risk classes.

As of June 30, 2012, IDA's development credits are predominantly denominated in SDR (representing about 95% of the portfolio) and carry a service charge of 75 basis points.

As of June 30, 2012, six borrowers with development credits outstanding totaling $3,486 million (representing about 2.8% of the portfolio) were in nonaccrual status.

Maturity Structure

The maturity structure of development credits outstanding at June 30, 2012 and June 30, 2011 was as follows:

In millions of U.S. dollars

June 30, 2012		*June 30, 2011*	
July 1, 2012 through June 30, 2013[a]	$ 6,006	July 1, 2011 through June 30, 2012[b]	$ 5,280
July 1, 2013 through June 30, 2017	15,992	July 1, 2012 through June 30, 2016	15,872
July 1, 2017 through June 30, 2022	25,091	July 1, 2016 through June 30, 2021	25,329
Thereafter	76,487	Thereafter	78,806
Total	$123,576	Total	$125,287

a. Includes $1,559 million to be written off on July 1, 2012 under the MDRI.
b. Includes development credits totaling $1,000 million prepaid by China on July 1, 2011. As of June 30, 2011, the liability relating to the funds received in advance was included in Accounts payable and miscellaneous liabilities.

Currency Composition

Development credits outstanding had the following currency composition at June 30, 2012 and June 30, 2011:

In millions of U.S. dollars

	June 30, 2012	*June 30, 2011*
USD-denominated	$ 6,690	$ 7,190
SDR-denominated	116,886	118,097
	$123,576	$125,287

Credit Quality of Sovereign Development Credits

Based on an evaluation of IDA's development credits, management has determined that IDA has one portfolio segment – Sovereign Exposures. Development credits constitute the majority of sovereign exposures.

IDA's country risk ratings are an assessment of its borrowers' ability and willingness to repay on time and in full. These ratings are internal credit quality indicators. Individual country risk ratings are derived on the basis of both quantitative and qualitative factors. For the purpose of analyzing the risk characteristics of IDA's exposures, exposures are grouped into three classes in accordance with assigned borrower risk ratings which relate to the likelihood of loss: Low, Medium and High classes, as well as exposures in nonaccrual status. IDA considers all exposures in nonaccrual status to be impaired.

IDA's borrowers' country risk ratings are key determinants in the provisions for development credit losses.

IDA considers a development credit to be past due when a borrower fails to make payment on any principal, service, interest or other charges due to IDA, on the dates provided in the contractual development credit agreements.

The following tables provide an aging analysis of development credits outstanding as of June 30, 2012 and June 30, 2011:

In millions of U.S. dollars

	June 30, 2012							
Days past due	*Up to 45*	*46-60*	*61-90*	*91-180*	*Over 180*	*Total Past Due*	*Current*	*Total*
Risk Class								
Low	$ –	$–	$–	$ –	$ –	$ –	$ 7,074	$ 7,074
Medium	–	–	–	–	–	–	33,611	33,611
High	*	–	–	–	–	*	79,405	79,405
Credits in accrual status	*	–	–	–	–	*	120,090	120,090
Credits in nonaccrual status	12	2	6	28	1,072	1,120	2,366	3,486
Total	$12	$2	$6	$28	$1,072	$1,120	$122,456	$123,576

** Indicates amounts less than $0.5 million.*

In millions of U.S. dollars

	June 30, 2011							
Days past due	*Up to 45*	*46-60*	*61-90*	*91-180*	*Over 180*	*Total Past Due*	*Current*	*Total*
Risk Class								
Low	$ –	$–	$–	$ –	$ –	$ –	$ 9,239	$ 9,239
Medium	–	–	–	–	–	–	34,219	34,219
High	1	1	1	–	–	3	78,711	78,714
Credits in accrual status	1	1	1	–	–	3	122,169	122,172
Credits in nonaccrual status	12	1	4	28	1,006	1,051	2,064	3,115
Total	$13	$2	$5	$28	$1,006	$1,054	$124,233	$125,287

Accumulated Provision for Losses on Development Credits, Debt Relief (HIPC Debt Initiative and MDRI) and Other Exposures

Provision for Losses on Development Credits and Other Exposures

Management determines the appropriate level of accumulated provision for losses, which reflects the probable losses inherent in IDA's exposures. Probable losses comprise estimates of losses arising from default and nonpayment of principal amounts due, as well as present value losses. Management reassesses the adequacy of the accumulated provision on a periodic basis and adjustments are recorded as a charge against or addition to income.

Provision for Debt Relief

HIPC Debt Initiative and MDRI provisions are based on quantitative and qualitative analyses of various factors, including estimates of Decision Point and Completion Point dates. These factors are reviewed periodically as part of the reassessment of the adequacy of the accumulated provision for debt relief. Provisions are released as qualifying debt service becomes due under the HIPC Debt Initiative and are reduced by the amount of the eligible development credits written off when the country reaches Completion Point, and becomes eligible for MDRI debt relief.

Changes to the accumulated provision for losses on development credits and other exposures, as well as the debt relief under HIPC Debt Initiative and MDRI for the fiscal years ended June 30, 2012 and June 30, 2011 are summarized below:

In millions of U.S. dollars

	June 30, 2012				June 30, 2011			
	Development credits	*Other*	*Debt relief under HIPC/MDRI*	*Total*	*Development credits*	*Other*	*Debt relief under HIPC/MDRI*	*Total*
Accumulated provision, beginning of the fiscal year	$ 1,333	$15	$5,614	$6,962	$ 1,224	$ 4	$ 7,724	$ 8,952
Provision, net – charge (release)	70	(1)	(3)	66	20	10	(74)	(44)
Development credits written off under HIPC	–	–	(5)	(5)	–	–	(15)	(15)
Development credits written off under MDRI	–	–	–	–	–	–	(2,464)	(2,464)
Translation adjustment	(64)	(1)	(222)	(287)	89	1	443	533
Accumulated provision, end of the fiscal year	$ 1,339	$13	$5,384	$6,736	$ 1,333	$15	$ 5,614	$ 6,962
Composed of accumulated provision for losses on:								
Development credits in accrual status	$ 1,131				$ 1,135			
Development credits in nonaccrual status	208				198			
Total	$ 1,339				$ 1,333			
Development credits, end of the fiscal year:								
Development credits in accrual status	$120,090				$122,172			
Development credits in nonaccrual status	3,486				3,115			
Total	$123,576				$125,287			

	Reported as Follows	
	Balance Sheet	**Statement of Income**
Accumulated Provision for Losses on:		
Development Credits	Accumulated provision for debt relief and losses on development credits	Provision for debt relief and for losses on development credits and other exposures
Debt Relief under HIPC/MDRI	Accumulated provision for debt relief and losses on development credits	Provision for debt relief and for losses on development credits and other exposures
Other Exposures	Other Liabilities-Accounts payable and miscellaneous liabilities	Provision for debt relief and for losses on development credits and other exposures

Development credits to be written off under MDRI

On June 26, 2012, Cote d'Ivoire reached the Completion Point under the HIPC Debt Initiative, allowing for the cancellation of eligible development credits totaling $1,559 million on July 1, 2012. The accumulated provision for debt relief under HIPC and MDRI of $5,384 million as of June 30, 2012 includes a provision for this amount.

Overdue Amounts

It is the policy of IDA to place in nonaccrual status all development credits and other exposures made to, or guaranteed by, a member of IDA if principal, service charges, or other charges with respect to any such exposures are overdue by more than six months, unless IDA's management determines that the overdue amount will be collected in the immediate future. IDA considers the exposures in nonaccrual status to be impaired. In addition, if exposures by IBRD to a member government are placed in nonaccrual status, all development credits and other exposures made to, or guaranteed by, that member government will also be placed in nonaccrual status by IDA. On the date a member's development credits and other exposures are placed into nonaccrual status, unpaid service charges and other charges accrued on development credits outstanding to the member are deducted from the income from development credits in the current period. Charge income on nonaccrual exposures is included in income only to the extent that payments have actually been received. If collectability risk is considered to be particularly high at the time of arrears clearance, a borrowing member's exposures may not automatically emerge from nonaccrual status. In such instances, a decision on the restoration of accrual status is made on a case-by-case basis, and in certain cases that decision may be deferred until a suitable period of payment or policy performance has passed.

As of June 30, 2012, there were no principal or charges under development credits in accrual status which were overdue by more than three months.

The following tables provide a summary of selected financial information related to development credits in nonaccrual status as of and for the fiscal years ended June 30, 2012, June 30, 2011 and June 30, 2010:

In millions of U.S. dollars

Borrower	*Nonaccrual Since*	*Recorded investment[a]*	*Average recorded investment[b]*	*Principal Outstanding*	*Provision for debt relief*	*Provision for credit losses[c]*	*Overdue amounts*	
							Principal	*Charges*
Eritrea	March 2012	$ 474	$ 147	$ 474	$ 352	$ 25	$ 7	$ 3
Myanmar	September 1998	777	790	777	–	155	306	84
Somalia	July 1991	438	447	438	423	3	176	71
Sudan	January 1994	1,277	1,301	1,277	1,205	15	508	171
Syrian Arab Republic	June 2012	14	1	14	–	*	1	*
Zimbabwe	October 2000	506	520	506	–	10	122	47
Total – June 30, 2012		$3,486	$3,206	$3,486	$1,980	$208	$1,120	$376
Total – June 30, 2011		$3,115	$3,055	$3,115	$1,652	$198	$1,051	$363

a. A credit loss provision has been recorded against each of the credits in nonaccrual status.
b. Represents the average for the fiscal years. For the fiscal year ended June 30, 2010: $3,222 million.
c. Credit loss provisions are determined after taking into account accumulated provision for debt relief.
** Indicates amount less than $0.5 million.*

In millions of U.S. dollars

	Fiscal Year Ended June 30,		
	2012	*2011*	*2010*
Service charge income not recognized as a result of development credits being in nonaccrual status	$27	$23	$32

On June 2, 2012, development credits made to, or guaranteed by, the Syrian Arab Republic were placed into nonaccrual status. Development credit income for the fiscal year ended June 30, 2012 would have been higher by $0.1 million, had these development credits not been placed into nonaccrual status.

On March 15, 2012, development credits made to, or guaranteed by, Eritrea were placed into nonaccrual status. Development credit income for the fiscal year ended June 30, 2012 would have been higher by $3 million, had these development credits not been placed into nonaccrual status.

During the fiscal year ended June 30, 2011, Guinea cleared all of its overdue principal and charges due to IDA and the development credits to Guinea were restored to accrual status. As a result of this event, income from development credits increased by $17 million, including $9 million that would have been accrued in the previous fiscal year had these credits not been in nonaccrual status.

During the fiscal years ended June 30, 2012, June 30, 2011, and June 30, 2010 no service charge income was recognized on credits in nonaccrual status.

Guarantees

Guarantees of $299 million were outstanding at June 30, 2012 ($258 million—June 30, 2011). This amount represents the maximum potential undiscounted future payments that IDA could be required to make under these guarantees, and is not included on the Balance Sheet. The guarantees issued by IDA have original maturities ranging between 10 and 23 years, and expire in decreasing amounts through 2035.

At June 30, 2012, liabilities related to IDA's obligations under guarantees of $26 million (June 30, 2011—$18 million), have been included in Accounts payable and miscellaneous liabilities on the Balance Sheet. These include the accumulated provision for guarantee losses of $7 million (June 30, 2011—$6 million).

During the fiscal years ended June 30, 2012 and June 30, 2011, no guarantees provided by IDA were called.

Segment Reporting

Based on an evaluation of its operations, management has determined that IDA has only one reportable segment.

Charge income comprises service charges and interest charges on outstanding development credit balances and guarantee fee income. For the fiscal year ended June 30, 2012, charge income from one country totaling $203 million was in excess of ten percent of total charge income.

The following table presents development credits outstanding and associated charge income as of and for the fiscal years ended June 30, 2012 and June 30, 2011, by geographic region.

In millions of U.S. dollars

	June 30, 2012		*June 30, 2011*	
	Development Credits Outstanding	*Charge Income*	*Development Credits Outstanding*	*Charge Income*
Africa	$ 36,604	$244	$ 34,983	$241
East Asia and Pacific	20,555	154	22,212	157
Europe and Central Asia	8,080	62	8,240	59
Latin America and the Caribbean	1,872	14	1,745	12
Middle East and North Africa	3,729	29	3,958	29
South Asia	52,736	411	54,149	399
Total	$123,576	$914	$125,287	$897

Buydown of Development Credits

During the fiscal year ended June 30, 2012, two development credits (Nil—fiscal year ended June 30, 2011) with outstanding nominal value of $87 million were purchased for a present value equivalent of $42 million under the buydown mechanism by the Global Program to Eradicate Poliomyelitis Trust Funds, resulting in a $45 million write-off.

Discount on Development Credits prepaid under IDA16

During the fiscal year ended June 30, 2012, two IDA graduate countries prepaid development credits with outstanding nominal values totaling $1,053 million as part of IDA16 (Nil—fiscal year ended June 30, 2011). The total amount prepaid of $940 million reflected the present value of the development credits as of the date of the prepayment, resulting in an aggregate discount of $113 million.

Fair Value Disclosures

The table below presents the fair value of development credits along with their respective carrying amounts as of June 30, 2012 and June 30, 2011:

In millions of U.S. dollars

	June 30, 2012		June 30, 2011	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Net Development Credits Outstanding	$116,880	$79,917	$118,368	$73,165

Valuation Methods and Assumptions

The fair values of development credits are calculated using market-based methodologies which incorporate the respective borrowers' Credit Default Swap (CDS) spreads and, where applicable, proxy CDS spreads. Basis adjustments are applied to market recovery levels to reflect IDA's recovery experience.

NOTE F—AFFILIATED ORGANIZATIONS

IDA transacts with affiliated organizations as a recipient of transfers and grants, administrative and derivative intermediation services as well as through cost sharing of IBRD's sponsored pension and other postretirement plans.

Transfers and Grants

On September 23, 2011, IBRD's Board of Governors approved an immediate transfer to IDA of $520 million. This transfer was received on September 27, 2011.

On December 16, 2011, IFC and IDA signed an agreement for IFC to provide a grant to IDA of $330 million. This grant was received on December 21, 2011.

Cumulative transfers and grants made to IDA as of June 30, 2012 were $14,518 million ($13,660 million—June 30, 2011). Details by transferor are as follows:

In millions of U.S. dollars

Transfers from	Beginning of the fiscal year	Transfers during the fiscal year	End of the fiscal year
Total	$13,660	$858	$14,518
Of which from:			
IBRD	11,595	520	12,115
IFC	1,900	330	2,230

Receivables and Payables

At June 30, 2012, and June 30, 2011, the total amounts receivable from or (payable to) affiliated organizations comprised:

In millions of U.S. dollars

	June 30, 2012			
	Administrative Services	Pension and Other Postretirement Benefits	Derivative transactions	Total
Receivable from:				
IBRD	$ –	$1,006	$ 7,327	$ 8,333
Payable to:				
IBRD	$(375)	$ –	$(7,714)	$(8,089)

In millions of U.S. dollars

	June 30, 2011			
	Administrative Services	Pension and Other Postretirement Benefits	Derivative transactions	Total
Receivable from:				
IBRD	$ –	$999	$ 9,886	$ 10,885
Payable to:				
IBRD	$(370)	$ –	$(9,893)	$(10,263)

Administrative Services: The payable to IBRD represents IDA's share of joint administrative expenses, net of other income jointly earned. The allocation of expenses is based upon an agreed cost sharing formula, and amounts are settled quarterly.

During the fiscal year ended June 30, 2012, IDA's share of joint administrative expenses totaled $1,365 million ($1,427 million - fiscal year ended June 30, 2011 and $1,323 million - fiscal year ended June 30, 2010).

Other income: Includes IDA's share of other income jointly earned with IBRD during the fiscal year ended June 30, 2012 totaling $209 million (fiscal year ended June 30, 2011—$193 million and fiscal year ended June 30, 2010—$173 million). Other income is allocated on the basis consistent with that applied to joint administrative expenses.

For the fiscal years ended June 30, 2012, June 30, 2011 and June 30, 2010, the amount of fee revenue associated with services provided to other affiliated organizations is included in Other income on the Statement of Income, as follows:

In millions of U.S. dollars

	Fiscal Year Ended June 30,		
	2012	*2011*	*2010*
Fees charged to IFC	$40	$40	$35
Fees charged to MIGA	6	5	4

Pension and Other Postretirement Benefits: The receivable from IBRD represents IDA's net share of prepaid costs for pension and other postretirement benefit plans and Post-Employment Benefits Plan (PEBP) assets. These will be realized over the life of the plan participants.

Derivative transactions: These relate to currency forward contracts entered into by IDA with IBRD acting as the intermediary with the market and primarily convert donors' expected contributions in national currencies under the Sixteenth and prior replenishments of IDA's resources into the four currencies of the SDR basket.

NOTE G—TRUST FUNDS ADMINISTRATION

IDA, alone or jointly with one or more of its affiliated organizations, administers on behalf of donors, including members, their agencies and other entities, funds restricted for specific uses in accordance with administration agreements with donors. Specified uses include, for example, co-financing of IDA lending projects, debt reduction operations for IDA members, technical assistance for borrowers including feasibility studies and project preparation, global and regional programs, and research and training programs. These funds are held in trust by IDA and/or IBRD, and are held in a separate investment portfolio which is not commingled with IDA and/or IBRD funds.

Trust fund execution may be carried out in one of two ways: Recipient-executed or IDA-executed.

Recipient-executed trust funds involve activities carried out by a recipient third-party "executing agency". IDA enters into agreements with and disburses funds to such recipients, who then exercise spending authority to meet the objectives and comply with terms stipulated in the agreements.

IDA-executed trust funds involve execution of activities by IDA as described in relevant administration agreements with donors which define the terms and conditions for use of the funds. Spending authority is exercised by IDA, under the terms of the administration agreements. The executing agency services provided by IDA vary and include for example, activity preparation, analytical and advisory activities and project-related activities, including procurement of goods and services. The following table summarizes the expenses pertaining to IDA-executed trust funds during the fiscal years ended June 30, 2012, June 30, 2011 and June 30, 2010:

In millions of U.S. dollars

	Fiscal Year Ended June 30,		
	2012	*2011*	*2010*
IDA-executed trust funds expenses	$309	$289	$262

These amounts are included in Administrative expenses and the corresponding income is included in Other income in the Statement of Income.

The following table summarizes undisbursed contributions made by third party donors to IDA-executed trust funds, recognized on the Balance Sheet as of June 30, 2012 and June 30, 2011:

In millions of U.S. dollars

	June 30, 2012	*June 30, 2011*
IDA-executed trust funds	$334	$343

These amounts are included in Other Assets and the corresponding liabilities are included in Accounts payable and miscellaneous liabilities on the Balance Sheet.

In some trust funds, execution is split between Recipient-executed and IDA-executed portions. Decisions on assignment of funding resources between the two types of execution may be made on an ongoing basis; therefore the execution of a portion of these available resources may not yet be assigned.

IDA also acts as a financial intermediary to provide specific administrative or financial services with a limited fiduciary or operational role. These arrangements include, for example, administration of debt service trust funds, financial intermediation and other more specialized limited fund

management roles. Funds are held and disbursed in accordance with instructions from donors or, in some cases, an external governance structure or a body operating on behalf of donors.

Revenues

During the fiscal year ended June 30, 2012, June 30, 2011 and June 30, 2010, IDA's revenues for the administration of trust fund operations were as follows:

In millions of U.S. dollars

	Fiscal Year Ended June 30,		
	2012	*2011*	*2010*
Revenues	$68	$61	$60

These amounts are included in Other income in the Statement of Income.

Revenues collected from donor contributions but not yet earned totaling $77 million at June 30, 2012 ($75 million—June 30, 2011) are included in Other Assets and in Accounts payable and miscellaneous liabilities, correspondingly, on the Balance Sheet.

Transfers Received

Under the agreements governing the administration of certain trust funds, IDA may receive any surplus assets as transfers upon the termination of these trust funds. In addition, as development credits are repaid to trust funds, in certain cases they are transferred to IDA. During the fiscal year ended June 30, 2012, surplus funds received under these arrangements totaled $7 million ($8 million – fiscal year ended June 30, 2011).

NOTE H—DEVELOPMENT GRANTS

A summary of changes to the amounts payable for development grants is presented below:

In millions of U.S. dollars

	June 30, 2012	*June 30, 2011*
Balance, beginning of the fiscal year	$ 6,830	$ 5,837
Commitments	2,062	2,793
Disbursements (including PPA grant activity)	(2,398)	(2,261)
Translation adjustment	(333)	461
Balance, end of the fiscal year	$ 6,161	$ 6,830

For the fiscal years ending June 30, 2012 and June 30, 2011, the commitment charge rate on the undisbursed balances of IDA grants was set at nil percent.

NOTE I—ACCUMULATED OTHER COMPREHENSIVE INCOME

Comprehensive income consists of net income/loss and other gains and losses affecting equity that, under U.S. GAAP, are excluded from net income (loss). For IDA, comprehensive income (loss) is comprised of net loss and currency translation adjustments on functional currencies. These items are presented in the Statement of Comprehensive Income.

The following table presents the changes in Accumulated Other Comprehensive Income balances for the fiscal years ended June 30, 2012 and June 30, 2011:

In millions of U.S. dollars

	June 30,	
	2012	*2011*
Balance, beginning of the fiscal year	$ 17,794	$ 7,859
Currency translation adjustments on functional currencies	(7,617)	9,935
Balance, end of the fiscal year	$10,177	$17,794

NOTE J—PENSION AND OTHER POSTRETIREMENT BENEFITS

IDA and IBRD are jointly called The World Bank. The staff of IBRD perform functions for both IBRD and IDA, but all staff compensation is paid directly by IBRD. Accordingly, a portion of IBRD's staff and associated administrative costs is allocated to IDA based on an agreed cost sharing ratio computed every year using various indicators. The methodology for computing this share ratio is approved by the Executive Directors for both institutions.

IBRD, along with IFC and MIGA sponsor a Staff Retirement Plan (SRP), a Retired Staff Benefits Plan (RSBP) and a PEBP that cover substantially all of their staff members.

The SRP provides regular defined pension benefits and also includes a cash balance component. The RSBP provides certain health and life insurance benefits to eligible retirees. The PEBP provides certain pension benefits administered outside the SRP.

A June 30 measurement date is used for these pension and other postretirement benefit plans. All costs, assets and liabilities associated with these plans are allocated between IBRD, IFC, and MIGA based upon their employees' respective participation in the plans.

While IDA is not a participating entity to these benefit plans, IDA shares in the costs and reimburses IBRD for its proportionate share of any contributions made to these plans by IBRD, as part of IBRD's allocation of staff and associated administrative costs to IDA based on an agreed cost sharing ratio. During the fiscal year ended June 30, 2012, IDA's share of IBRD's costs relating to all the three plans totaled $173 million ($241 million - fiscal year ended June 30, 2011 and $167 million - fiscal year ended June 30, 2010).

The cost of any potential future liability arising from these plans would be shared by IBRD and IDA using the applicable share ratio. As of June 30, 2012, the SRP and the RSBP had negative funded status of $1,423 million and $765 million, respectively. The funded status of the PEBP, after reflecting IBRD and IDA's share of assets which are included in IBRD's investment portfolio ($478 million), was negative $229 million.

NOTE K—OTHER FAIR VALUE DISCLOSURES

The table below presents IDA's estimates of fair value of its financial assets and liabilities along with their respective carrying amounts as of June 30, 2012 and June 30, 2011.

In millions of U.S. dollars

	2012		*2011*	
	Carrying Value	*Fair Value*	*Carrying Value*	*Fair Value*
Due from Banks	$ 106	$ 106	$ 50	$ 50
Investments (including Securities Purchased Under Resale Agreements)	30,865	30,865	29,818	29,818
Net Development Credits Outstanding	116,880	79,917	118,368	73,165
Derivative Assets				
Investments	1,905	1,905	304	304
Other Asset/Liability Management	7,327	7,327	9,886	9,886
Securities sold/lent under repurchase agreements/ securities lending agreements and payable for cash collateral received	3,824	3,824	6,013	6,013
Derivative Liabilities				
Investments	1,898	1,898	309	309
Other Asset/Liability Management	7,714	7,714	9,893	9,893

As of June 30, 2012, IDA's development credits are classified as Level 3 within the fair value hierarchy.

Valuation Methods and Assumptions

As of June 30, 2012 and June 30, 2011, IDA had no financial assets or liabilities measured at fair value on a non-recurring basis.

For valuation methods and assumptions of the following items refer to the respective notes as follows:

Investments: See Note C

Derivative assets and liabilities: See Note D

Development Credits Outstanding: See Note E

Due from Banks: The carrying amount of unrestricted and restricted currencies is considered a reasonable estimate of the fair value of these positions.

Population Living below $1.25 and $2 a day | 1981–2008

View Excel Version

percent

Population living below $1.25 a day (2005 PPP)

Developing-country groups	1981	1984	1987	1990	1993	1996	1999	2002	2005	2008
East Asia and Pacific	77.2	65.0	54.1	56.2	50.7	35.9	35.6	27.6	17.1	14.3
China	84.0	69.4	54.0	60.2	53.7	36.4	35.6	28.4	16.3	13.1
Europe and Central Asia	1.9	1.6	1.5	1.9	2.9	3.9	3.8	2.3	1.3	0.5
Latin America and the Caribbean	11.9	13.6	12.0	12.2	11.4	11.1	11.9	11.9	8.7	6.5
Middle East and North Africa	9.6	8.0	7.1	5.8	4.8	4.8	5.0	4.2	3.5	2.7
South Asia	61.1	57.4	55.3	53.8	51.7	48.6	45.1	44.3	39.4	36.0
India	59.8	55.7	54.1	51.3	49.7	47.2	45.6	44.5	40.8	37.4
Sub-Saharan Africa	51.5	55.2	54.4	56.5	59.4	58.1	57.9	55.7	52.3	47.5
Region Total	**52.2**	**47.1**	**42.3**	**43.1**	**41.0**	**34.8**	**34.1**	**30.8**	**25.1**	**22.4**
excluding China	40.5	39.1	38.1	37.2	36.6	34.3	33.6	31.5	27.8	25.2

Population living below $2 a day (2005 PPP)

Developing-country groups	1981	1984	1987	1990	1993	1996	1999	2002	2005	2008
East Asia and Pacific	92.4	88.3	81.6	81.0	75.8	64.0	61.7	51.9	39.0	33.2
China	97.8	92.9	83.7	84.6	78.6	65.1	61.4	51.2	36.9	29.8
Europe and Central Asia	8.3	6.7	6.3	6.9	9.2	11.2	12.1	7.9	4.6	2.2
Latin America and the Caribbean	23.8	26.8	22.4	22.4	21.7	21.0	22.0	22.2	16.7	12.4
Middle East and North Africa	30.1	27.1	26.1	23.5	22.1	22.2	22.0	19.7	17.4	13.9
South Asia	87.2	85.6	84.5	83.6	82.7	80.7	77.8	77.4	73.4	70.9
India	86.6	84.9	84.1	82.6	81.9	80.2	78.9	77.9	75.0	72.4
Sub-Saharan Africa	72.2	74.7	74.3	76.0	78.1	77.5	77.4	76.1	74.1	69.2
Region Total	**69.6**	**68.0**	**64.8**	**64.6**	**63.1**	**58.6**	**57.4**	**53.5**	**46.9**	**43.0**
excluding China	59.3	59.1	58.2	57.7	57.8	56.4	56.1	54.2	49.9	47.0

Population Living below $1.25 and $2 a day | 1981–2008

millions

Population living below $1.25 a day (2005 PPP)

Developing country groups	1981	1984	1987	1990	1993	1996	1999	2002	2005	2008
East Asia and Pacific	1,097	970	848	926	871	640	656	523	332	284
China	835	720	586	683	633	443	446	363	212	173
Europe and Central Asia	8	7	7	9	14	18	18	11	6	2
Latin America and the Caribbean	43	53	49	53	53	54	60	63	48	37
Middle East and North Africa	16	15	15	13	12	12	14	12	10	9
South Asia	568	574	593	617	632	631	619	640	598	571
India	429	427	443	448	462	463	473	484	466	445
Sub-Saharan Africa	205	239	257	290	330	349	376	390	395	386
Region Total	**1,938**	**1,858**	**1,768**	**1,909**	**1,910**	**1,704**	**1,743**	**1,639**	**1,389**	**1,289**
excluding China	1,103	1,138	1,183	1,226	1,278	1,261	1,297	1,276	1,178	1,116

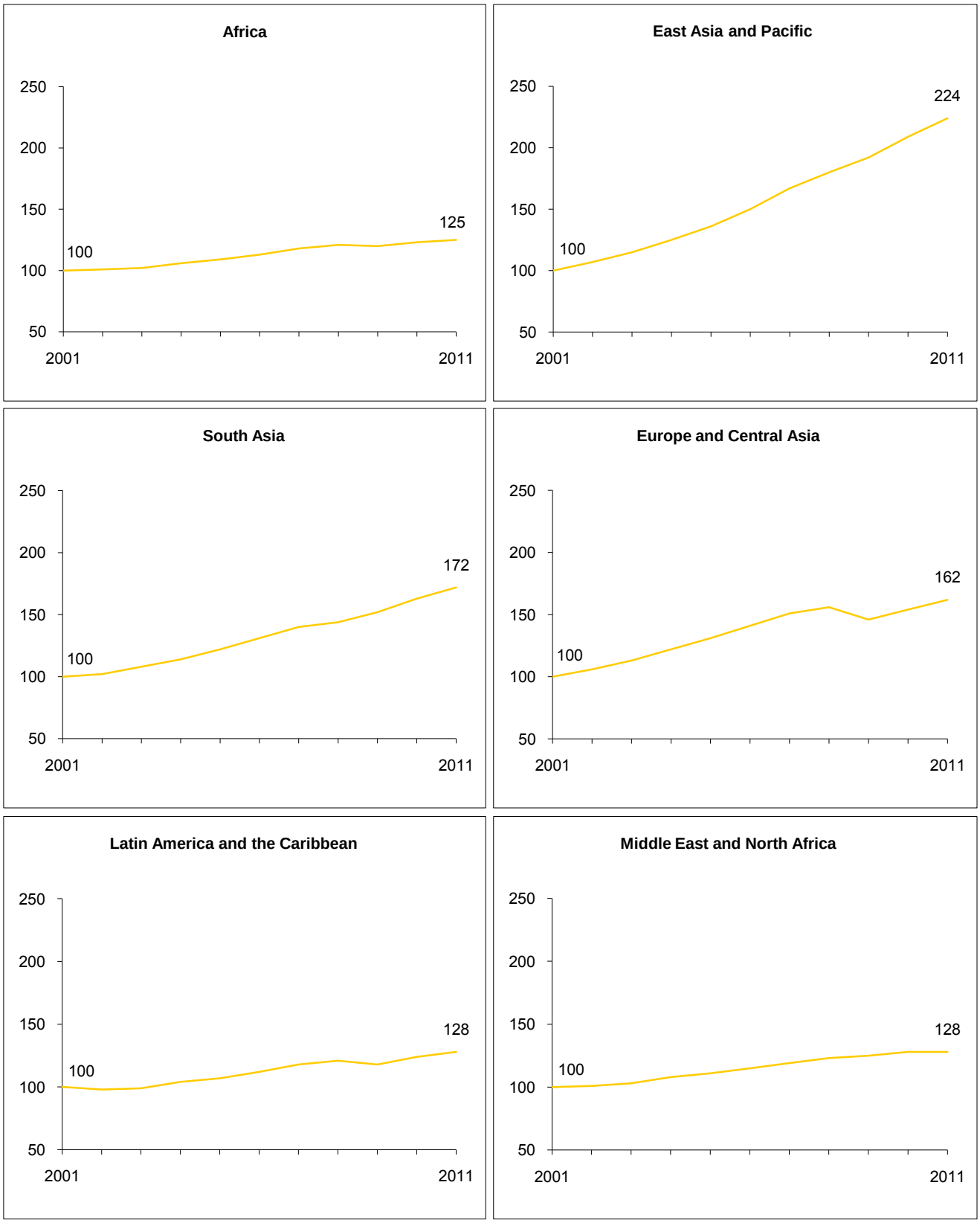
Population living below $2 a day (2005 PPP)

Developing country groups	1981	1984	1987	1990	1993	1996	1999	2002	2005	2008
East Asia and Pacific	1,313	1,316	1,279	1,334	1,301	1,140	1,138	984	758	659
China	972	963	907	961	926	792	770	655	482	395
Europe and Central Asia	36	30	29	32	43	53	57	37	22	10
Latin America and the Caribbean	87	104	92	98	100	102	111	118	92	71
Middle East and North Africa	52	51	54	53	53	57	60	57	53	44
South Asia	811	855	906	959	1,010	1,047	1,069	1,120	1,113	1,125
India	621	651	689	722	760	788	818	848	857	862
Sub-Saharan Africa	288	324	350	389	434	466	503	533	559	562
Region Total	**2,585**	**2,680**	**2,710**	**2,864**	**2,941**	**2,865**	**2,937**	**2,848**	**2,596**	**2,471**
excluding China	1,613	1,717	1,803	1,903	2,015	2,073	2,168	2,194	2,114	2,077

Source: PovcalNet, World Bank.

Note: PPP = purchasing power parity.

Gross Domestic Product per Capita Index, 2001-11



Source: World Development Indicators database.

World Bank Lending to Borrowers in Africa by Theme and Sector | Fiscal 2007–2012

millions of dollars

View Excel Version

Theme	2007	2008	2009	2010	2011	2012
Economic Management	95	139	183	285	109	23
Environment and Natural Resources Management	212	338	246	520	424	1,005
Financial and Private Sector Development	963	982	1,556	5,022	1,462	1,198
Human Development	1,105	572	1,259	870	744	676
Public Sector Governance	859	1,612	1,131	718	1,042	869
Rule of Law	13	23	12	18	7	22
Rural Development	780	526	2,048	1,557	989	907
Social Development, Gender, and Inclusion	314	275	237	82	131	260
Social Protection and Risk Management	272	169	349	754	251	939
Trade and Integration	450	407	423	655	790	372
Urban Development	735	642	759	955	1,112	1,253
Theme Total	**5,797**	**5,686**	**8,203**	**11,437**	**7,060**	**7,525**

Sector	2007	2008	2009	2010	2011	2012
Agriculture, Fishing, and Forestry	370	368	1,249	617	843	739
Education	707	373	720	353	498	220
Energy and Mining	773	939	1,418	4,937	890	1,374
Finance	26	130	75	376	107	95
Health and Other Social Services	687	468	1,004	1,182	591	1,125
Industry and Trade	144	196	290	234	433	332
Information and Communications	146	1	144	55	259	63
Public Administration, Law, and Justice	1,352	1,748	1,602	1,562	1,856	1,874
Transportation	871	987	1,147	1,673	938	351
Water, Sanitation, and Flood Protection	721	478	554	447	646	1,352
Sector Total	**5,797**	**5,686**	**8,203**	**11,437**	**7,060**	**7,525**
Of which IBRD	38	30	362	4,258	56	147
Of which IDA	5,759	5,656	7,841	7,179	7,004	7,379

Note: Numbers may not add to totals because of rounding.

World Bank Lending to Borrowers in East Asia and Pacific by Theme and Sector | Fiscal 2007–2012

millions of dollars

View Excel Version

Theme	2007	2008	2009	2010	2011	2012
Economic Management	83		784	34	161	345
Environment and Natural Resources Management	565	746	550	827	1,510	781
Financial and Private Sector Development	999	1,133	1,928	1,038	1,029	1,048
Human Development	213	229	819	974	311	466
Public Sector Governance	705	644	1,568	919	1,596	941
Rule of Law		23			35	
Rural Development	608	555	718	1,143	1,114	699
Social Development, Gender, and Inclusion	190	197	178	429	153	83
Social Protection and Risk Management	44	99	888	1,000	259	934
Trade and Integration	233	177	176	182	562	273
Urban Development	404	663	544	972	1,268	1,057
Theme Total	**4,044**	**4,468**	**8,153**	**7,517**	**7,997**	**6,628**

Sector	2007	2008	2009	2010	2011	2012
Agriculture, Fishing, and Forestry	269	113	201	738	325	395
Education	125	234	941	1,127	164	249
Energy and Mining	118	666	946	643	1,695	508
Finance	230	263	1,009	166	32	537
Health and Other Social Services	133	213	581	778	290	391
Industry and Trade	102	190	754	147	246	90
Information and Communications		10	11	14	28	53
Public Administration, Law, and Justice	888	889	1,474	1,908	2,221	1,988
Transportation	1,555	1,532	1,205	1,155	1,942	1,070
Water, Sanitation, and Flood Protection	624	359	1,030	841	1,056	1,348
Sector Total	**4,044**	**4,468**	**8,153**	**7,517**	**7,997**	**6,628**
Of which IBRD	2,807	2,677	6,905	5,865	6,370	5,431
Of which IDA	1,237	1,791	1,247	1,652	1,627	1,197

Note: Numbers may not add to totals because of rounding.

World Bank Lending to Borrowers in Europe and Central Asia by Theme and Sector | Fiscal 2007–2012

millions of dollars

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Theme	2007	2008	2009	2010	2011	2012
Economic Management	6	3	693	861	363	616
Environment and Natural Resources Management	398	461	452	666	1,377	547
Financial and Private Sector Development	824	1,296	2,397	3,937	1,338	1,715
Human Development	258	229	1,286	1,350	601	837
Public Sector Governance	329	515	851	1,462	246	949
Rule of Law	230	171	1	27	33	17
Rural Development	150	260	180	513	199	104
Social Development, Gender, and Inclusion	23	24	17	4	88	48
Social Protection and Risk Management	347	125	890	1,430	1,302	355
Trade and Integration	539	498	2,359	208	368	1,206
Urban Development	658	589	236	360	208	201
Theme Total	**3,762**	**4,171**	**9,363**	**10,816**	**6,125**	**6,595**

Sector	2007	2008	2009	2010	2011	2012
Agriculture, Fishing, and Forestry	53	126	9	167	121	60
Education	82	67	357	606	220	95
Energy and Mining	338	547	1,547	556	1,870	1,559
Finance	353	312	621	3,137	380	494
Health and Other Social Services	193	216	631	1,092	1,204	1,202
Industry and Trade	396	499	699	456	253	229
Information and Communications		24		9	28	14
Public Administration, Law, and Justice	813	919	2,347	3,267	1,663	1,545
Transportation	712	894	2,912	870	243	1,280
Water, Sanitation, and Flood Protection	822	568	239	657	142	119
Sector Total	**3,762**	**4,171**	**9,363**	**10,816**	**6,125**	**6,595**
Of which IBRD	3,340	3,714	8,978	10,196	5,470	6,233
Of which IDA	422	457	384	620	655	362

Note: Numbers may not add to totals because of rounding.

World Bank Lending to Borrowers in Latin America and the Caribbean by Theme and Sector | Fiscal 2007–2012

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Theme	2007	2008	2009	2010	2011	2012
Economic Management	54	132	483	1,657	22	274
Environment and Natural Resources Management	353	665	3,438	1,404	1,266	1,032
Financial and Private Sector Development	499	623	1,570	1,496	1,114	382
Human Development	1,022	445	1,644	3,414	1,553	1,399
Public Sector Governance	520	943	2,181	1,964	776	864
Rule of Law	97	50	1	23	85	75
Rural Development	415	308	532	388	723	816
Social Development, Gender, and Inclusion	175	109	66	163	206	198
Social Protection and Risk Management	419	307	2,853	978	2,454	794
Trade and Integration	300	225	254	395	157	20
Urban Development	697	853	1,010	2,026	1,274	775
Theme Total	**4,553**	**4,660**	**14,031**	**13,907**	**9,629**	**6,629**

Sector	2007	2008	2009	2010	2011	2012
Agriculture, Fishing, and Forestry	83	333	1,329	190	213	730
Education	369	525	711	1,351	348	1,038
Energy and Mining	20	267	502	1,340	592	12
Finance	286	250	1,921	868	282	287
Health and Other Social Services	649	437	3,190	2,926	3,089	606
Industry and Trade	236	462	696	324	750	364
Information and Communications			174	1	109	21
Public Administration, Law, and Justice	1,188	851	3,137	2,748	2,039	2,025
Transportation	1,224	1,083	204	3,362	1,120	1,235
Water, Sanitation, and Flood Protection	498	451	2,166	797	1,088	310
Sector Total	**4,553**	**4,660**	**14,031**	**13,907**	**9,629**	**6,629**
Of which IBRD	4,353	4,353	13,829	13,667	9,169	6,181
Of which IDA	200	307	202	240	460	448

Note: Numbers may not add to totals because of rounding.

World Bank Lending to Borrowers in the Middle East and North Africa by Theme and Sector | Fiscal 2007–2012

millions of dollars

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Theme	2007	2008	2009	2010	2011	2012
Economic Management						35
Environment and Natural Resources Management	180	65	149	174	295	200
Financial and Private Sector Development	167	778	371	2,109	377	308
Human Development	14	17	92	170	181	116
Public Sector Governance	60	208	18	291	197	110
Rule of Law	33	11		139		11
Rural Development	127	53	82	381	418	135
Social Development, Gender, and Inclusion	175	75	21	18	89	109
Social Protection and Risk Management	15	36	33	137	159	249
Trade and Integration	16	17	201	141	109	
Urban Development	122	209	756	177	241	241
Theme Total	**908**	**1,470**	**1,723**	**3,737**	**2,065**	**1,513**

Sector	2007	2008	2009	2010	2011	2012
Agriculture, Fishing, and Forestry	209		60	119	251	2
Education	14	32	68	78	40	119
Energy and Mining	292	280	676	676		445
Finance	39	500	50	1,485	50	135
Health and Other Social Services	84	27	6	176	234	390
Industry and Trade	10	29	200	16	109	59
Information and Communications		9		45	50	
Public Administration, Law, and Justice	62	190	76	452	327	286
Transportation	27	105	390	416	483	4
Water, Sanitation, and Flood Protection	170	298	197	273	520	73
Sector Total	**908**	**1,470**	**1,723**	**3,737**	**2,065**	**1,513**
Of which IBRD	692	1,203	1,551	3,523	1,942	1,433
Of which IDA	216	267	172	214	123	80

Note: Numbers may not add to totals because of rounding.

World Bank Lending to Borrowers in South Asia by Theme and Sector | Fiscal 2007–2012

millions of dollars

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Theme	2007	2008	2009	2010	2011	2012
Economic Management	11	123	162	1,114		
Environment and Natural Resources Management	310	387	250	746	1,230	431
Financial and Private Sector Development	810	1,345	1,873	4,124	2,660	92
Human Development	1,476	788	1,279	1,643	838	1,467
Public Sector Governance	917	424	360	397	661	303
Rule of Law	50	26	2		9	1
Rural Development	1,096	574	739	1,023	2,194	2,781
Social Development, Gender, and Inclusion	373	321	294	256	241	549
Social Protection and Risk Management	550	145	282	708	1,265	231
Trade and Integration	31	69	30	237	622	
Urban Development	8	45	161	1,085	410	590
Theme Total	**5,632**	**4,247**	**5,434**	**11,334**	**10,130**	**6,446**

Sector	2007	2008	2009	2010	2011	2012
Agriculture, Fishing, and Forestry	734	421	552	787	375	1,208
Education	725	695	648	1,429	464	1,237
Energy and Mining	244	1,481	1,179	1,774	760	1,103
Finance	678	87	559	3,104	46	216
Health and Other Social Services	1,006	247	892	638	1,299	477
Industry and Trade	293	168	167	74	376	278
Information and Communications	3	13		22	166	7
Public Administration, Law, and Justice	1,166	700	855	891	1,567	1,011
Transportation	560	230	403	1,525	3,913	506
Water, Sanitation, and Flood Protection	224	206	179	1,088	1,165	403
Sector Total	**5,632**	**4,247**	**5,434**	**11,334**	**10,130**	**6,446**
Of which IBRD	1,600	1,491	1,286	6,689	3,730	1,158
Of which IDA	4,032	2,756	4,148	4,645	6,400	5,288

Note: Numbers may not add to totals because of rounding.

World Bank Lending to Borrowers in Africa by Theme and Sector | Fiscal 2007–2012

millions of dollars

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Theme	2007	2008	2009	2010	2011	2012
Economic Management	95	139	183	285	109	23
Environment and Natural Resources Management	212	338	246	520	424	1,005
Financial and Private Sector Development	963	982	1,556	5,022	1,462	1,198
Human Development	1,105	572	1,259	870	744	676
Public Sector Governance	859	1,612	1,131	718	1,042	869
Rule of Law	13	23	12	18	7	22
Rural Development	780	526	2,048	1,557	989	907
Social Development, Gender, and Inclusion	314	275	237	82	131	260
Social Protection and Risk Management	272	169	349	754	251	939
Trade and Integration	450	407	423	655	790	372
Urban Development	735	642	759	955	1,112	1,253
Theme Total	**5,797**	**5,686**	**8,203**	**11,437**	**7,060**	**7,525**

Sector	2007	2008	2009	2010	2011	2012
Agriculture, Fishing, and Forestry	370	368	1,249	617	843	739
Education	707	373	720	353	498	220
Energy and Mining	773	939	1,418	4,937	890	1,374
Finance	26	130	75	376	107	95
Health and Other Social Services	687	468	1,004	1,182	591	1,125
Industry and Trade	144	196	290	234	433	332
Information and Communications	146	1	144	55	259	63
Public Administration, Law, and Justice	1,352	1,748	1,602	1,562	1,856	1,874
Transportation	871	987	1,147	1,673	938	351
Water, Sanitation, and Flood Protection	721	478	554	447	646	1,352
Sector Total	**5,797**	**5,686**	**8,203**	**11,437**	**7,060**	**7,525**
Of which IBRD	38	30	362	4,258	56	147
Of which IDA	5,759	5,656	7,841	7,179	7,004	7,379

Note: Numbers may not add to totals because of rounding.

World Bank Lending to Borrowers in East Asia and Pacific by Theme and Sector | Fiscal 2007–2012

millions of dollars

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Theme	2007	2008	2009	2010	2011	2012
Economic Management	83		784	34	161	345
Environment and Natural Resources Management	565	746	550	827	1,510	781
Financial and Private Sector Development	999	1,133	1,928	1,038	1,029	1,048
Human Development	213	229	819	974	311	466
Public Sector Governance	705	644	1,568	919	1,596	941
Rule of Law		23			35	
Rural Development	608	555	718	1,143	1,114	699
Social Development, Gender, and Inclusion	190	197	178	429	153	83
Social Protection and Risk Management	44	99	888	1,000	259	934
Trade and Integration	233	177	176	182	562	273
Urban Development	404	663	544	972	1,268	1,057
Theme Total	**4,044**	**4,468**	**8,153**	**7,517**	**7,997**	**6,628**

Sector	2007	2008	2009	2010	2011	2012
Agriculture, Fishing, and Forestry	269	113	201	738	325	395
Education	125	234	941	1,127	164	249
Energy and Mining	118	666	946	643	1,695	508
Finance	230	263	1,009	166	32	537
Health and Other Social Services	133	213	581	778	290	391
Industry and Trade	102	190	754	147	246	90
Information and Communications		10	11	14	28	53
Public Administration, Law, and Justice	888	889	1,474	1,908	2,221	1,988
Transportation	1,555	1,532	1,205	1,155	1,942	1,070
Water, Sanitation, and Flood Protection	624	359	1,030	841	1,056	1,348
Sector Total	**4,044**	**4,468**	**8,153**	**7,517**	**7,997**	**6,628**
Of which IBRD	2,807	2,677	6,905	5,865	6,370	5,431
Of which IDA	1,237	1,791	1,247	1,652	1,627	1,197

Note: Numbers may not add to totals because of rounding.

World Bank Lending to Borrowers in Europe and Central Asia by Theme and Sector | Fiscal 2007–2012

millions of dollars

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Theme	2007	2008	2009	2010	2011	2012
Economic Management	6	3	693	861	363	616
Environment and Natural Resources Management	398	461	452	666	1,377	547
Financial and Private Sector Development	824	1,296	2,397	3,937	1,338	1,715
Human Development	258	229	1,286	1,350	601	837
Public Sector Governance	329	515	851	1,462	246	949
Rule of Law	230	171	1	27	33	17
Rural Development	150	260	180	513	199	104
Social Development, Gender, and Inclusion	23	24	17	4	88	48
Social Protection and Risk Management	347	125	890	1,430	1,302	355
Trade and Integration	539	498	2,359	208	368	1,206
Urban Development	658	589	236	360	208	201
Theme Total	**3,762**	**4,171**	**9,363**	**10,816**	**6,125**	**6,595**

Sector	2007	2008	2009	2010	2011	2012
Agriculture, Fishing, and Forestry	53	126	9	167	121	60
Education	82	67	357	606	220	95
Energy and Mining	338	547	1,547	556	1,870	1,559
Finance	353	312	621	3,137	380	494
Health and Other Social Services	193	216	631	1,092	1,204	1,202
Industry and Trade	396	499	699	456	253	229
Information and Communications		24		9	28	14
Public Administration, Law, and Justice	813	919	2,347	3,267	1,663	1,545
Transportation	712	894	2,912	870	243	1,280
Water, Sanitation, and Flood Protection	822	568	239	657	142	119
Sector Total	**3,762**	**4,171**	**9,363**	**10,816**	**6,125**	**6,595**
Of which IBRD	3,340	3,714	8,978	10,196	5,470	6,233
Of which IDA	422	457	384	620	655	362

Note: Numbers may not add to totals because of rounding.

World Bank Lending to Borrowers in Latin America and the Caribbean by Theme and Sector | Fiscal 2007–2012

millions of dollars

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Theme	2007	2008	2009	2010	2011	2012
Economic Management	54	132	483	1,657	22	274
Environment and Natural Resources Management	353	665	3,438	1,404	1,266	1,032
Financial and Private Sector Development	499	623	1,570	1,496	1,114	382
Human Development	1,022	445	1,644	3,414	1,553	1,399
Public Sector Governance	520	943	2,181	1,964	776	864
Rule of Law	97	50	1	23	85	75
Rural Development	415	308	532	388	723	816
Social Development, Gender, and Inclusion	175	109	66	163	206	198
Social Protection and Risk Management	419	307	2,853	978	2,454	794
Trade and Integration	300	225	254	395	157	20
Urban Development	697	853	1,010	2,026	1,274	775
Theme Total	**4,553**	**4,660**	**14,031**	**13,907**	**9,629**	**6,629**

Sector	2007	2008	2009	2010	2011	2012
Agriculture, Fishing, and Forestry	83	333	1,329	190	213	730
Education	369	525	711	1,351	348	1,038
Energy and Mining	20	267	502	1,340	592	12
Finance	286	250	1,921	868	282	287
Health and Other Social Services	649	437	3,190	2,926	3,089	606
Industry and Trade	236	462	696	324	750	364
Information and Communications			174	1	109	21
Public Administration, Law, and Justice	1,188	851	3,137	2,748	2,039	2,025
Transportation	1,224	1,083	204	3,362	1,120	1,235
Water, Sanitation, and Flood Protection	498	451	2,166	797	1,088	310
Sector Total	**4,553**	**4,660**	**14,031**	**13,907**	**9,629**	**6,629**
Of which IBRD	4,353	4,353	13,829	13,667	9,169	6,181
Of which IDA	200	307	202	240	460	448

Note: Numbers may not add to totals because of rounding.

World Bank Lending to Borrowers in the Middle East and North Africa by Theme and Sector | Fiscal 2007–2012

millions of dollars

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Theme	2007	2008	2009	2010	2011	2012
Economic Management						35
Environment and Natural Resources Management	180	65	149	174	295	200
Financial and Private Sector Development	167	778	371	2,109	377	308
Human Development	14	17	92	170	181	116
Public Sector Governance	60	208	18	291	197	110
Rule of Law	33	11		139		11
Rural Development	127	53	82	381	418	135
Social Development, Gender, and Inclusion	175	75	21	18	89	109
Social Protection and Risk Management	15	36	33	137	159	249
Trade and Integration	16	17	201	141	109	
Urban Development	122	209	756	177	241	241
Theme Total	**908**	**1,470**	**1,723**	**3,737**	**2,065**	**1,513**

Sector	2007	2008	2009	2010	2011	2012
Agriculture, Fishing, and Forestry	209		60	119	251	2
Education	14	32	68	78	40	119
Energy and Mining	292	280	676	676		445
Finance	39	500	50	1,485	50	135
Health and Other Social Services	84	27	6	176	234	390
Industry and Trade	10	29	200	16	109	59
Information and Communications		9		45	50	
Public Administration, Law, and Justice	62	190	76	452	327	286
Transportation	27	105	390	416	483	4
Water, Sanitation, and Flood Protection	170	298	197	273	520	73
Sector Total	**908**	**1,470**	**1,723**	**3,737**	**2,065**	**1,513**
Of which IBRD	692	1,203	1,551	3,523	1,942	1,433
Of which IDA	216	267	172	214	123	80

Note: Numbers may not add to totals because of rounding.

World Bank Lending to Borrowers in South Asia by Theme and Sector | Fiscal 2007–2012

millions of dollars

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Theme	2007	2008	2009	2010	2011	2012
Economic Management	11	123	162	1,114		
Environment and Natural Resources Management	310	387	250	746	1,230	431
Financial and Private Sector Development	810	1,345	1,873	4,124	2,660	92
Human Development	1,476	788	1,279	1,643	838	1,467
Public Sector Governance	917	424	360	397	661	303
Rule of Law	50	26	2		9	1
Rural Development	1,096	574	739	1,023	2,194	2,781
Social Development, Gender, and Inclusion	373	321	294	256	241	549
Social Protection and Risk Management	550	145	282	708	1,265	231
Trade and Integration	31	69	30	237	622	
Urban Development	8	45	161	1,085	410	590
Theme Total	**5,632**	**4,247**	**5,434**	**11,334**	**10,130**	**6,446**

Sector	2007	2008	2009	2010	2011	2012
Agriculture, Fishing, and Forestry	734	421	552	787	375	1,208
Education	725	695	648	1,429	464	1,237
Energy and Mining	244	1,481	1,179	1,774	760	1,103
Finance	678	87	559	3,104	46	216
Health and Other Social Services	1,006	247	892	638	1,299	477
Industry and Trade	293	168	167	74	376	278
Information and Communications	3	13		22	166	7
Public Administration, Law, and Justice	1,166	700	855	891	1,567	1,011
Transportation	560	230	403	1,525	3,913	506
Water, Sanitation, and Flood Protection	224	206	179	1,088	1,165	403
Sector Total	**5,632**	**4,247**	**5,434**	**11,334**	**10,130**	**6,446**
Of which IBRD	1,600	1,491	1,286	6,689	3,730	1,158
Of which IDA	4,032	2,756	4,148	4,645	6,400	5,288

Note: Numbers may not add to totals because of rounding.

World Bank Lending to MDG-Related Operations[a] | Fiscal 2012

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	Number of Operations[a]			Commitments (millions of dollars)		
	IBRD	IDA	IBRD/IDA	IBRD	IDA	IBRD/IDA
Eradicate extreme poverty and hunger	12	37	49	2,696	3,406	6,101
Achieve universal primary education	11	15	26	3,131	1,993	5,124
Promote gender equality and empower women	15	30	45	4,047	4,132	8,179
Reduce child mortality	2	11	13	611	567	1,178
Improve maternal health	4	9	13	1,511	514	2,025
Combat HIV/AIDS, malaria, tuberculosis, and other diseases	0	8	8	0	241	241
Ensure environmental sustainability	45	78	123	7,470	9,979	17,450
Develop a global partnership for development	48	77	125	15,224	4,671	19,895

Note: MDGs = Millennium Development Goals

a. Includes operations that are expected to have an impact on MDGs. Since operations are multisectoral in nature, parts of operations may also support non-MDG-related goals.

Active Project Portfolio by Region, Theme, and Sector | June 30, 2012 **View Excel Version**

Region	Net commitments	
	Billions of dollars	Percent
Africa	40.2	23.2
East Asia and Pacific	30.3	17.5
Europe and Central Asia	23.0	13.3
Latin America and the Caribbean	33.2	19.2
Middle East and North Africa	8.4	4.9
South Asia	37.8	21.9
Other	0.04	0.0
Total	**173.0**	**100.0**

Theme	Net commitments	
	Billions of dollars	Percent
Economic Management	1.6	0.9
Environment and Natural Resources Management	20.2	11.7
Financial and Private Sector Development	35.7	20.6
Human Development	20.0	11.5
Public Sector Governance	14.8	8.6
Rule of Law	1.0	0.6
Rural Development	25.0	14.4
Social Development, Gender, and Inclusion	6.4	3.7
Social Protection and Risk Management	14.6	8.4
Trade and Integration	10.9	6.3
Urban Development	22.9	13.3
Total	**173.0**	**100.0**

Sector	Net commitments	
	Billions of dollars	Percent
Agriculture, Fishing, and Forestry	13.2	7.7
Education	10.9	6.3
Energy and Mining	28.1	16.2
Finance	7.8	4.5
Health and Other Social Services	20.1	11.6
Industry and Trade	5.2	3.0
Information and Communications	1.1	0.7
Public Administration, Law, and Justice	28.7	16.6
Transportation	37.6	21.7
Water, Sanitation, and Flood Protection	20.3	11.7
Total	**173.0**	**100.0**

Note: Portfolio of projects includes IBRD/IDA operations as well as other trust funded operations (that is, special financing operations, global enviornment facility operations, large recipient-excuted operations, Montreal protocol operations) that are implemented by the World Bank.

Africa: World Bank Commitments, Disbursements, and Net Transfers | Fiscal 2007–2012

View Excel Version

millions of dollars

Item	Nigeria		Ethiopia		Kenya		Total region	
	2012	2007-2012	2012	2007-2012	2012	2007-2012	2012	2007-2012
IBRD and IDA commitments	1,345	5,670	920	4,926	878	2,968	7,525	45,709
Undisbursed balance	3,262	3,262	2,212	2,212	2,372	2,372	24,580	24,580
Gross disbursements	736	3,322	725	3,889	266	1,168	6,235	30,942
Repayments	98	873	8	23	106	499	462	3,865
Net disbursements	638	2,449	718	3,866	160	669	5,773	27,077
Interest and charges	30	194	16	59	27	142	257	1,897
Net transfers	608	2,255	701	3,807	133	527	5,515	25,180

Note: The table shows the three countries with the largest lending commitments in the region over the past two fiscal years (2011 and 2012). IBRD and IDA commitments do not include HIPC grants. Effective fiscal 2005, IBRD and IDA commitments include guarantees and guarantee facilities. Commitments to regional projects are classified in this table as regional projects and are not counted as commitments of the individual countries involved in the regional project. However, undisbursed balances, gross disbursements, repayments, net disbursements, interest and charges, and net transfers are reported or classified under the individual countries because the individual amounts are covered by separate loan, credit, grant, or guarantee agreements and are guaranteed by the individual countries. Disbursements are made to the individual countries, and principal, interest, and charges are billed to the individual countries. Repayments are made by the individual countries and also include payments from donors under debt service trust funds or debt relief under HIPC and MDRI. Numbers may not add to totals because of rounding.

East Asia and Pacific: World Bank Commitments, Disbursements, and Net Transfers | Fiscal 2007–2012

View Excel Version

millions of dollars

Item	Indonesia		Vietnam		China		Total region	
	2012	2007–2012	2012	2007–2012	2012	2007–2012	2012	2007–2012
IBRD and IDA commitments	3,246	15,154	1,149	8,680	1,260	9,928	6,628	38,807
Undisbursed balance	4,657	4,657	5,384	5,384	6,675	6,675	19,495	19,495
Gross disbursements	1,543	9,922	1,406	6,114	1,362	8,006	5,454	27,582
Repayments	643	6,504	69	277	2,971	9,559	4,431	22,448
Net disbursements	900	3,418	1,336	5,837	-1,609	-1,553	1,023	5,133
Interest and charges	279	2,045	71	285	192	2,631	643	6,272
Net transfers	621	1,373	1,265	5,553	-1,802	-4,184	379	-1,139

Note: The table shows the three countries with the largest lending commitments in the region over the past two fiscal years (2011 and 2012). IBRD and IDA commitments do not include HIPC grants. Effective fiscal 2005, IBRD and IDA commitments include guarantees and guarantee facilities. Commitments to regional projects are classified in this table as regional projects and are not counted as commitments of the individual countries involved in the regional project. However, undisbursed balances, gross disbursements, repayments, net disbursements, interest and charges, and net transfers are reported or classified under the individual countries, because the individual amounts are covered by separate loan, credit, grant, or guarantee agreements and are guaranteed by the individual countries. Disbursements are made to the individual countries, and principal, interest, and charges are billed to the individual countries. Repayments are made by the individual countries and also include payments from donors under debt service trust funds or debt relief under HIPC and MDRI. Numbers may not add to totals because of rounding.

Europe and Central Asia: World Bank Commitments, Disbursements, and Net Transfers I Fiscal 2007–2012 **View Excel Version**

millions of dollars

Item	Romania		Turkey		Poland		Total region	
	2012	2007–2012	2012	2007–2012	2012	2007–2012	2012	2007–2012
IBRD and IDA commitments	1,894	3,890	1,100	9,896	991	6,171	6,595	40,832
Undisbursed balance	2,019	2,019	1,876	1,876	1,096	1,096	14,071	14,071
Gross disbursements	835	2,762	1,595	11,210	1,094	5,469	6,136	33,280
Repayments	314	1,574	776	4,185	198	1,323	2,876	17,454
Net disbursements	521	1,187	819	7,025	896	4,146	3,260	15,826
Interest and charges	65	561	224	1,719	120	540	727	6,063
Net transfers	456	626	595	5,307	776	3,606	2,533	9,763

Note: The table shows the three countries with the largest lending commitments in the region over the past two fiscal years (2011 and 2012). IBRD and IDA commitments do not include HIPC grants. Effective fiscal 2005, IBRD and IDA commitments include guarantees and guarantee facilities. Commitments to regional projects are classified in this table as regional projects and are not counted as commitments of the individual countries involved in the regional project. However, undisbursed balances, gross disbursements, repayments, net disbursements, interest and charges, and net transfers are reported or classified under the individual countries, because the individual amounts are covered by separate loan, credit, grant, or guarantee agreements and are guaranteed by the individual countries. Disbursements are made to the individual countries, and principal, interest, and charges are billed to the individual countries. Repayments are made by the individual countries and also include payments from donors under debt service trust funds or debt relief under HIPC and MDRI. Numbers may not add to totals because of rounding.

Latin America and the Caribbean: World Bank Commitments, Disbursements, and Net Transfers | Fiscal 2007–2012 **View Excel Version**

millions of dollars

Item	Brazil		Mexico		Argentina		Total region	
	2012	2007–2012	2012	2007–2012	2012	2007–2012	2012	2007–2012
IBRD and IDA commitments	3,208	15,294	1,458	14,769	0	6,549	6,629	53,409
Undisbursed balance	5,511	5,511	3,077	3,077	3,855	3,855	17,682	17,682
Gross disbursements	2,772	11,828	1,907	12,918	868	4,064	7,077	42,687
Repayments	3,063	11,570	350	8,481	649	5,086	5,245	31,895
Net disbursements	-291	258	1,557	4,437	219	-1,022	1,832	10,792
Interest and charges	158	2,104	244	1,516	136	1,310	1,053	8,306
Net transfers	-449	-1,846	1,313	2,920	83	-2,332	779	2,486

Note: The table shows the three countries with the largest lending commitments in the region over the past two fiscal years (2011 and 2012). IBRD and IDA commitments do not include HIPC grants. Effective fiscal 2005, IBRD and IDA commitments include guarantees and guarantee facilities. Commitments to regional projects are classified in this table as regional projects and are not counted as commitments of the individual countries involved in the regional project. However, undisbursed balances, gross disbursements, repayments, net disbursements, interest and charges, and net transfers are reported or classified under the individual countries, because the individual amounts are covered by separate loan, credit, grant, or guarantee agreements and are guaranteed by the individual countries. Disbursements are made to the individual countries, and principal, interest, and charges are billed to the individual countries. Repayments are made by the individual countries and also include payments from donors under debt service trust funds or debt relief under HIPC and MDRI. Numbers may not add to totals because of rounding.

Middle East and North Africa: World Bank Commitments, Disbursements, and Net Transfers | Fiscal 2007–2012 **View Excel Version**

millions of dollars

Item	Morocco		Egypt, Arab Rep.		Tunisia		Total region	
	2012	2007–2012	2012	2007–2012	2012	2007–2012	2012	2007–2012
IBRD and IDA commitments	666	2,559	440	5,112	50	1,160	1,513	11,416
Undisbursed balance	1,003	1,003	3,222	3,222	314	314	5,914	5,914
Gross disbursements	638	2,072	404	2,984	525	1,311	2,003	9,436
Repayments	202	1,444	139	819	141	1,244	802	5,363
Net disbursements	436	628	265	2,165	385	68	1,201	4,073
Interest and charges	71	519	51	340	45	346	213	1,702
Net transfers	366	109	214	1,825	340	-278	988	2,371

Note: The table shows the three countries with the largest lending commitments in the region over the past two fiscal years (2011 and 2012). IBRD and IDA commitments do not include HIPC grants. Effective fiscal 2005, IBRD and IDA commitments include guarantees and guarantee facilities. Commitments to regional projects are classified in this table as regional projects and are not counted as commitments of the individual countries involved in the regional project. However, undisbursed balances, gross disbursements, repayments, net disbursements, interest and charges, and net transfers are reported or classified under the individual countries, because the individual amounts are covered by separate loan, credit, grant, or guarantee agreements and are guaranteed by the individual countries. Disbursements are made to the individual countries, and principal, interest, and charges are billed to the individual countries. Repayments are made by the individual countries and also include payments from donors under debt service trust funds or debt relief under HIPC and MDRI. Numbers may not add to totals because of rounding.

South Asia: World Bank Commitments, Disbursements, and Net Transfers | Fiscal 2007–2012

View Excel Version

millions of dollars

Item	India		Pakistan		Bangladesh		Total region	
	2012	2007–2012	2012	2007–2012	2012	2007–2012	2012	2007–2012
IBRD and IDA commitments	3,178	26,132	1,790	6,783	866	6,063	6,446	43,223
Undisbursed balance	16,745	16,745	2,807	2,807	4,049	4,049	25,678	25,678
Gross disbursements	2,278	15,431	658	4,701	494	3,040	3,941	26,474
Repayments	1,564	7,625	347	2,413	264	1,365	2,295	12,017
Net disbursements	714	7,806	311	2,287	229	1,675	1,646	14,456
Interest and charges	305	2,443	108	816	83	468	532	3,933
Net transfers	409	5,364	203	1,472	146	1,207	1,114	10,524

Note: The table shows the three countries with the largest lending commitments in the region over the past two fiscal years (2011 and 2012). IBRD and IDA commitments do not include HIPC grants. Effective fiscal 2005, IBRD and IDA commitments include guarantees and guarantee facilities. Commitments to regional projects are classified in this table as regional projects and are not counted as commitments of the individual countries involved in the regional project. However, undisbursed balances, gross disbursements, repayments, net disbursements, interest and charges, and net transfers are reported or classified under the individual countries, because the individual amounts are covered by separate loan, credit, grant, or guarantee agreements and are guaranteed by the individual countries. Disbursements are made to the individual countries, and principal, interest, and charges are billed to the individual countries. Repayments are made by the individual countries and also include payments from donors under debt service trust funds or debt relief under HIPC and MDRI. Numbers may not add to totals because of rounding.

Projects Approved for IBRD and IDA Assistance in Fiscal 2012, by Region and Country **View Excel Version**

millions of dollars

Region and Country	IBRD		IDA		Total	
	Operations	Amount	Operations	Amount	Operations	Amount
Africa						
Benin			3	86	3	86
Burkina Faso			4	304	4	304
Burundi			2	50	2	50
Cameroon			3	244	3	244
Cape Verde	1	54		12	1	66
Central African Republic			1	17	1	17
Chad			1	25	1	25
Congo, Rep.			2	15	2	15
Côte d'Ivoire			3	300	3	300
Ethiopia			5	920	5	920
Gambia, The			1	6	1	6
Ghana			7	410	7	410
Guinea			2	53	2	53
Kenya			5	878	5	878
Lesotho			1	23	1	23
Liberia			4	47	4	47
Madagascar			1	6	1	6
Malawi			3	235	3	235
Mali			2	53	2	53
Mauritius	2	35			2	35
Mozambique			4	377	4	377
Niger			3	115	3	115
Nigeria			5	1,345	5	1345
Rwanda			4	250	4	250
São Tomé and Príncipe			1	4	1	4.2
Senegal			2	66	2	65.6
Sierra Leone			3	67	3	67
Tanzania			3	420	3	420
Togo			2	28	2	28
Uganda			2	235	2	235
Zambia			2	80	2	80
Africa (regional)	1	58	7	708	8	766
Total	**4**	**147**	**88**	**7,379**	**92**	**7,525**
East Asia and Pacific						
China	12	1,260			12	1,260
Indonesia	5	3,246			5	3,246
Kiribati			1	23	1	23
Lao PDR			1	9	1	9
Mongolia			1	15	1	15
Philippines	3	825			3	825
Samoa			1	8	1	8
Solomon Islands			1	2	1	2
Tonga			2	36	2	36
Tuvalu			1	12	1	12
Vietnam	1	100	6	1,049	7	1,149
East Asia and Pacific (regional)			2	43	2	43
Total	**21**	**5,431**	**16**	**1,197**	**37**	**6,628**

Region and Country	IBRD		IDA		Total	
	Operations	Amount	Operations	Amount	Operations	Amount
Europe and Central Asia						
Albania	2	72			2	72
Armenia	3	63	1	61	4	124
Azerbaijan	1	50			1	50
Bosnia and Herzegovina	1	120	1	40	2	160
Croatia	2	91			2	91
Georgia	2	90	2	123	4	213
Kazakhstan	1	1,068			1	1,068
Kyrgyz Republic			3	59	3	59
Macedonia, FYR	2	185			2	185
Moldova			3	29	3	29
Montenegro	3	180			3	180
Poland	1	991			1	991
Romania	2	1,894			2	1,894
Tajikistan			4	50	4	50
Turkey	2	1,100			2	1,100
Ukraine	1	150			1	150
Uzbekistan	1	180			1	180
Total	**24**	**6,233**	**14**	**362**	**38**	**6,595**
Latin America and the Caribbean						
Bolivia			2	79	2	79
Brazil	11	3,208			11	3,208
Chile	1	40			1	40
Colombia	3	660			3	660
Dominican Republic	1	90			1	90
El Salvador	2	140			2	140
Grenada			1	5	1	5
Haiti			3	170	3	170
Honduras			2	104	2	104
Jamaica	1	100			1	100
Mexico	6	1,458			6	1,458
Nicaragua			3	65	3	65
Panama	1	66			1	66
Paraguay	1	100			1	100
Uruguay	3	319			3	319
Latin America and the Caribbean (regional)			1	25	1	25
Total	**30**	**6,181**	**12**	**448**	**42**	**6,629**
Middle East and North Africa						
Djibouti			4	19	4	19
Egypt, Arab Rep.	2	440			2	440
Jordan	1	250			1	250
Lebanon		27				27
Morocco	5	666			5	666
Tunisia	1	50			1	50
Yemen, Rep.			1	61	1	61
Total	**9**	**1,433**	**5**	**80**	**14**	**1,513**
South Asia						
Afghanistan			2	144	2	144
Bangladesh			5	866	5	866
India	2	445	10	2,733	12	3,178
Nepal			3	143	3	143
Pakistan	2	500	3	1,290	5	1,790
Sri Lanka	1	213	2	111	3	324
Total	**5**	**1,158**	**25**	**5,288**	**30**	**6,446**

Region and Country	IBRD		IDA		Total	
	Operations	Amount	Operations	Amount	Operations	Amount
Overall Total	**93**	**20,582**	**160**	**14,753**	**253**	**35,335**

Note: Data includes guarantees. Supplemental and additional financing operations (except for projects scaled up through additional financing) are not counted as separate lending operations, although they are included in the amount. Joint IBRD-IDA operations are counted only once, as IBRD operations. A blank space indicates zero; OECS = Organization of Eastern Caribbean States.

World Bank Development Policy Operations | Fiscal 2012

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millions of dollars

Country	Project ID	Operation	IBRD	IDA	Total
Armenia	P122195	Third Development Policy Operation	30	50	80
Benin	P122803	Seventh Poverty Reduction Support Credit		30	30
Brazil	P106753	Expanding Opportunities, Enhancing Equity in the State of Pernambuco Development Policy Loan	500		500
Brazil	P126351	Bahia Inclusion and Economic Development Development Policy Loan	700		700
Brazil	P126449	Piaui Green Growth and Inclusion Development Policy Loan	350		350
Burkina Faso	P122805	Eleventh Poverty Reduction Support Credit		125	125
Burkina Faso	P126207	First Growth and Competitiveness Credit		90	90
Burundi	P119324	Fifth Economic Reform Support Grant		35	35
Cape Verde	P122669	Third Development Policy Loan, Seventh Poverty Reduction Support Credit		12	12
Colombia	P123267	First Programmatic Fiscal Sustainability and Growth Resilience Development Policy Loan	300		300
Côte d'Ivoire	P122800	Post-Conflict Reconstruction and Recovery Grant		150	150
Dominican Republic	P125806	Third Performance and Accountability of Social Sectors Development Policy Loan	70		70
Gambia, The	P123679	Budget Support Development Policy Loan		6	6
Georgia	P122202	Third Development Policy Operation		40	40
Ghana	P122808	Fourth Agriculture Development Policy Operation		50	50
Ghana	P127314	Eigth Poverty Reduction Support Grant		100	100
Honduras	P127331	First Programmatic Reducing Vulnerabilities for Growth Development Policy Credit		86	86
Indonesia	P122982	Eigth Development Policy Loan	400		400
Indonesia	P130048	Program for Economic Resilience, Investment and Social Assistance	2,000		2,000
Jamaica	P123241	Second Programmatic Debt and Fiscal Sustainability Development Policy Loan	100		100
Jordan	P124441	First Programmatic Development Policy Loan	250		250
Kyrgyz Republic	P125425	Economic Recovery Support Operation		30	30
Liberia	P123196	Fourth Reengagement and Reform Support Program		5	5
Mauritius	P125694	First Public Sector Performance Development Policy Loan	20		20
Mauritius	P126903	Private Sector Competitiveness Development Policy Loan	15		15
Mexico	P120170	Strengthening Social Resilience to Climate Change	301		301
Mexico	P123505	Fiscal Risk Management Development Policy Loan	301		301
Mexico	P126297	Second Programmatic Upper Secondary Education Development Policy Loan	301		301
Montenegro	P116787	Programmatic Financial Sector Development Policy Loan	85		85
Morocco	P120566	First Skills and Employment Development Policy Loan	100		100
Mozambique	P126226	Eigth Poverty Reduction Support Credit		110	110
Niger	P125272	First Shared Growth Credit		50	50
Niger	P129793	Second Growth Policy Reform Credit Supplemental Financing		15	15
Nigeria	P123353	Edo State First Development Policy Operation		75	75
Panama	P122738	Disaster Risk Management Development Policy Loan with a Catastrophe Deferred Drawdown Option	66		66
Paraguay	P117043	Public Sector Development Policy Loan	100		100
Philippines	P125943	Disaster Risk Management Development Policy Loan with a Catastrophe Deferred Drawdown Option	500		500

Country	Project ID	Operation	IBRD	IDA	Total
Poland	P127433	First Development Policy Loan	991		991
Romania	P122222	Third Development Policy Loan	561		561
Romania	P130051	Development Policy Loan with a Deferred Drawdown Option	1,333		1,333
Rwanda	P122247	Eigth Poverty Reduction Support Financing		125	125
Rwanda	P126877	First Support to Social Protection System		40	40
São Tomé and Príncipe	P128023	First Governance and Competitiveness Development Policy Operation		4	4
Sierra Leone	P126355	Fifth Governance Reform and Growth Credit		24	24
Solomon Islands	P126740	Solomon Islands First Development Policy Operation		2	2
Tanzania	P112762	Ninth Poverty Reduction Support Credit (1st of 3 in series)		100	100
Togo	P126897	Fifth Economic Recovery and Governance Credit		14	14
Tonga	P126453	Economic Recovery Operation		9	9
Turkey	P121651	Third Environmental Sustainability and Energy Sector Development Policy Loan	600		600
Uganda	P097325	Ninth Poverty Reduction Support Credit (2nd of 3 in series)		100	100
Uruguay	P123242	Second Programmatic Public Sector, Competitiveness, and Social Inclusion Development Policy Loan with Drawdown Option	260		260
Vietnam	P111183	Tenth Poverty Reduction Support Credit		150	150
Vietnam	P122667	Climate Change Development Policy Loan		70	70
Vietnam	P124174	Second Power Sector Reform Development Policy Operation	100	100	200
Zambia	P126349	Third Poverty Reduction Support Credit		30	30
Total			**10,333**	**1,827**	**12,160**

Note: Numbers may not add to totals because of rounding.

World Bank Development Policy Commitments | Fiscal 2007–2012

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Region	2007 Millions of dollars	2007 Percent	2008 Millions of dollars	2008 Percent	2009 Millions of dollars	2009 Percent	2010 Millions of dollars	2010 Percent	2011 Millions of dollars	2011 Percent	2012 Millions of dollars	2012 Percent
Africa	970	15	1,780	27	1,613	9	1,503	7	1,357	12	1,325	11
East Asia and Pacific	1,085	17	975	15	3,690	20	2,477	11	2,545	22	3,331	27
Europe and Central Asia	975	16	786	12	4,810	26	8,027	35	2,766	24	3,720	31
Latin America and the Caribbean	1,388	22	1,427	21	7,172	39	6,820	30	3,613	31	3,434	28
Middle East and North Africa	200	3	751	11	383	2	1,710	7	1,100	10	350	3
South Asia	1,662	26	920	14	685	4	2,421	11	175	2		0
Total	**6,280**	**100**	**6,639**	**100**	**18,352**	**100**	**22,958**	**100**	**11,556**	**100**	**12,160**	**100**
IBRD/IDA Development Policy Loan Commitment												
IBRD Commitment	3,635	58	3,967	60	15,532	85	20,588	90	9,524	82	10,333	85
IDA Commitment	2,645	42	2,672	40	2,820	15	2,370	10	2,032	18	1,827	15
Total	**6,280**	**100**	**6,639**	**100**	**18,352**	**100**	**22,958**	**100**	**11,556**	**100**	**12,160**	**100**
Total World Bank Lending Commitments												
IBRD Commitment	12,829		13,468		32,911		44,197		26,737		20,582	
IDA Commitment	11,867		11,235		13,995		14,550		16,269		14,753	
Total	**24,696**		**24,702**		**46,906**		**58,747**		**43,006**		**35,335**	
Share of Development Policy Commitments		25		27		39		39		27		34

Note: Numbers may not add to totals because of rounding.

World Bank Expenditures by Program | Fiscal 2007–2012 **View Excel Version**

millions of dollars

Program	2007	2008	2009	2010	2011	2012
Regional	1,001.8	1,068.1	1,104.5	1,163.3	1,162.2	1,202.0
Networks	180.0	194.3	207.4	215.4	225.9	231.3
Other operational programs	32.7	35.7	40.4	39.9	39.6	43.6
Development economics and World Bank Institute	116.8	117.4	116.3	117.6	116.1	115.7
Financial	163.6	172.1	187.7	199.8	199.4	200.9
Administrative[a]	299.3	289.2	320.8	321.4	334.0	405.2
Corporate management and services	127.2	128.9	142.5	150.5	147.2	151.8
Less:						
Overheads, benefits, and contingencies[a,d]	(120.6)	(135.8)	(162.2)	(122.5)	(108.5)	(179.2)
Administrative budget	**1,800.7**	**1,869.8**	**1,957.4**	**2,085.3**	**2,115.9**	**2,171.2**
Less:						
Reimbursements and fee income[e]	(238.7)	(244.2)	(284.5)	(310.9)	(319.9)	(347.8)
Net administrative budget	**1,562.1**	**1,625.6**	**1,673.0**	**1,774.4**	**1,796.0**	**1,823.4**
Staff Retirement Account[b]	224.9	223.1	187.7	260.0	268.6	306.7
Development Grant Facility[c]	171.3	175.6	199.7	170.1	149.4	135.9
Corporate Secretariat/Board	87.1	87.0	88.4	92.0	92.0	95.4
Operations Evaluation	23.8	24.5	24.4	24.9	32.2	32.5
Less:						
Reimbursements and fee income[e]	(16.3)	(20.1)	(24.5)	(20.2)	(25.1)	(29.9)
Total administrative budget	**2,052.9**	**2,115.7**	**2,148.6**	**2,301.1**	**2,313.0**	**2,364.2**

NOTE: The FY12 expenditures reflect the current work program remaps.

a. GSD's institutional expenses, previously recorded as "Overheads, Benefits, and Contingencies," are being shown as part of GSD's expenses and are included in the "Administrative" line starting with fiscal 2007. Two internal business simplification policy changes affect this figure starting FY12: (i) IMT depreciation was remapped from units to Central Accounts ($23 million), and (ii) Basic IT Package revenues were moved to Central Accounts ($79 million). Corresponding offsets appear in unit expenditures (primarily in Finance, Administrative, and Corporate units).

b. Includes Staff Retirement Plan (SRP), Supplemental SRP, and Retired Staff Benefit Plan contributions.

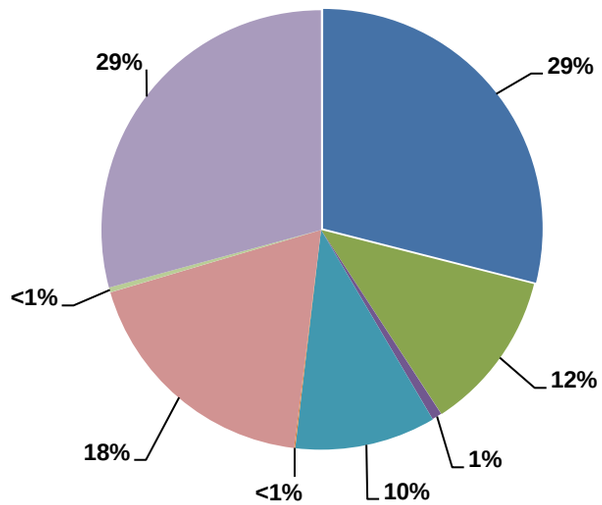
c. State and Peace Building Fund added to Development Grant Facility for FY09, FY10, FY11, and FY12.

d. HQ Real Estate has been added to "Overheads, benefits, and contingencies" in FY10, FY11, and FY12.

e. Reimbursables related to the Board, which were previously reported under the Net administrative budget, are now being reported under Corporate Secretariat/Board.

World Bank Financing to Climate Change Adaptation and Mitigation | Fiscal 2012

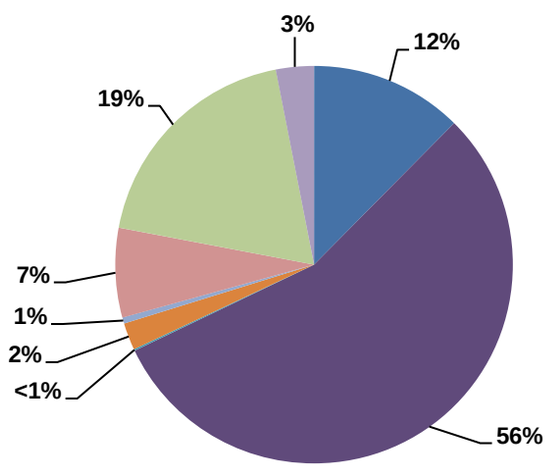
World Bank Financing Contributing to Climate Change Adaptation



Total Adaptation Financing: $4.6 billion
of which IBRD: $2.3 billion
of which IDA: $2.3 billion

- Agriculture, Fishing, and Forestry
- Energy and Mining
- Finance
- Health and Other Social Services
- Industry and Trade
- Public Administration, Law, and Justice
- Transportation
- Water, Sanitation, and Flood Protection

World Bank Financing Contributing to Climate Change Mitigation



Total Mitigation Financing: $7.1 billion
of which IBRD: $4.8 billion
of which IDA: $2.3 billion

- Agriculture, Fishing, and Forestry
- Energy and Mining
- Health and Other Social Services
- Industry and Trade
- Information and Communications
- Public Administration, Law, and Justice
- Transportation
- Water, Sanitation, and Flood Protection

IBRD and IDA Cumulative Lending since Fiscal 1990 by Theme and Sector and by Region | June 30, 2012

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millions of dollars

	IBRD commitments, by region[a]						
	Africa	**East Asia and Pacific**	**Europe and Central Asia**	**Latin America and the Caribbean**	**Middle East and North Africa**	**South Asia**	**Total**
Theme							
Economic Management	236	2,055	7,607	10,640	725	1,480	22,742
Environment and Natural Resources Management	890	15,021	7,938	14,808	3,014	4,503	46,174
Financial and Private Sector Development	4,353	27,279	32,406	25,345	9,367	16,205	114,957
Human Develoment	330	5,378	7,557	18,796	2,140	1,054	35,255
Public Sector Governance	547	9,977	10,476	18,544	2,271	1,941	43,757
Rule of Law	25	534	1,887	1,960	602	331	5,340
Rural Development	475	10,470	4,685	9,578	3,059	4,196	32,462
Social Development, Gender, and Inclusion	90	2,369	982	4,337	824	484	9,085
Social Protection and Risk Management	83	5,061	8,905	16,743	1,378	580	32,751
Trade and Integration	402	3,602	8,669	4,777	1,374	1,186	20,011
Urban Development	574	10,896	5,292	13,302	3,623	4,132	37,820
Theme Total	**8,006**	**92,643**	**96,406**	**138,830**	**28,378**	**36,091**	**400,354**
Sector							
Agriculture, Fishing, and Forestry	288	5,656	2,969	7,413	2,797	2,776	21,898
Education	181	5,712	3,350	12,523	1,601	167	23,535
Energy and Mining	4,759	15,555	16,590	6,691	3,544	11,471	58,610
Finance	133	9,549	12,458	16,105	5,019	5,188	48,452
Health and Other Social Services	221	3,981	8,529	22,050	1,875	379	37,034
Industry and Trade	446	6,923	11,702	6,843	3,158	1,346	30,418
Information and Communications	275	1,709	774	807	374	122	4,061
Public Administration, Law, and Justice	734	13,499	23,955	36,499	3,570	2,867	81,124
Transportation	398	19,575	12,006	19,016	3,100	9,674	63,769
Water, Sanitation, and Flood Protection	570	10,485	4,074	10,882	3,339	2,101	31,452
Sector Total	**8,006**	**92,643**	**96,406**	**138,830**	**28,378**	**36,091**	**400,354**

	IDA commitments, by region[a]						
	Africa	East Asia and Pacific	Europe and Central Asia	Latin America and the Caribbean	Middle East and North Africa	South Asia	Total
Theme							
Economic Management	3,324	477	462	482	32	1,309	6,086
Environment and Natural Resources Management	5,382	3,162	696	326	401	4,401	14,369
Financial and Private Sector Development	17,809	3,537	2,655	1,085	510	6,697	32,294
Human Development	11,883	2,959	912	717	551	13,987	31,010
Public Sector Governance	14,479	1,904	1,158	999	298	5,691	24,527
Rule of Law	808	218	370	165	18	287	1,866
Rural Development	12,409	5,794	1,134	1,187	802	12,204	33,529
Social Development, Gender, and Inclusion	5,039	1,607	473	446	734	7,016	15,316
Social Protection and Risk Management	5,437	1,446	918	845	383	5,550	14,578
Trade and Integration	5,757	709	412	244	12	1,581	8,716
Urban Development	9,952	3,020	884	471	400	2,674	17,402
Theme Total	**92,278**	**24,833**	**10,073**	**6,967**	**4,141**	**61,399**	**199,692**
Sector							
Agriculture, Fishing, and Forestry	7,991	3,922	948	575	460	7,429	21,326
Education	7,637	2,506	431	676	654	10,336	22,240
Energy and Mining	10,952	2,760	1,125	255	302	4,040	19,434
Finance	3,433	1,619	803	341	199	2,929	9,325
Health and Other Social Services	11,726	2,287	1,238	878	595	10,996	27,721
Industry and Trade	5,895	1,230	1,262	398	266	3,831	12,882
Information and Communications	1,026	108	53	82	4	545	1,818
Public Administration, Law, and Justice	22,762	3,830	2,443	2,116	616	10,813	42,580
Transportation	13,259	3,666	948	1,179	472	6,150	25,674
Water, Sanitation, and Flood Protection	7,598	2,904	821	466	574	4,330	16,693
Sector Total	**92,278**	**24,833**	**10,073**	**6,967**	**4,141**	**61,399**	**199,692**

Note*:* Figures are cumulative since fiscal 1990, the first year for which reclassified sector and theme data are available. Starting fiscal 2005, lending includes guarantees and guarantee facilities. Amounts may not add to totals because of rounding.

a. No account is taken of cancellations subsequent to the original commitment. IBRD loans to IFC are excluded.

IBRD and IDA Cumulative Lending[a] by Country | Fiscal 1945–2012[b]

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millions of dollars

Country	IBRD		IDA		IBRD/IDA	
	Number	Amount	Number	Amount	Number	Amount
Afghanistan			74	2,716	74	2,716
Africa (regional)	13	324	64	5,366	77	5,690
Albania	9	228	62	950	71	1,178
Algeria	71	5,766			71	5,766
Angola			22	949	22	949
Argentina	160	29,277			160	29,277
Armenia	15	339	55	1,274	70	1,613
Australia	7	418			7	418
Austria	9	106			9	106
Azerbaijan	15	2,026	35	1,128	50	3,154
Bahamas, The	5	43			5	43
Bangladesh	1	46	231	18,090	232	18,136
Barbados	13	153			13	153
Belarus	12	865			12	865
Belgium	4	76			4	76
Belize	10	101			10	101
Benin			75	1,556	75	1,556
Bhutan			20	213	20	213
Bolivia	15	314	86	2,345	101	2,660
Bosnia and Herzegovina	5	295	59	1,250	64	1,545
Botswana	22	896	6	16	28	912
Brazil	380	53,192			380	53,192
Bulgaria	40	2,933			40	2,933
Burkina Faso		2	90	2,974	90	2,976
Burundi	1	5	74	1,598	75	1,602
Cambodia			39	899	39	899
Cameroon	45	1,348	46	1,939	91	3,287
Cape Verde	1	54	28	322	29	376
Caribbean (regional)	4	83	4	77	8	160
Central African Republic			37	651	37	651
Central America (regional)			1	8	1	8
Central Asia (regional)			2	46	2	46
Chad	1	40	53	1,164	54	1,204
Chile	75	4,156		19	75	4,175
China	278	40,905	71	9,947	349	50,852
Colombia	215	18,849		20	215	18,869
Comoros			23	148	23	148
Congo, Dem. Rep.	7	330	89	4,949	96	5,279
Congo, Rep.	10	217	26	529	36	745
Costa Rica	45	1,636		6	45	1,642
Côte d'Ivoire	62	2,888	38	3,253	100	6,140
Croatia	45	3,296			45	3,296
Cyprus	29	405			29	405
Czech Republic	3	776			3	776
Denmark	3	85			3	85

Country	IBRD		IDA		IBRD/IDA	
	Number	Amount	Number	Amount	Number	Amount
Djibouti			28	218	28	218
Dominica	3	7	5	23	8	29
Dominican Republic	49	2,033	3	22	52	2,055
Ecuador	82	3,240	5	37	87	3,277
Egypt, Arab Rep.	92	10,882	41	1,984	133	12,866
El Salvador	49	2,323	2	26	51	2,348
Equatorial Guinea			9	45	9	45
Eritrea			15	549	15	549
Estonia	8	151			8	151
Ethiopia	12	109	114	10,384	126	10,493
Fiji	12	153			12	153
Finland	18	317			18	317
France	1	250			1	250
Gabon	16	267			16	267
Gambia, The			36	322	36	322
Georgia	8	409	50	1,322	58	1,730
Ghana	9	187	151	7,456	160	7,643
Greece	17	491			17	491
Grenada	7	27	6	47	13	74
Guatemala	54	2,828			54	2,828
Guinea	3	75	68	1,561	71	1,637
Guinea-Bissau			34	367	34	367
Guyana	12	80	24	369	36	449
Haiti	1	3	68	1,264	69	1,266
Honduras	33	717	57	2,078	90	2,795
Hungary	41	5,661			41	5,661
Iceland	10	47			10	47
India	241	48,286	302	43,526	543	91,811
Indonesia	304	43,703	53	2,875	357	46,578
Iran, Islamic Rep.	48	3,413			48	3,413
Iraq	7	406	5	509	12	915
Ireland	8	153			8	153
Israel	10	255			10	255
Italy	8	400			8	400
Jamaica	80	2,211			80	2,211
Japan	31	863			31	863
Jordan	67	3,160	15	85	82	3,246
Kazakhstan	39	6,672			39	6,672
Kenya	45	1,181	111	6,726	156	7,906
Kiribati			2	43	2	43
Korea, Rep.	112	15,472	6	111	118	15,583
Kosovo			18	120	18	120
Kyrgyz Republic			57	1,089	57	1,089
Lao PDR			63	1,092	63	1,092
Latvia	22	985			22	985
Lebanon	24	1,522			24	1,522
Lesotho	2	155	42	537	44	692
Liberia	19	156	34	897	53	1,053

Country	IBRD		IDA		IBRD/IDA	
	Number	Amount	Number	Amount	Number	Amount
Lithuania	17	491			17	491
Luxembourg	1	12			1	12
Macedonia, FYR	33	939	15	379	48	1,318
Madagascar	5	33	107	3,429	112	3,462
Malawi	9	124	100	3,232	109	3,356
Malaysia	87	4,146			87	4,146
Maldives			13	152	13	152
Mali		2	92	2,723	92	2,725
Malta	1	8			1	8
Mauritania	3	146	62	952	65	1,098
Mauritius	42	793	4	20	46	813
Mexico	236	52,809			236	52,809
Moldova	9	303	36	607	45	910
Mongolia			38	579	38	579
Montenegro	7	234	9	75	16	309
Morocco	158	11,936	3	51	161	11,987
Mozambique			79	4,673	79	4,673
Myanmar	3	33	30	804	33	837
Namibia	2	15			2	15
Nepal			106	3,423	106	3,423
Netherlands	8	244			8	244
New Zealand	6	127			6	127
Nicaragua	27	234	57	1,662	84	1,895
Niger			74	1,927	74	1,927
Nigeria	84	6,248	65	8,558	149	14,806
Norway	6	145			6	145
OECS[c] countries	3	12	5	59	8	70
Oman	11	157			11	157
Pakistan	96	8,362	164	15,101	260	23,463
Panama	60	2,031			60	2,031
Papua New Guinea	35	787	18	321	53	1,107
Paraguay	50	1,406	6	46	56	1,451
Peru	127	9,309			127	9,309
Philippines	186	14,702	5	294	191	14,997
Poland	49	12,382			49	12,382
Portugal	32	1,339			32	1,339
Romania	93	11,138			93	11,138
Russian Federation	66	13,981			66	13,981
Rwanda			83	2,307	83	2,307
Samoa			17	140	17	140
São Tomé and Príncipe			16	99	16	99
Senegal	19	165	111	3,315	130	3,480
Serbia	13	1,365	19	689	32	2,054
Seychelles	4	29			4	29
Sierra Leone	4	19	51	1,054	55	1,073
Singapore	14	181			14	181
Slovak Republic	9	425			9	425
Slovenia	5	178			5	178

Country	IBRD		IDA		IBRD/IDA	
	Number	Amount	Number	Amount	Number	Amount
Solomon Islands			14	70	14	70
Somalia			39	492	39	492
South Africa	14	4,053			14	4,053
South Asia (regional)			3	140	3	140
South Eastern Europe (regional)	1	10			1	10
Spain	12	479			12	479
Sri Lanka	13	424	108	4,217	121	4,640
St. Kitts and Nevis	5	23		2	5	25
St. Lucia	12	37	3	70	15	107
St. Vincent and the Grenadines	5	12	2	23	7	35
Sudan	8	166	47	1,353	55	1,519
Swaziland	14	152	2	8	16	160
Syrian Arab Republic	16	580	3	47	19	627
Taiwan, China	14	329	4	15	18	345
Tajikistan			45	623	45	623
Tanzania	17	319	151	9,027	168	9,345
Thailand	120	9,107	6	125	126	9,232
Timor-Leste			11	58	11	58
Togo	1	20	54	1,101	55	1,121
Tonga			10	74	10	74
Trinidad and Tobago	22	334			22	334
Tunisia	135	6,670	5	70	140	6,740
Turkey	175	34,976	10	179	185	35,154
Turkmenistan	3	90			3	90
Tuvalu			1	12	1	12
Uganda	1	9	114	6,776	115	6,785
Ukraine	43	7,053			43	7,053
Uruguay	67	3,615			67	3,615
Uzbekistan	15	844	9	523	24	1,367
Vanuatu			5	19	5	19
Venezuela, RB	40	3,328			40	3,328
Vietnam	7	1,868	108	13,139	115	15,007
Yemen, Rep.			157	3,251	157	3,251
Yugoslavia, former	89	6,091			89	6,091
Zambia	27	679	72	3,333	99	4,012
Zimbabwe	24	983	12	662	36	1,645
East Asia (regional)			2	43	2	43
Overall Total	**5,754**	**570,952**	**5,216**	**252,202**	**10,970**	**823,154**

Note: A blank space indicates zero.

a. Effective fiscal 2005, lending includes guarantees and guarantee facilities. Supplemental and additional financing operations (except for projects scaled up through additional financing) are not counted as separate lending operations, although they are included in the amount.

b. Joint IBRD-IDA operations are counted only once, as IBRD operations. When more than one loan is made for a single project, the operation is counted only once. Commitments in regional projects are classified in this table as regional projects and are not counted as commitments of the individual countries involved under the regional project. IDA figures exclude the HIPC grants of $45.5 million to Côte d'Ivoire in fiscal 2009.

c. OECS = Organization of Eastern Caribbean States.

Summaries of Operations Approved During Fiscal 2012, Africa

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Country/Project name	Network[a]	Date of approval	Maturities	Principal amount (millions) SDR[b]	Principal amount (millions) US$
Africa					
IDA **Horn of Africa Emergency Health and Nutrition Emergency Recovery Grant** supports the United Nations High Commissioner for Refugees' response to targeted refugee camps in Kenya and Ethiopia by implementing emergency health and nutrition services. Total cost: $30 million.	HDN	9/15/2011	n.a.	18.8	30.0
◊ IBRD **Fourth Central African Backbone Adaptable Program Loan** increases geographical reach and use of regional broadband network services and reduces their prices in Gabon. Total cost: $109 million.	SDN	3/28/2012	2018/2034	n.a.	58.0
◊ IDA **Kafue-Muzuma-Victoria Falls Regional Transmission Line Reinforcement Specific Investment Credit** improves the reliability of the regional bulk power trade transmission network through upgraded infrastructure along the Kafue Town–Muzuma-Victoria Falls corridor. Total cost: $100 million.	SDN	5/15/2012	2022/2052	37.1	60.0
◊ IDA **East Africa Public Health Laboratory Specific Investment Additional Financing Grant** establishes a network of high-quality public health laboratories to diagnose communicable diseases and share information to mount an effective regional response. Total cost: $15 million.	HDN	5/17/2012	n.a.	9.7	15.0
◊ IDA **West Africa Agricultural Productivity Adaptable Program Credit (Second Phase)** increases the generation, dissemination, and adoption of improved technologies in priority commodity areas through regional cooperation and collaborative mechanisms. Total cost: $131.8 million.	SDN	5/22/2012	2022/2052 2022/2052	38.7 38.7	60.0 *c* 60.0 *c*
◊ IDA **West African Power Pool Integration and Technical Assistance Adaptable Program Credit/Grant** increases utility-level electrical supply at a reduced cost through improved technical integration, and increases the export capability of Côte d'Ivoire. Total cost: $476 million.	SDN	5/31/2012	2022/2052 n.a.	93.3 20.4	144.5 *c* 31.5 *g*
◊ IDA **Abidjan-Lagos Trade and Transport Facilitation Adaptable Program Grant (Second Phase)** reduces trade and transport barriers in the port and on the roads along the transportation corridor through the four-country region. Total cost: $148 million.	SDN	5/31/2012	n.a.	57.9	90.0
◊ IDA **Improved Investment Climate within the Organization for the Harmonization of Business Law in Africa Technical Assistance Grant** strengthens the organization's institutional capacity to support selected investment climate reforms in member countries, including improved corporate financing reporting. Total cost: $15 million.	FPD	6/26/2012	n.a.	9.7	15.0
◊ IDA **South Africa Power Market Adaptable Program Additional Financing Grant** expands transmission capacity for better servicing domestic and regional power demand and supports regional power-market integration and telecommunication development. Total cost: $201.5 million.	SDN	6/28/2012	n.a.	130	201.5
Benin					
◊ IDA **Seventh Poverty Reduction Support Grant** accelerates economic growth and reduces incidents of poverty by strengthening the public sector to deliver more effective public services. Total cost: $30 million.	PREM	12/19/2011	n.a.	19.0	30.0
◊ IDA **Heath System Performance Specific Investment Additional Financing Grant** increases the coverage of and accessibility to quality maternal, neonatal, and child services in eight targeted districts. Total cost: $10 million.	HDN	3/15/2012	n.a.	6.5	10.0
◊ IDA **Decentralized Community Driven Services Adaptable Program Credit** improves access to decentralized basic social services through community infrastructure development, and mainstreams the community-driven development approach for services. Total cost: $46 million.	HDN	5/3/2012	2022/2052	29.6	46.0
Burkina Faso					
◊ IDA **Eleventh Poverty Reduction Support Grant** supports efforts for economic growth through improved country competitiveness and diversification, and the implementation of a revised poverty reduction strategy. Total cost: $125 million.	PREM	7/26/2011	n.a.	78.9	125.0

◊ IDA **Local Government Support Adaptable Program Grant** strengthens the Government's decentralization commitments and the institutional capacities of six regional municipalities to improve local officials' accountability to citizens. Total cost: $65 million.	PREM	11/1/2011	n.a.	37.3	60.0
◊ IDA **Reproductive Health Specific Investment Grant** improves the quality and availability of reproductive health and family planning services for women in five participating regional districts. Total cost: $41.6 million.	HDN	12/20/2011	n.a.	18.3	28.9
◊ IDA **First Growth and Competitiveness Grant** improves private sector growth and employment, strengthening governance and public resource management, and builds market resilience and reduces vulnerability. Total cost: $90 million.	PREM	6/26/2012	n.a.	58.1	90.0
Burundi					
◊ IDA **Fifth Economic Reform Support Grant** consolidates the Government's current public finance management reforms and re-energizes private sector development reforms, including energy sector budgetary support. Total cost: $44.8 million.	PREM	12/15/2011	n.a.	22.1	35.0
◊ IDA **Public Works and Urban Management Specific Investment Additional Financing Grant** increase access to basic socioeconomic services and short-term employment opportunities through infrastructure rehabilitation, municipal capacity building, and institutional strengthening. Total cost: $15 million.	SDN	5/8/2012	n.a.	9.7	15.0
Cameroon					
IDA **Kribi Gas Power Local Loan Guarantee** increases the electricity generation capacity from the Kribi Gas Power Project and improves its access to private development financing. Total cost: $350 million.	SDN	11/10/2011	n.a	n.a.[d]	82.0
◊ IDA **Mining Sector Capacity Building Technical Assistant Credit** improves the efficiency and transparency of mining sector governance and management and the frameworks for sustainable regional mining development. Total cost: $30 million.	SDN	12/15/2011	2022/2051	19.3	30.0
◊ IDA **Lom Pangar Hydropower Specific Investment Credit** increases hydropower generation capacity and regional access to electricity, and reduces seasonal water flow variability in the Sanaga River. Total cost: $494 million.	SDN	3/27/2012	2022/2052	85.2	132.0
Cape Verde					
◊ IBRD **Recovery and Reform of the Electricity Sector Specific Investment Loan** supports increased electricity generation on São Vicente and Santiago islands and assists the state-owned utility provider to reduce electricity losses. Total cost: $58.5 million.	SDN	1/19/2012	2017/2041	n.a.	53.5
◊ IDA **Seventh Poverty Reduction Support Credit** improves the efficiency and transparency of public resource use, and implements a reform agenda for public finance management and procurement systems. Total cost: $12 million.	PREM	6/26/2012	2022/2052	7.9	12.0
Central African Republic					
◊ IDA **Health System Support Specific Investment Credit/Grant** increases access and utilization, and improves the quality of maternal and child health services in targeted rural areas. Total cost: $28.2 million.	HDN	5/17/2012	2022/2052 n.a.	6.05 4.95	9.35 *c* 7.65 *g*
Chad					
◊ IDA **Emergency Agriculture Production Support Emergency Recovery Credit** supports communities and producer organizations in increasing the productivity of crops and livestock, and in using sustainable resource management practices. Total cost: $34.3 million.	SDN	5/17/2012	2022/2052	16.2	25
Republic of Congo					
◊ IDA **Transparency and Governance Capacity Building Specific Investment Credit** will strengthen the capacity of targeted public ministries, agencies, and accountability structures for improved management of human and financial resources. Total cost: $26.3 million.	PREM	2/28/2012	2017/2036	3.3	5.0
◊ IDA **Forest and Economic Diversification Technical Assistance Grant** increases the Government's capacity to implement forestry legislation, and supports local communities and the private sector in sustainable forest management. Total cost: $32.6 million.	SDN	5/24/2012	2017/2037	6.5	10.0

Côte d'Ivoire					
◊ IDA **Post-Conflict Reconstruction and Recovery Grant** provides post-conflict financial support to ensure government progress on public expenditure management reforms in the key cocoa, finance, and energy sectors. Total cost: $150 million.	PREM	9/15/2011	n.a.	93.9	150.0
◊ IDA **Emergency Youth Employment & Skills Development Emergency Recovery Grant** improves access to temporary employment and skills development opportunities for young men and women in Cote d'Ivoire's territory. Total cost: $50 million.	HDN	9/15/2011	n.a.	31.3	50.0
◊ IDA **Emergency Infrastructure Renewal Emergency Recovery Grant** improves transportation, public service, water, sanitation, and electricity infrastructure in targeted urban and rural areas, and finances project management costs. Total cost: $200 million.	SDN	6/26/2012	n.a.	64.5	100.0
Ethiopia					
IDA **Urban Local Government Development Project Specific Investment Additional Financing Credit** supports administrative infrastructure development and improved institutional performance and provision of primary municipal services by Ethiopia's urban local governments. Total cost: $208 million.	SDN	7/5/2011	2021/2051	94.7	150.0
◊ IDA **Third Productive Safety Net Adaptable Policy Additional Financing Loan** improves the effectiveness of programs to reduce household vulnerability and promotes sustainable community development in rural, food-insecure areas. Total cost: $370 million.	HDN	3/29/2012	2022/2052	238.6	370.0
◊ IDA **Women Entrepreneurship Development Specific Investment Credit** improves the profitability of female-owned enterprises by tailoring need-based financial instruments, developing entrepreneurial skills, and supporting technology and product development. Total cost: $53 million.	SDN	5/24/2012	2022/2052	32.2	50.0
◊ IDA **Electricity Network Reinforcement and Expansion Specific Investment Credit** improves the reliability of the electricity transmission and distribution network infrastructure, and expands access to electricity services in rural areas. Total cost: $250 million.	SDN	5/29/2012	2022/2052	129.2	200.0
◊ IDA **Urban Water Supply and Sanitation Specific Investment Additional Financing Credit** increases access to sustainable water supply and sanitation services in targeted cities, and improves operational efficiency and financial management of services. Total cost: $150 million.	SDN	5/31/2012	2022/2052	96.6	150.0
The Gambia					
◊ IDA **First Economic Governance Reform Development Policy Grant** strengthens transparency, accountability, and efficiency in public financial management; improves public management of key sectors; and promotes telecommunication sector competition. Total cost: $6 million.	PREM	5/31/2012	n.a.	3.9	6.0
Ghana					
◊ IDA **West Africa Regional Fisheries Specific Investment Credit** improves the sustainable management of Ghana's fish and aquatic resources by supporting increased governance capacity and improving value-added return. Total cost: $53.5 million.	SDN	7/14/2011	2021/2046	31.1	50.3
◊ IDA **Statistics Development Specific Investment Credit & Statistics for Results Facility Catalytic Fund Grant** strengthens Ghana's National Statistical System capacity to produce, manage, and disseminate relevant and robust statistics to support evidence-based policy-making. Total cost: $40 million.	PREM	8/25/2011	2022/2051	18.8	30.0
◊ IDA **Eighth Poverty Reduction Support Grant** supports Government reform policies to consolidate fiscal and macroeconomic stabilization efforts and promote greater public sector efficiency, transparency, and accountability. Total cost: $100 million.	PREM	1/26/2012	n.a.	64.5	100.0
◊ IDA **Commercial Agriculture Specific Investment Credit** increases access to land, private-sector finance, and markets by smallholder farms through commercial agriculture partnerships in the Northern and Greater Accra regions. Total cost: $145 million.	SDN	3/22/2012	2022/2052	64.5	100.0
◊ IDA **Public Private Partnership Adaptable Program Credit** improves the country's legislative, institutional, financial, fiduciary, and technical frameworks to enhance the economic environment for private-public project generation. Total cost: $30 million.	FPD	3/27/2012	2022/2052	19.4	30.0
◊ IDA **Urban Water Specific Investment Additional Financing Loan** improves access, affordability, and service reliability, and restores financial sustainability to the piped water system in Ghana's urban centers. Total cost: $50 million.	SDN	3/27/2012	n.a.	32.3	50.0

◊ IDA **Fourth Agriculture Development Policy Credit** enhances productivity through agricultural modernization reforms and improved market access among farmers, and improves agriculture-sector-management capacity and practices. Total cost: $50 million.	SDN	5/15/2012	2022/2052	32.3	50.0
Guinea					
◊ IDA **Economic Governance Technical Assistance and Capacity Building Grant** re-establishes and strengthens basic systems and practices to improve the management of public financial and human resources in Guinea. Total cost: $11.3 million.	PREM	3/20/2012	n.a.	6.5	10.0
IDA **Electricity Sector Efficiency Improvement Specific Investment Additional Financing Grant** supports efforts to improve the technical, commercial, and operational efficiency of the power sector through critical investments and capacity building. Total cost: $30.3 million.	SDN	5/31/2012	n.a.	11.9	18.3
◊ IDA **Productive Social Safety Net Specific Investment Grant** provides income support to vulnerable groups, and lays the foundation for a social-safety-net strategy by implementing selected test programs. Total cost: $25 million.	HDN	6/19/2012	n.a.	16.2	25.0
Kenya					
IDA **Health Sector Support Emergency Recovery Additional Financing Loan** strengthens the delivery of essential health services to poor and drought-affected Kenyans and improves financing and procurement of medical supplies. Total cost: $56.8 million.	HDN	12/20/2011	2022/2051	35.9	56.8
IDA **Private Sector Power Generation Partial Risk Guarantee** increases reliable electricity generation through the construction of three thermal and one integrated geothermal independent power plants. Total cost: $623 million.	SDN	2/28/2012	n.a.	n.a.	166.0
IDA **Kenya Transparency and Communications Infrastructure Adaptable Program Additional Financing Credit** extends the geographic reach of broadband networks, and contributes to improved government efficiency and transparency through e-government applications. Total cost: $55.1 million.	SDN	3/29/2012	2022/2052	35.6	55.1
◊ IDA **Nairobi Metropolitan Services Improvement Specific Investment Credit** strengthens urban services and infrastructure through local infrastructure investment, institutional capacity building, and improvements in solid waste and sewerage management. Total cost: $330 million.	SDN	5/10/2012	2022/2051	192.8	300.0
◊ IDA **Water Sanitation Services Improvement Specific Investment Additional Financing Credit** increases access to reliable, affordable, and sustainable water supply and sanitation services, and improves water and wastewater services. Total cost: $425 million.	SDN	5/10/2012	2022/2052	192.8	300.0
Lesotho					
◊ IDA **Smallholder Agriculture Development Specific Investment Credit** aims to increase marketed output among Lesotho's small-scale farmers by promoting market development and investing in resource management and technology. Total cost: $24.5 million.	SDN	11/10/2011	2022/2051	6.3	10.0
IDA **Water Sector Improvement, Phase 2 Adaptable Program Additional Financing Grant** supports the viable framework development for the Metolong Dam and Water Supply Program to increase Teyateyaneng's safe bulk water supply. Total cost: $44.8 million.	SDN	11/10/2011	n.a.	8.4	13.0
Liberia					
◊ IDA **Fourth Reengagement and Reform Support Development Policy Credit** supports Government reforms to improve private sector-led inclusive growth, including improved transparent public finance management, revenue administration, and land administration. Total cost: $5 million.	PREM	10/18/2011	2021/2051	3.2	5.0
◊ IDA **Integrated Public Financial Management Reform Technical Assistance Credit** supports strengthening Government fiscal policy and management, improving the quality of fiscal operations information, and developing transparent financial governance institutions. Total cost: $28.6 million.	OPCS	12/15/2011	2022/2051	3.2	5.0
◊ IDA **Electricity System Enhancement Emergency Recovery Additional Financing Loan** will improve and increase access to sustainable electricity in rural areas, while providing modern renewable energy services to off-grid users. Total cost: $57 million.	SDN	1/26/2012	2022/2051	14.2	22.0

◊ IDA **Smallholder Tree Crop Revitalization Support Specific Investment Credit** increases access to finance, inputs, technologies, and markets for smallholder tree crop farmers, and develops a long-term program for sector development. Total cost: $23.1 million.	SDN	6/5/2012	2022/2052	9.7	15.0
Madagascar					
◊ IDA **Second Multisectoral STI/HIV/AIDS Prevention Specific Investment Additional Financing Credit** increases utilization of STI/HIV/AIDS, maternal, and child health and nutrition services, and provides support for project management and capacity building. Total cost: $23.1 million.	HDN	6/14/2012	2022/2051	3.9	6.0
Malawi					
◊ IDA **Agricultural Sector-Wide Approach Support Specific Investment Additional Financing Credit** bolsters food security and sustainable agricultural growth investments through a doubling of land area under sustainable agricultural productivity management. Total cost: $80.8 million.	SDN	3/22/2012	2022/2051	19.4	30.0
◊ IDA **Nutrition, HIV and AIDS Specific Investment Credit/Grant increases** access to services that help reduce child stunting and maternal and child anemia, and help prevent HIV and AIDS. Total cost: $190.1 million.	HDN	3/27/2012	2022/2051 n.a.	20.7 31.0	32.0 *c* 48.0 *g*
◊ IDA **Shire River Basin Management Adaptable Program Credit/Grant** increases sustainable social, economic, and environmental benefits by effectively developing a framework for managing the basin's land and water resources. Total cost: $145.6 million.	SDN	6/14/2012	2022/2052 n.a.	60.6 20.2	93.75 *c* 31.25 *g*
Mali					
IDA **Second Transport Sector Specific Investment Additional Financing Loan** provides improved rural access and urban transport services through improvements of essential rural infrastructure and important Bamako transport infrastructure. Total cost: $27 million.	SDN	7/5/2011	2021/2051	14.2	23.0
◊ IDA **Strengthening Reproductive Health Specific Investment Grant** improves the quality and availability of reproductive health services for reproductive-age women in four of the country's poorest regions. Total cost: $30 million.	HDN	12/20/2011	n.a.	19.0	30.0
Mauritius					
◊ IBRD **Public Sector Performance Development Policy Loan** assists the Government in implementing reforms to strengthen public services, streamline trade regulations, and improve civil-service human resource management. Total cost: $20 million.	HDN	3/27/2012	2017/2030	n.a.	20.0
◊ IBRD **Private Sector Competitiveness Development Policy Loan** strengthens the policy and institutional environment for competitive enterprise development by instituting reforms to finance access and communication sector improvements. Total cost: $15 million.	FPD	3/27/2012	2017/2030	n.a.	15.0
Mozambique					
IDA **Technical and Vocational Education Sector Investment Additional Financing Credit** improves the quality and relevance of technical and vocational training in Mozambique, focusing on key TVE institutions and programs. Total cost: $37 million.	HDN	7/12/2011	2021/2051	23.4	37.0
◊ IDA **National Water Resources Development Specific Investment Credit** strengthens the management of national water resources and increases the Corumana Dam water supply for the Maputo metropolitan area. Total cost: $83.8 million.	SDN	9/15/2011	2021/2051	43.8	70.0
◊ IDA **Eighth Poverty Reduction Support Credit** supports Government reforms to improve public financial management, procurement, and auditing systems, and to enhance growth through simplified business policies. Total cost: $110 million.	PREM	3/15/2012	2022/2052	71.7	110.0
IDA **Cities and Climate Change Specific Investment Credit** strengthens municipal capacity for sustainable urban infrastructure provision and environmental management, and enhances municipal resiliency to climate-related environmental risks. Total cost: $120 million.	SDN	4/3/2012	2022/2052	78.2	120.0
◊ IDA **Education Sector Support Specific Investment Additional Financing Credit** improves access to and quality and equity of education through enhanced, community-based early child development programming and strengthened administrative capacity. Total cost: $40 million.	HDN	5/1/2012	2022/2052	25.8	40.0

Niger					
IDA **Second Growth Policy Reform Operation Development Policy Credit** alleviates constraints to growth by improving the private-sector business environment, rural sector growth, and public finance management reform. Total cost: $15 million.	PREM	2/23/2012	2022/2051	9.8	15.0
◊ IDA **First Shared Growth Development Policy Credit** supports government reforms to improve the business environment for investment and trade, increases agricultural productivity, and strengthens public financial management. Total cost: $50 million.	PREM	6/26/2012	2022/2052	32.3	50.0
◊ IDA **Competitiveness and Growth Support Specific Investment Credit** improves selected business environment aspects, supports the development of the meat industry, and increases extractive-industry sector participation by local businesses. Total cost: $65.2 million.	FPD	6/26/2012	2022/2052	32.3	50.0
Nigeria					
IDA **State Employment and Expenditure for Results Specific Investment Credit** enhances opportunities for employment and access to socio-economic services, while improving public expenditure management systems in the Niger Delta region. Total cost: $200 million.	PREM	3/6/2012	2022/2052	126.2	200.0
◊ IDA **First Edo State Growth and Employment Support Development Policy Credit** supports Edo State's reforms for improving public resource management and bolstering a socially accountable environment for economic growth and employment. Total cost: $75 million.	PREM	3/29/2012	2022/2051	48.4	75.0
◊ IDA **State Health Investment Specific Investment Credit** increases the availability of high-impact maternal and child health interventions, and improves the quality of care at designated health facilities. Total cost: $170 million.	HDN	4/12/2012	2022/2052	96.4	150.0
◊ IDA **Erosion and Watershed Management Specific Investment Credit** reduces vulnerability to soil erosion in targeted sub-watersheds through an integrated management approach that includes locally driven planning and investment. Total cost: $658.6 million.	SDN	5/8/2012	2022/2052	321.4	500.0
IDA **Second National Urban Water Sector Reform Specific Investment Additional Financing Credit** improves water supply reliability and urban water utilities viability, and increases piped-water network access in Cross River and Lagos states. Total cost: $197.7 million.	SDN	6/19/2012	2022/2052	77.5	120.0
◊ IDA **Nigeria Electricity and Gas Improvement Project Specific Investment Credit/Guarantee** improves the reliability of gas supply to increase power generation, and strengthens the network's capacity to transmit quality electricity. Total cost: $300 million.	SDN	6/19/2012	2022/2052 n.a.	64.5 n.a.	100.0 *c* 200.0 *gt*
Rwanda					
IDA **Eighth Poverty Reduction Support Financing Grant/Credit** supports the Government's development strategy for growth through increased private sector investment and greater public sector efficiency, transparency, and accountability. Total cost: $125 million.	PREM	11/29/2011	n.a. 2022/2051	37.3 40.4	60.0 *g* 65.0 *c*
◊ IDA **Governance for Competitiveness Technical Assistance Credit** strengthens the institutional capacity of public and private institutions to improve competitiveness and growth in the horticulture and tourism sectors. Total cost: $5 million.	FPD	1/26/2012	2022/2051	3.3	5.0
◊ IDA **Third Rural Sector Support Adaptable Program Credit** increases the environmentally sustainable agricultural productivity of farmers in sub-watershed marshlands and hillsides, and strengthens their participation in market-based value chains. Total cost: $85 million.	SDN	3/1/2012	2022/2051	52.2	80.0
IDA **Support to the Social Protection System Development Policy Grant** supports Government efforts to improve the efficiency and effectiveness and expand coverage of social protections for the most vulnerable Rwandans. Total cost: $40 million.	HDN	3/20/2012	n.a.	26.1	40.0
São Tomé and Príncipe					
◊ IDA **First Governance and Competitiveness Development Policy Grant** strengthens State economic governance through improved fiscal management and transparency, and supports simplified business regulations and reduced international trade costs. Total cost: $4.2 million.	PREM	3/29/2012	n.a.	2.8	4.2

Senegal					
◊ IDA **Nutrition Enhancement Project Adaptable Program Additional Financing Credit** expands access to and enhances nutrition conditions of vulnerable urban and rural populations, in particular those affecting growth of children under age five. Total cost: $10 million.	HDN	3/29/2012	2022/2051	6.5	10.0
◊ IDA **Storm water Management and Climate Change Adaptation Specific Investment Credit** improves storm water drainage and flood prevention in peri-urban areas through investments in drainage channel and pumping operations, and enhanced risk management. Total cost: $72.9 million.	SDN	5/10/2012	2022/2052	35.9	55.6
Sierra Leone					
◊ IDA **Decentralized Service Delivery Program II Adaptable Lending Grant** supports decentralizing delivery of basic services through improved management capacity, predictable availability of Local Council funding, and improved inter-governmental fiscal transfers. Total cost: $137.6 million.	HDN	12/20/2011	n.a.	16.7	26.0
◊ IDA **Fifth Governance Reform and Growth Development Policy Credit** supports continuing growth and recovery through improved efficiency of poverty reduction spending, strengthened domestic resource management, and increased electricity delivery. Total cost: $24 million.	PREM	1/26/2012	2022/2051	15.5	24.0
◊ IDA **Pay and Performance Specific Investment Credit** increases staffing of middle and senior staff, and improves competitiveness in pay, performance management, and accountability of the state's civil service. Total cost: $203 million.	PREM	5/31/2012	2022/2051	11.0	17.0
Tanzania					
◊ IDA **Basic Health Services Specific Investment Credit** assists the Government in improving the quality, availability, and local delivery of basic health services across all districts within Tanzania. Total cost: $2,721 million.	HDN	12/20/2011	2022/2051	63.1	100.0
◊ IDA **Ninth Poverty Reduction Support Development Policy Credit** improves the regional-transport sector investment climate for competitiveness and shared growth, and ensures macroeconomic stability through sound public finance management. Total cost: $100 million.	PREM	3/15/2012	2022/2051	64.5	100.0
◊ IDA **Productive Social Safety Net Adaptable Program Credit** creates a comprehensive, efficient, well-targeted, and productive social safety net system for the poor and vulnerable in the Tanzanian population. Total cost: $240.9 million.	HDN	3/29/2012	2022/2052	141.9	220.0
Togo					
◊ IDA **Community Development and Safety Nets Specific Investment Grant** provides poor communities across all five regions of Togo greater access to basic socio-economic infrastructures and social safety nets. Total cost: $14.4 million.	HDN	3/22/2012	n.a.	9.2	14.0
◊ IDA **Fifth Economic Recovery and Governance Development Policy Credit** supports Government-owned reforms to improve public financial-management capacity, as well as structural reforms in cotton, energy, telecommunications, and banking. Total cost: $14 million.	PREM	5/24/2012	2022/2052	9.1	14.0
Uganda					
◊ IDA **Ninth Poverty Reduction Support Development Policy Credit** improves access to public services through enhanced public infrastructure, greater human capital development, and support for good governance and accountability. Total cost: $100 million.	PREM	2/28/2012	2022/2052	65.2	100.0
◊ IDA **Water Management and Development Specific Investment Credit** strengthens integrated water resource planning, management, and development, and improves access to water and sanitation services in priority urban areas. Total cost: $135 million.	SDN	6/26/2012	2022/2052	87.1	135.0
Zambia					
◊ IDA **Livestock Development and Animal Health Project Specific Investment Credit** improves the productivity of targeted male and female smallholder livestock farmers and organized livestock production systems in select regions. Total cost: $64.8 million.	SDN	2/28/2012	2022/2051	32.6	50.0
IDA **Third Poverty Reduction Support Development Policy Credit** supports broad-based growth and macroeconomic stability through improvements to public sector performance and increased efficiency in the energy sector. Total cost: $30 million.	PREM	5/3/2012	2022/2052	19.3	30.0

Total:				**4,448.40**	**7525.2**
Special Financing[c]					
South Sudan					
Private Sector Development Emergency Recovery Trust Fund Grant improves access to finance for private sector development and increases employment opportunities in South Sudan. Total cost: $9 million.	FPD	1/10/2012	n.a.	n.a.	9.0
Rapid Results Health Emergency Recovery Trust Fund Grant improves delivery of high-impact primary health care services and strengthens the Ministry of Health's coordination, monitoring, and evaluation capacities. Total cost: $28 million.	HDN	4/13/2012	n.a.	n.a.	28.0
Rural Roads Emergency Recovery Trust Fund Grant enhances all-season access and road connectivity to agricultural services for rural communities in areas of high-agricultural potential. Total cost: $38 million.	SDN	4/26/2012	n.a.	n.a.	38.0

Note: Numbers may not add to totals because of rounding. ◊ denotes projects with actual involvement of civil society organizations in identification, preparation, and/or appraisal, and with intended civil society participation in the implementation, monitoring, and evaluation phases. n.a. = not applicable; *I* = IBRD loan; *c* = IDA credit; *g* = IDA grant; *gt* = IDA guarantee.
a. SDN = Sustainable Development Network; FPD = Financial and Private Sector Development; HDN = Human Development Network; PREM = Poverty Reduction and Economic Management; OPCS = Operations Policy and Country Services.
b. IDA funds are denominated in Special Drawing Rights (SDRs), which are valued on the basis of a "basket" of currencies. The U.S. dollar equivalent of the SDR amount reflects the exchange rates in effect at the time of the negotiations of the credit or grant.
c. Financing provided by trust funds administered by the Bank.
d. Guarantee calculated in CFAF, not SDR. Project guarantee equal to CFAF40 billion.

Summaries of Operations Approved During Fiscal 2012, East Asia and Pacific

View Excel Version

Country/Project name	Network[a]	Date of approval	Maturities	Principal amount (millions) SDR[b]	Principal amount (millions) US$
China					
◊ IBRD **Energy Efficiency Financing Financial Intermediary Additional Financing Loan** improves energy efficiency of an expanded pool of medium and large industrial enterprises to reduce their environmental impact. Total cost: $428 million.	SDN	10/27/2011	2017/2029	n.a.	100.0
◊ IBRD **Sichuan Wudu Irrigated Agriculture Development Specific Investment Loan** supports sustainable agriculture practices through the improved coverage of irrigation services and introduces community-based water management systems in rural communities. Total cost: $700.8 million.	SDN	2/28/2012	2017/2036	n.a.	100.0
◊ IBRD **Zhanghu Railway Specific Investment Loan** improves mobility along the Hohhot-Zhangjiakou corridor through the development of additional railway capacity to reduce passenger and freight transport time. Total cost: $4,482.3 million.	SDN	3/15/2012	2017/2042	n.a.	200.0
◊ IBRD **Changzhi Sustainable Urban Transport Project** improves transport services and mobility in the central city of Changzhi in a safe, efficient, and energy-saving manner. Total cost: $200 million.	SDN	3/22/2012	2017/2036	n.a.	100.0
◊ IBRD **Hubei Xiangyang Urban Transport Specific Investment Loan** improves public access to transportation and mobility in the Xiangchen District of Xiangyang in an integrated, efficiently managed, and safe manner. Total cost: $210.9 million.	SDN	4/26/2012	2017/2037	n.a.	100.0
◊ IBRD **Water Conservation Specific Investment Loan** improves agriculture water management and productivity by investing in irrigation systems and providing financial and technical support to farm communities. Total cost: $145.5 million.	SDN	5/10/2012	2017/2042	n.a.	80.0
IBRD **Yunnan Technical and Vocational Education and Training Specific Investment Loan** improves the quality and relevance of technical and vocational education to produce skills that respond to the labor market demand. Total cost: $91 million.	HDN	5/15/2012	2020/2037	n.a.	50.0

◊ IBRD **Ningxia Desertification Control and Ecological Protection Specific Investment Loan** controls desertification and degradation, and protects key farmland and infrastructure in strategically selected locations in the Ningxia Hui Autonomous Region. Total cost: $89.4 million.	SDN	5/17/2012	2017/2042	n.a.	80.0
◊ IBRD **Integrated Economic Development of Small Towns Specific Investment Loan** improves public infrastructure and municipal services, governing capacity, and the development of an improved commercial environment for residents in selected towns. Total cost: $296.6 million.	SDN	5/24/2012	2017/2036[d]	n.a.	150.0
◊ IBRD **Xinjiang Yining Urban Transport Improvement Specific Investment Loan** improves safe, clean, and efficient transport mobility and accessibility in the central urban and other selected areas of Yining Municipality. Total cost: $208 million.	SDN	5/29/2012	2017/2042	n.a.	100.0
◊ IBRD **Gansu Qingyang Urban Infrastructure Improvement Specific Investment Loan** assists Qingyang Municipality to improve selected urban infrastructure services including urban roads, urban environmental services, and storm- and wastewater infrastructure. Total cost: $92.4 million.	SDN	5/31/2012	2017/2036	n.a.	100.0
◊ IBRD **Chongqing Urban Rural Integration Project II-Health Specific Investment Loan** improves the access of selected non-metropolitan populations to hospital-based services, improving service production efficiency and the quality of hospital care. Total cost: $155.5 million.	HDN	6/14/2012	2018/2037	n.a.	100.0
Indonesia					
◊ IBRD **Fourth National Program for Community Empowerment in Rural Areas Specific Investment Loan** improves the socio-economic and local governance conditions for rural villagers through targeted improvements in infrastructure and community empowerment programming. Total cost: $1,283.6 million.	SDN	7/14/2011	2020/2035	n.a.	531.2
◊ IBRD **Geothermal Clean Energy Investment Specific Investment Loan** develops and increases power generation from renewable geothermal and steam field resources, reducing local and global environmental impacts. Total cost: $574.7 million.	SDN	7/26/2011	2020/2035	n.a.	175.0
◊ IBRD **Eighth Development Policy Loan** supports the Government in achieving growth and poverty reduction goals through improved public financial management, service delivery, and investment climate. Total cost: $400 million.	PREM	11/22/2011	2021/2036	n.a.	400.0
◊ IBRD **Jakarta Urgent Flood Mitigation Specific Investment Loan** contributes to the improvement of the administrative operation and maintenance of priority sections of Jakarta's flood management infrastructure. Total cost: $189.9 million.	SDN	1/17/2012	2021/2036	n.a.	139.6
◊ IBRD **Program for Economic Resilience, Investment and Social Assistance Development Policy Loan** enhances the Government's preparedness to address potential adverse impacts from ongoing volatility in financial markets and to maintain public expenditures. Total cost: $2,000 million.	PREM	5/15/2012	2015/2019	n.a.	2,000.0
Kiribati					
◊ IDA **Pacific Aviation Investment Adaptable Program Grant** improves operational safety and oversight of international air transport material infrastructure and management capacity at Bonriki and Cassidy airports. Total cost: $26.7 million.	SDN	12/13/2011	n.a.	14.5	22.9
Lao People's Democratic Republic					
◊ IDA **Khammouane Development Specific Investment Additional Financing Grant** bolsters the planning process and public financial management associated with the decentralized delivery of services and infrastructure in Khammouane Province. Total cost: $9.3 million.	SDN	1/26/2012	n.a.	5.6	8.6
◊ IDA **Mekong Integrated Water Resources Management Adaptable Program Grants** improves regional, national, and sub-national water resource management practices in the Lower Mekong Basin, contributing to sustainable river basin development. Total cost: $26.6 million.	SDN	3/8/2012	n.a. n.a.	11.8 5.3	18.0 *g* 8.0 *g*
Mongolia					
◊ IDA **Ulaanbaatar Clean Air Specific Investment Credit** develops particulate-matter-abatement measures to enable consumer access in peri-urban areas to low particulate-matter-emitting heating appliances. Total cost: $21.9 million.	SDN	4/3/2012	2017/2036	9.7	15.0

Pacific Islands					
IDA **Regional Connectivity Adaptable Program Grant** increases the availability of affordable international bandwidth for Tonga-Fiji to facilitate social and economic development in the Pacific region. Total cost: $34 million.	SDN	8/30/2011	n.a.	10.8	17.2
The Philippines					
◊ IBRD **Disaster Risk Management Development Policy Loan with a Catastrophe Deferred Drawdown Option** enhances the capacity of the Government of the Philippines to monitor, manage, and counter the impacts of natural disasters. Total cost: $500 million.	SDN	9/13/2011	2021/2036	n.a.	500.0
◊ IBRD **Regional Infrastructure for Growth Financial Intermediary Loan** stimulates integrative investment through improved access for targeted local government units to finance credit for local public infrastructure and services. Total cost: $50.9 million.	SDN	12/1/2011	2017/2030	n.a.	50.0
◊ IBRD **Metro Manila Wastewater Management Specific Investment Loan** enhances wastewater services to improve water quality in streams and rivers in selected sub-catchments of Metro Manila and surrounding areas. Total cost: $371.7 million.	SDN	5/15/2012	2019/2037	n.a.	275.0
Samoa					
IDA **Samoa Agriculture Competitiveness Enhancement Specific Investment Grant** supports fruit and vegetable growers and livestock producers to improve their productivity and take greater advantage of commercial market opportunities. Total cost: $16.2 million.	SDN	3/29/2012	2022/2052	5.2	8.0
Solomon Islands					
◊ IDA **First Solomon Islands Development Policy Grant** strengthens Government public financial management capacity, improves management of key state-owned enterprises, and increases transparency of revenues from extractive resources. Total cost: $2 million.	PREM	4/26/2012	n.a.	1.3	2.0
Tonga					
◊ IDA **Economic Recovery Development Policy Grant** assists the Government's medium-term reform agenda with predictable resources to strengthen financial management and delivery of key public services. Total cost: $9 million.	PREM	11/22/2011	n.a.	5.8	9.0
◊ IDA **Pacific Aviation Investment Adaptable Program Grant** improves operational safety and oversight of international air transport material infrastructure and management capacity at Fua'amotu and Vav'u airports. Total cost: $32.8 million.	SDN	12/13/2011	n.a.	17.2	27.2
Tuvalu					
◊ IDA **Pacific Aviation Investment Adaptable Program Grant** improves operational safety and oversight of international air transport material infrastructure and management capacity at Funafuti Airport. Total cost: $13.8 million.	SDN	12/13/2011	n.a.	7.5	11.9
Vietnam					
◊ IDA **Tenth Poverty Reduction Support Credit** continues to support the Government's medium-term reform plan as the fifth and final cycle of Vietnam's Socio-Economic Development Plan. Total cost: $150 million.	PREM	12/15/2011	2017/2036	94.6	150.0
◊ IDA **Third Rural Transport Specific Investment Additional Financing Credit** assists the Government's improvements in rural communities' access to district roads through rehabilitation, improved maintenance, and strengthened management capacity. Total cost: $112.8 million.	SDN	12/15/2011	2017/2036	62.2	97.0
◊ IDA **Medium Cities Development Specific Investment Credit** increases access to improved and modernized urban infrastructure services in Lao Cai City, Phy Ly City, and Vinh City. Total cost: $258.9 million.	SDN	12/15/2011	2017/2036	132.5	210.0
◊ IDA **First Climate Change Development Policy Credit** supports the Government in addressing climate change by strengthening institutional capacity to promote resilient and low-carbon-intensity development and policies. Total cost: $70 million.	SDN	2/2/2012	2017/2037	45.2	70.0
◊ IDA **Mekong Delta Region Urban Upgrading Specific Investment Credit** improves the infrastructure and delivery of services in low-income areas in six project cities in the Mekong Delta region. Total cost: $398 million.	SDN	3/22/2012	2017/2037	188.3	292.0

IBRD/IDA **Second Power Sector Reform Development Policy Loan/Credit** supports the Government in the design and implementation of a competitive and transparent market for efficient electricity generation and use. Total cost: $200 million.	SDN	3/22/2012	2018/2042 2017/2037	n.a. 64.5	100.0 / 100.0 *c*
◊ IDA **Forest Sector Development Specific Investment Additional Financing Credit** develops programs for sustainable and profitable management of plantation forests and the conservation of biodiversity in special-use forests. Total cost: $31.5 million.	SDN	3/22/2012	2017/2036	19.0	30.0
◊ IDA **Coastal Resources for Sustainable Development Specific Investment Credit** improves institutional capacity for the sustainable management of coastal fisheries, benefitting smallholder aquaculture farms and fishing-dependent households. Total cost: $117.9 million.	SDN	5/10/2012	2017/2037	64.6	100.0
Total:				**765.60**	**6627.6**

Note: Numbers may not add to totals because of rounding. ◊ denotes projects with actual involvement of civil society organizations in identification, preparation, and/or appraisal, and with intended civil society participation in the implementation, monitoring, and evaluation phases. n.a. = not applicable; *l* = IBRD loan; *c* = IDA credit; *g* = IDA grant; *gt* = IDA guarantee.
a. SDN = Sustainable Development Network; FPD = Financial and Private Sector Development; HDN = Human Development Network; PREM = Poverty Reduction and Economic Management; OPCS = Operations Policy and Country Services.
b. IDA funds are denominated in Special Drawing Rights (SDRs), which are valued on the basis of a "basket" of currencies. The U.S. dollar equivalent of the SDR amount reflects the exchange rates in effect at the time of the negotiations of the credit or grant.
c. Financing provided by trust funds administered by the Bank.
d. One of the three combined loans for the Integrated Economic Development of Small Towns Specific Investment Loan for China has a loan maturity/repayment date of 2017/2041.

Summaries of Operations Approved During Fiscal 2012, Europe and Central Asia

View Excel Version

Country/Project name	Network[a]	Date of approval	Maturities	Principal amount (millions) SDR[b]	Principal amount (millions) US$
Albania					
IBRD **Dam Safety (Phase 5) Adaptable Program Additional Financing Loan** safeguards hydroelectric plants on the Drin and Mat river cascades and improves their operational efficiency and power supply stability. Total cost: $21.6 million.	SDN	12/20/2011	2018/2029	n.a.	21.6
◊ IBRD **Social Assistance Modernization Specific Investment Loan** supports Government reforms to improve the transparency, equity, and efficiency of its poverty reduction and social assistance programs. Total cost: $185.8 million.	HDN	4/3/2012	2019/2040	n.a.	50.0
Armenia					
◊ IBRD **Irrigation Rehabilitation Emergency Specific Investment Additional Financing Loan** improves water use efficiency through rehabilitation of irrigation schemes and fosters rural employment in selected *marzes* (provinces). Total cost: $21.6 million.	SDN	10/25/2011	2022/2036	n.a.	18.0
◊ IBRD/IDA **Third Development Policy Operation Loan/Credit** aims to protect the poor and support human capital development, while improving competitiveness by alleviating select private sector and governance constraints. Total cost: $80 million.	PREM	2/14/2012	2022/2037 2017/2037	n.a. 32.6	30.0 / 50.0 *c*
◊ IDA **Third Social Investment Fund Sector Investment Additional Financing Credit** improves the quality, access to and sustainability of community infrastructure in poor communities, develops capacity to sustain service delivery, and creates short-term employment. Total cost: $14.6 million.	HDN	2/14/2012	2017/2036	7.1	11.0
◊ IBRD **Municipal Water Specific Investment Loan** improves the quality and availability of the water supply in selected service areas of the Armenian Water and Sewerage Company. Total cost: $18 million.	SDN	2/21/2012	2022/2037	n.a.	15.0
Azerbaijan					
◊ IBRD **Internally Displaced Persons Living Standards and Livelihoods Specific Investment Loan** improves the living conditions and increases the economic self-reliance of targeted internally displaced persons. Total cost: 78.4 million.	SDN	10/27/2011	2016/2031	n.a.	50.0

Bosnia and Herzegovina					
◊ IDA **Irrigation Development Specific Investment Credit** improves the performance of the irrigation systems and the irrigation institutions to support commercial agricultural producers in the project areas. Total cost: $47 million.	SDN	5/3/2012	2017/2037	25.8	40.0
◊ IBRD **Enhancing Small and Medium Enterprises Access to Finance Financial Intermediary Additional Financing Loan** continues to enhance access to finance for small and medium enterprises in the context of the global financial crisis. Total cost: $120 million.	FPD	5/17/2012	2022/2037	n.a.	120.0
Croatia					
IBRD **Trade and Transport Integration Specific Investment Additional Financing Loan** develops trade along Corridor Vc through increased capacity, efficiency, and quality of services. Total cost: $66.9 million.	SDN	8/4/2011	2023/2034	n.a.	66.9
IBRD **Integrated Land Administration System Specific Investment Loan** further improves the Croatian Government's real property registration system and supports the development of a national spatial data infrastructure. Total cost: $26.5 million.	SDN	8/4/2011	2015/2031	n.a.	23.8
Georgia					
◊ IDA **Third Development Policy Operation Credit** supports the Government's policy reform program to facilitate post-economic crisis recovery through improved public finance management, social safety nets, and external competitiveness. Total cost: $40 million.	PREM	7/21/2011	2016/2036	25.0	40.0
◊ IBRD/IDA **Second Secondary and Local Roads Specific Investment Loan/Credit** improves local connectivity and travel time through road rehabilitation, and strengthens the Government's network-management capacity. Total cost: $87.5 million.	SDN	3/15/2012	2022/2037 2017/2037	n.a. 25.8	30.0 *l* 40.0 *c*
◊ IBRD **Regional Development Specific Investment Loan** supports the development of infrastructure and institutional capacity for a tourism-based economy and cultural heritage circuits in the Kakheti region. Total cost: $75 million.	SDN	3/20/2012	2022/2037	n.a.	60.0
◊ IDA **Third East-West Highway Improvement Specific Investment Additional Financing Loan** reduces road transport costs and improves access, ease of transit, and safety along the central part of the East-West Corridor. Total cost: $53.8 million.	SDN	6/26/2012	2017/2037	27.7	43.0
Kazakhstan					
◊ IBRD **East-West Roads Project: Western Europe-Western China International Transit Corridor Specific Investment Loan** increases transport efficiency within Almaty Oblast, and modernizes highway management on sections of the Western Europe-Western China Road Corridor. Total cost: $1,256 million.	SDN	5/1/2012	2017/2031	n.a.	1,068.0
Kyrgyz Republic					
IDA **Economic Recovery Support Development Policy Credit/Grant** supports strengthened governance of public assets and revenues, and protection of essential social spending. Total cost: $30 million.	PREM	8/2/2011	2022/2051 n.a.	10.4 8.5	16.5 *c* 13.5 *g*
◊ IDA **Bishkek and Osh Urban Infrastructure Specific Investment Additional Financing Credit/Grant** increases the availability of social infrastructure and basic urban services in the small towns and the cities of Bishkek and Osh. Total cost: $18.7 million.	SDN	1/12/2012	2022/2051 n.a.	5.5 4.5	8.7 *c* 7.1 *g*
IDA **Financial Sector Development Specific Investment Credit/Grant** enhances financial sector stability, and increases access to financial services. Total cost: $13 million.	FPD	3/8/2012	2022/2052 n.a.	4.7 3.9	7.2 *c* 5.9 *g*
The former Yugoslav Republic of Macedonia					
◊ IBRD **Policy Based Guarantee** strengthens public finance sustainability and the financial sector, improves performance of social protection, and enhances incentives for formal labor market participation. Total cost: $134.9 million.	PREM	11/10/2011	n.a.	n.a.	134.9
◊ IBRD **Municipal Services Improvement Specific Investment Additional Financing Loan** improves transparency, financial sustainability, and delivery of targeted municipal services in the participating municipalities. Total cost: $50 million.	SDN	5/10/2012	2017/2030	n.a.	50.0

Moldova					
IDA **Health Services and Social Assistance Specific Investment Additional Financing Credit** increases access to quality and efficient health services to reduce mortality and disability for the local population and improves targeting of social transfers and services to the poor. Total cost: $34.2 million.	HDN	12/8/2011	2017/2036	6.6	10.2
IDA **Quality Education in the Rural Areas of Moldova Specific Investment Additional Financing Credit** assists in improving the quality of education in rural areas through Technical Assistance in implementation of the Government's Education Reform Program. Total cost: $1 million.	HDN	3/20/2012	2017/2037	0.7	1.0
◊ IDA **Agriculture Competitiveness Specific Investment Credit** enhances the modernization of the food safety management system, improves market access for farmers, and supports sustainable land-management practices. Total cost: $37.4 million.	SDN	5/1/2012	2017/2037	11.6	18.0
Montenegro					
IBRD **First Programmatic Financial Sector Development Policy Loan** supports reforms in the legal, regulatory, and supervisory framework for the banking sector in line with international good practices and EU standards. Total cost: $85 million.	FPD	9/1/2011	2017/2031	n.a.	85.0
◊ IBRD **Higher Education and Research for Innovation and Competitiveness Specific Investment Loan** supports improvements in the quality and relevance of higher education and research through reforming the higher education finance and quality assurance systems and strengthening research and development capabilities. Total cost: $15.9 million.	HDN	1/24/2012	2016/2026	n.a.	16.0
IBRD **Financial Sector Policy Based Guarantee** strengthens and reforms the banking sector, which is a critical pre-condition for sustainable economic recovery and balanced private-sector-led growth. Total cost: $79.2 million.	FPD	6/28/2012	n.a.	n.a.	79.2
Poland					
◊ IBRD **First Public Finance Development Policy Loan** consolidates public finance to ensure decline of the public fiscal deficit, strengthens fiscal institutions through medium-term regulations, and advances long-term reforms. Total cost: $991.4 million.	PREM	6/19/2012	2021/2032	n.a.	991.4
Romania					
◊ IBRD **Third Development Policy Loan** supports the Government's reforms to improve public expenditure management, increase the efficiency, targeting and sustainability of social assistance programs, and strengthen regulation and supervision in the financial sector. Total cost: $560.6 million.	PREM	12/19/2011	2023/2023	n.a.	560.6
◊ IBRD **Development Policy Loan with a Deferred Drawdown Option** supports the Government's reforms for fiscal stability, improves public financial management and revenue-raising capacity, and strengthens energy and health sectors. Total cost: $1,333.3 million.	PREM	6/12/2012	2024/2024	n.a.	1,333.0
Tajikistan					
◊ IDA **Energy Loss Reduction Specific Investment Additional Financing Grant** assists the electric and gas sectors in reducing commercial losses, improving the utilities' financial viability in a socially responsible manner. Total cost: $18 million.	SDN	2/14/2012	n.a.	11.8	18.0
IDA **Land Registration and Cadastre System for Sustainable Agriculture Specific Investment Additional Financing Grant** expands farmland restructuring to increase the number of immovable properties with secure tenure rights, and supports institutional development of property registration. Total cost: $10.1 million.	SDN	2/21/2012	n.a.	6.6	10.0
◊ IDA **Municipal Infrastructure Development Specific Investment Additional Financing Grant** improves the delivery of basic municipal services, and contributes to the mitigation of anticipated floods with the supply of emergency materials. Total cost: $13 million.	SDN	5/8/2012	n.a.	7.7	11.85
◊ IDA **Private Sector Competitiveness Specific Investment Grant** removes constraints to business development and investment by simplifying registration processes, improving financial service regulations, and encouraging mining industry development. Total cost: $10 million.	FPD	5/10/2012	n.a.	6.5	10.0

Turkey					
◊ IBRD **Private Sector Renewable Energy and Energy Efficiency Specific Investment Additional Financing Loan** provides credit lines to financial institutions to support private energy production from indigenous renewable sources, enhance energy efficiency and reduce greenhouse gas emissions. Total cost: $650 million.	SDN	11/22/2011	2018/2039 2022/2036	n.a. n.a.	200.0 / 300.0 /
IBRD **Third Programmatic Environmental Sustainability and Energy Sector Development Policy Loan** enhances energy security by promoting private-sector clean technology investments, integrates environmental sustainability principles in sectoral policies, and improves environmental management effectiveness and efficiency. Total cost: $600 million.	SDN	3/27/2012	2020/2027	n.a.	600.0
Ukraine					
IBRD **Second Export Development Financial Intermediary Additional Financing Loan** provides working capital and investment finance to Ukraine's private exporting sector and expands the banking sector's available lending products. Total cost: $150 million.	FPD	8/25/2011	2017/2041	n.a.	150.0
Uzbekistan					
IBRD **Advanced Electricity Metering Specific Investment Loan** reduces commercial losses of Uzbekenergo's three regional power-distribution companies through improvements to metering, billing, and commercial management system. Total cost: $246.1 million.	SDN	3/27/2012	2017/2036	n.a.	180.0
Total				**233.0**	**6,595.3**
Special Financing[c]					
Kosovo					
Second Sustainable Employment Development Policy Trust Fund Grant strengthens fiscal management and increases transparency and accountability of public expenditures, and lays institutional foundations for sustainable employment and growth. Total cost: $36.5 million.	HDN	5/3/2012	n.a.	n.a.	30.0

Note: Numbers may not add to totals because of rounding. ◊ denotes projects with actual involvement of civil society organizations in identification, preparation, and/or appraisal, and with intended civil society participation in the implementation, monitoring, and evaluation phases. n.a. = not applicable; *l* = IBRD loan; *c* = IDA credit; *g* = IDA grant; *gt* = IDA guarantee.
a. SDN = Sustainable Development Network; FPD = Financial and Private Sector Development; HDN = Human Development Network; PREM = Poverty Reduction and Economic Management; OPCS = Operations Policy and Country Services.
b. IDA funds are denominated in Special Drawing Rights (SDRs), which are valued on the basis of a "basket" of currencies. The U.S. dollar equivalent of the SDR amount reflects the exchange rates in effect at the time of the negotiations of the credit or grant.
c. Financing provided by trust funds administered by the Bank.

Summaries of Operations Approved During Fiscal 2012, Latin America and the Caribbean

View Excel Version

Country/Project name	Network[a]	Date of approval	Maturities	Principal amount (millions) SDR[b]	Principal amount (millions) US$
Bolivia					
◊ IDA **Agricultural Innovation and Services Specific Investment Credit** strengthens Bolivia's Agricultural and Forestry Innovation System to improve productivity, food security, sustainable rural development, and families' income-earning potential. Total cost: $52.9 million.	SDN	7/21/2011	2017/2036	24.4	39.0
◊ IDA **Community Investment in Rural Areas Specific Instrument Credit** supports community capacity building for disadvantaged rural communities to assist with expanding local assessment and management abilities for development priorities. Total cost: $43 million.	SDN	7/21/2011	2017/2036	25.0	40.0
Brazil					
◊ IBRD **Federal Integrated Water Sector Technical Assistance Loan** supports the Government's program to strengthen capacity of key federal institutions to integrate water sector management and improve water quality. Total cost: $143.1 million.	SDN	7/12/2011	2016/2041	n.a.	107.3

IBRD **Energy and Mineral Sectors Strengthening Specific Investment Loan** strengthens public-sector institutions to manage, evaluate, and regulate energy and mining resources for increased social and environmental sustainability. Total cost: $53.6 million.	SDN	12/20/2011	2029/2029	n.a.	49.6
◊ IBRD **Sergipe Water Specific Investment Loan** improves the quality and sustainability of water in the Sergipe River Basin through enhanced Government sector and soil management practices. Total cost: $117.1 million.	SDN	1/26/2012	2017/2036	n.a.	70.3
◊ IBRD **Upgrading and Greening the Rio de Janeiro Urban Rail System Specific Investment Additional Financing Loan** improves the transport management, policy framework, and service of the metropolitan rail system, and institutes a lower carbon growth path. Total cost: $600 million.	SDN	1/26/2012	2017/2041	n.a.	600.0
◊ IBRD **Pernambuco Rural Economic Inclusion Specific Investment Loan** promotes investment in rural business initiatives, expansion of rural access to water, and improved management of other complementary infrastructure systems. Total cost: $179 million.	SDN	3/6/2012	2018/2040	n.a.	100.0
◊ IBRD **Piauí Green Growth and Inclusion Development Policy Loan** supports Government efforts to increase green growth rates through improved land-tenure security, sustainable agriculture practices, and improved statewide public education. Total cost: $350 million.	SDN	3/6/2012	2017/2030	n.a.	350.0
◊ IBRD **Expanding Opportunities, Enhancing Equity in the State of Pernambuco Development Policy Loan** strengthens public policies that expand economic opportunities and enhance equity of access to quality services for the people of Pernambuco. Total cost: $500 million.	PREM	3/22/2012	2017/2041	n.a.	500.0
◊ IBRD **São Bernardo Integrated Water Management in São Paulo Adaptable Program Additional Financing Loan** supports policies to reform land-use practices and reverse deterioration of the Alto Tietê River Basin, improving water sanitation for the region's peri-urban poor. Total cost: $238.6 million.	SDN	3/29/2012	2017/2042	n.a.	20.8
◊ IBRD **Ceará Rural Sustainable Development and Competitiveness Specific Investment Loan** improves the sustainability of rural production and income generation, and contributes to Government efforts to universalize access to water services. Total cost: $150 million.	SDN	4/5/2012	2017/2036	n.a.	100.0
◊ IBRD **Sector Wide Approach to Strengthen Public Investment Specific Investment Loan** improves the planning and implementation of public investments by strengthening the capacity of the Government's planning agency and selected sector secretariats. Total cost: $903.5 million.	FPD	5/1/2012	2016/2041	n.a.	480.0
◊ IBRD **Recife Education and Public Management Specific Investment Loan** expands coverage of early child education, creates conditions more conducive to learning in fundamental education, and improves municipal public management. Total cost: $921.6 million.	HDN	5/29/2012	2019/2036	n.a.	130.0
◊ IBRD **Bahia Socio-Economic Development for Inclusive Growth Development Policy Loan** supports the State's program to reduce social inequality, develop more efficient institutional infrastructure and logistics, and strengthen public sector management. Total cost: $700 million.	PREM	6/28/2012	2013/2042	n.a.	700.0
Caribbean					
◊ IDA **Caribbean Regional Communications Infrastructure Adaptable Program Credit/Grant** increases access to regional-broadband networks, and advances the development of a region-wide service industry, enabled by information and communication technologies. Total cost: $98 million.	SDN	5/22/2012	2022/2052 n.a.	14.3 2.0	22.0 *c* 3.0 *g*
Chile					
◊ IBRD **Tertiary Education Finance for Results Specific Investment Loan** improves the quality and relevance of tertiary education by strengthening the link between institutional funding and accountability for performance. Total cost: $160 million.	HDN	3/13/2012	2016/2020	n.a.	40.0
Colombia					
◊ IBRD **Support to the National Urban Transit Program Specific Investment Loan** enhances the efficiency, affordability, and environmental sustainability of select public transit services through integration and rehabilitation of existing systems. Total cost: $407 million.	SDN	7/21/2011	2026/2026	n.a.	350.0
◊ IBRD **First Programmatic Fiscal Sustainability and Growth Resilience Development Policy Loan** supports the Government's fiscal management reform program to enhance economic resilience, financial predictability, and sustainability, and social spending management. Total cost: $300 million.	PREM	7/21/2011	2029/2029	n.a.	300.0

◊ IBRD **Sustainable Development Specific Investment Additional Financing Loan** supports the implementation of policy reforms and related investments to strengthen the capacity of regional authorities to address environmental problems. Total cost: $11.1 million.	SDN	3/8/2012	2030/2030	n.a.	10.0
Dominican Republic					
◊ IBRD **Third Performance and Accountability of Social Sectors Development Policy Loan** supports the redesign of the Government's Solidaridad social program to enhance performance, and improve budget management, transparency, and accountability. Total cost: $70 million.	HDN	11/17/2011	2016/2041	n.a.	70.0
◊ IBRD **Emergency Recovery and Disaster Management Specific Investment Additional Financing Loan** restores and strengthens public infrastructure damaged by tropical storms Olga and Noel, and builds capacity for future risk assessment. Total cost: $20 million.	SDN	11/17/2011	2016/2041	n.a.	20.0
El Salvador					
◊ IBRD **Strengthening Public Health Care System Specific Investment Loan** supports improved coverage, quality, and equity of priority health services and strengthens the Government's capacity to manage public health functions. Total cost: $80 million.	HDN	7/21/2011	2016/2041	n.a.	80.0
◊ IBRD **Education Quality Improvement Specific Investment Loan** improves access, retention and graduation rates for students in secondary education to reduce economic inequality and increase global competitiveness. Total cost: $70.4 million.	HDN	12/13/2011	2017/2041	n.a.	60.0
Grenada					
IDA **Safety Net Advancement Specific Investment Credit** strengthens the Conditional Cash Transfer Program's coverage of poor households receiving cash transfers and improves the monitoring of vulnerable households. Total cost: $23.2 million.	HDN	7/5/2011	2021/2051	3.2	5.0
Haiti					
◊ IDA **Education for All (Phase II) Adaptable Program Grant** improves access and quality of primary education for under-served populations and strengthens education institutions' capacity and governance in post-earthquake Haiti. Total cost: $70 million.	HDN	12/1/2011	n.a.	43.5	70.0
◊ IDA **Disaster Risk Management and Reconstruction Emergency Recovery Grant** improves capacity for disaster response management, coordination, implementation and monitoring, and enhances critical transport infrastructure and communications networks. Total cost: $60 million.	SDN	12/1/2011	n.a.	37.6	60.0
◊ IDA **Re-launching Agriculture: Strengthening Agriculture Public Services II Specific Investment Grant** increases access of small farmers to agriculture extension services and animal and plant health training in 14 priority watersheds. Total cost: $50 million.	SDN	12/1/2011	n.a.	25.1	40.0
Honduras					
◊ IDA **Improving Public Sector Performance Technical Assistance Credit** strengthens the capacity of the Government's public finances management system, upgrades the e-procurement platform, and reforms internal expenditure controls. Total cost: $18.2 million.	PREM	12/6/2011	2017/2036	11.7	18.2
◊ IDA **First Programmatic Reducing Vulnerabilities for Growth Development Policy Credit** assists the Government's fiscal and civil reform programs to strengthen its fiscal management and implements an integrated citizen security policy. Total cost: $86 million.	PREM	12/6/2011	2017/2036	55.1	86.0
Jamaica					
IBRD **Second Programmatic Debt and Fiscal Sustainability Development Policy Loan** supports Government reforms to increase public spending controls, debt sustainability, and improvements to financial management and the tax system. Total cost: $100 million.	PREM	9/8/2011	2021/2029	n.a.	100.0
Mexico					
◊ IBRD **Savings and Credit Sector Consolidation and Financial Inclusion Specific Investment Loan** supports the consolidation of savings and credit institutions and deepening of financial inclusion for marginal and indigenous populations and women. Total cost: $209.6 million.	SDN	12/1/2011	2023/2023	n.a.	100.0

◊ IBRD **Forests and Climate Change Sector Investment Loan** supports rural communities to sustainably manage their forests, build social organizations, and generate additional income from forest products and services. Total cost: $725 million.	SDN	1/31/2012	2024/2024	n.a.	350.0
◊ IBRD **Strengthening Social Resilience to Climate Change Development Policy Loan** supports policies to improve State adaptation planning, municipal disaster risk reduction and territorial development actions, and community sustainable forest management. Total cost: $300.8 million.	SDN	3/1/2012	2023/2023	n.a.	300.8
◊ IBRD **Second Programmatic Upper Secondary Education Development Policy Loan** supports Government reforms to improve the internal efficiency and quality of upper secondary education and its responsiveness to the labor market. Total cost: $300.8 million.	HDN	3/13/2012	2023/2023	n.a.	300.8
IBRD **Fiscal Risk Management Development Policy Loan** fosters the effective implementation of public expenditure programs to support the institutionalization of integrated risk management and mitigation frameworks. Total cost: $300.8 million.	PREM	3/22/2012	2029/2029	n.a.	300.8
◊ IBRD **Modernization of the National Meteorological Service for Improved Climate Adaptation Specific Investment Loan** strengthens the capacity of the national meteorological service to deliver timely weather and climate information for water-resource and disaster-risk management. Total cost: $171.3 million.	SDN	5/17/2012	2024/2024	n.a.	105.3
Nicaragua					
◊ IDA **Rural Roads Infrastructure Improvement Specific Investment Grant/Credit** improves rural populations' access to markets and social and administrative services through infrastructure improvements and institutional risk management development. Total cost: $39.5 million.	SDN	12/13/2011	n.a. 2022/2051	18.6 3.9	29.0 *g* 6.0 *c*
◊ IDA **Second Support to the Education Sector Specific Investment Credit** improves student retention rates in primary schools across 40 municipalities and strengthen the Ministry of Education's education management capacity. Total cost: $32.9 million.	HDN	1/17/2012	2022/2051	15.8	25.0
◊ IDA **Rural Telecommunications Specific Investment Additional Financing Credit** improves telecommunications infrastructure and strengthens sector regulation to increase access to and reduce costs of telecommunications services in rural areas. Total cost: $6.5 million.	SDN	6/14/2012	2022/2052	3.3	5.0
Panama					
◊ IBRD **Disaster Risk Management Development Policy Loan with Catastrophe Deferred Drawdown Option** enhances the Government's capacity to implement its natural disaster Risk Management Program, providing a flexible source of emergency financing. Total cost: $66 million.	SDN	10/18/2011	2014/2026	n.a.	66.0
Paraguay					
◊ IBRD **Public Sector Development Policy Loan** strengthens the Government's internal financial control administration, improves the tax administration system, and exerts oversight of state-owned enterprises. Total cost: $100 million.	PREM	12/13/2011	2022/2036	n.a.	100.0
Uruguay					
◊ IBRD **Second Programmatic Public Sector, Competitiveness and Social Inclusion Development Policy Loan** supports Government reforms to develop public sector administration, increase the quality of key social services, and improve trade investments. Total cost: $260 million.	PREM	10/25/2011	2027/2032	n.a.	260.0
◊ IBRD **Sustainable Management of Natural Resources and Climate Change Specific Investment Loan** supports the Government's efforts to promote farmer adoption of improved environmentally sustainable agricultural and livestock practices that are climate smart. Total cost: $55 million.	SDN	11/17/2011	2027/2032	n.a.	49.0
IBRD **Institutions Building Technical Assistance Additional Financing Loan** supports the Government's public sector modernization program, strengthening institutions involved with policy reforms for taxation, business promotion, and social protection. Total cost: $10 million.	PREM	12/6/2011	2027/2032	n.a.	10.0
Total				**283.5**	**6,628.8**

Note: Numbers may not add to totals because of rounding. ◊ denotes projects with actual involvement of civil society organizations in identification, preparation, and/or appraisal, and with intended civil society participation in the implementation, monitoring, and evaluation phases. n.a. = not applicable; *l* = IBRD loan; *c* = IDA credit; *g* = IDA grant; *gt* = IDA guarantee.
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b. IDA funds are denominated in Special Drawing Rights (SDRs), which are valued on the basis of a "basket" of currencies. The U.S. dollar equivalent of the SDR amount reflects the exchange rates in effect at the time of the negotiations of the credit or grant.
c. Financing provided by trust funds administered by the Bank.

Summaries of Operations Approved During Fiscal 2012, Middle East and North Africa

View Excel Version

Country/Project name	Network[a]	Date of approval	Maturities	Principal amount (millions) SDR[b]	Principal amount (millions) US$
Djibouti					
IDA **Strengthening Institutional Capacity and Management of the Education System Specific Investment Grant** strengthens the institutional capacity of the Ministry of National Education and Vocational Training for improved management of the education system. Total cost: $6 million.	HDN	6/12/2012	n.a.	3.9	6.0
◊ IDA **Social Safety Net Emergency Recovery Grant** supports short-term employment opportunities in community-based, labor-intensive works, and supports improvements in nutrition practices for pre-school children and pregnant women. Total cost: $5 million.	HDN	6/12/2012	n.a.	3.3	5.0
IDA **Power Access and Diversification Project Specific Investment Grant Additional Financing** increases access of underserved populations to electricity services, and improves power provider efficiency through investments aimed at reducing electricity losses. Total cost: $5.2 million.	SDN	6/12/2012	n.a.	3.4	5.2
◊ IDA **Rural Community Development and Water Mobilization Specific Investment Grant** increases access of rural communities to water, and enhances their capacity to manage agro-pastoral resources using a community-based development approach. Total cost: $3.2 million.	SDN	6/12/2012	n.a.	2.0	3.0
Arab Republic of Egypt					
◊ IBRD **Giza North Power Project Specific Investment Loan** supports construction of thermal-power turbines and infrastructure to contribute to improved capacity, efficiency, and security of the electricity supply. Total cost: $792 million.	SDN	2/14/2012	2019/2040	n.a.	240.0
◊ IBRD **Emergency Labor Intensive Investment Emergency Recovery Loan** creates short-term employment opportunities for unemployed unskilled and semi-skilled workers, and provides access to basic infrastructure services to targeted poor areas. Total cost: $200 million.	HDN	6/28/2012	2019/2041	n.a.	200.0
Jordan					
◊ IBRD **First Programmatic Development Policy Loan** supports the Government's medium-term development plan to improve transparency and accountability, enhance fiscal management efficiency, and support private sector-driven growth. Total cost: $250 million.	PREM	1/24/2012	2017/2031	n.a.	250.0
Lebanon					
◊ IBRD **Cultural Heritage and Urban Development Specific Investment Additional Financing Loan** rehabilitates historic city centers and urban infrastructures, expands archaeological site conservation and management, and strengthens municipal institutions and project-management capacity. Total cost: $117.3 million.	SDN	4/12/2012	2023/2023	n.a.	27.0
Morocco					
◊ IBRD **Ouarzazate I Concentrated Solar Power Plant Specific Investment Loan** supports the development of a 500 Megawatt solar power plant to improve local power supply while mitigating greenhouse gas emissions. Total cost: $1,427 million.	SDN	11/17/2011	2017/2041	n.a.	200.0

◊ IBRD **First Skills and Employment Development Policy Loan** supports Government reforms to improve skills, productivity, and quality of employment, and improve the quality of service delivery to citizens. Total cost: $200 million.	HDN	6/12/2012	2018/2041	n.a.	100.0
◊ IBRD **Judicial Performance Enhancement for Service to Citizen Specific Investment Loan** strengthens justice sector capacity to deliver efficient, timely, and transparent services through pilot reform programs and improved central oversight of courts. Total cost: $15.8 million.	PREM	6/12/2012	2018/2041	n.a.	15.8
◊ IBRD **National Initiative for Human Development 2 Program for Results Loan** improves access to enhanced participatory local governance mechanisms, basic infrastructure, social services, and economic opportunities across the country. Total cost: $1,115 million.	SDN	6/28/2012	2018/2041	n.a.	300.0
◊ **Micro, Small and Medium Enterprise Development Adaptable Program Loan** improves access to finance for micro, small, and medium enterprises. Total cost: $50 million.	FPD	6/28/2012	2019/2041	n.a.	50.0
Tunisia					
IBRD **Micro, Small and Medium Enterprise Development Adaptable Program Loan** catalyzes credit financing, risk-sharing, and technical assistance for MSMEs to support improvements in employment, competitiveness, and incomes in Tunisia. Total cost: $100 million.	FPD	7/14/2011	2017/2033	n.a.	50.0
The Republic of Yemen					
◊ IDA **Labor Intensive Public Works Specific Investment Grant** assists Yemen's twenty-one governorates to provide needed infrastructure to improve access to basic public services and to create short-term employment. Total cost: $65 million.	SDN	5/1/2012	n.a.	39.3	61.0
Total				**51.9**	**1,513.0**
Special Financing[c]					
West Bank and Gaza					
Gaza Electricity Network Rehabilitation Specific Investment Trust Fund Grant rehabilitates and expands the electricity networks in Gaza in order to improve their reliability and performance. Total cost: $16 million.	SDN	3/6/2012	n.a.	n.a.	8.0
Fourth Palestinian National Development Policy Trust Fund Grant helps the Palestinian Authority implement the new National Development Plan by supporting efforts to improve its fiscal position and increase government transparency and accountability. Total cost: $40 million.	PREM	3/6/2012	n.a.	n.a.	40.0
Municipal Development Specific Investment Trust Fund Additional Financing Grant improves municipal management practices for better accountability to lay the foundation for improving service delivery in subsequent project phases. Total cost: $43.3 million.	SDN	3/6/2012	n.a.	n.a.	2.0
Second Land Administration Specific Investment Trust Fund Grant improves the design and implementation of the land registration system for municipalities, villages, and project committees in the Dura district. Total cost: $8.7 million.	SDN	4/26/2012	n.a.	n.a.	3.0
Government Services for Business Development Technical Assistance Trust Fund Grant improves the Ministry of National Economy's ability to deliver timely and quality information, data, and services to promote business development. Total cost: $3 million.	FPD	5/8/2012	n.a.	n.a.	3.0
Education-to-Work Transition Specific Investment Trust Fund Grant improves youth education-to-work transitions through fostering partnerships with employers, and enhancing the capacity to collect, analyze, and disseminate education-policy data. Total cost: $6.5 million.	HDN	5/15/2012	n.a.	n.a.	6.5

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a. SDN = Sustainable Development Network; FPD = Financial and Private Sector Development; HDN = Human Development Network; PREM = Poverty Reduction and Economic Management; OPCS = Operations Policy and Country Services.

b. IDA funds are denominated in Special Drawing Rights (SDRs), which are valued on the basis of a "basket" of currencies. The U.S. dollar equivalent of the SDR amount reflects the exchange rates in effect at the time of the negotiations of the credit or grant.

c. Financing provided by trust funds administered by the Bank.

Summaries of Operations Approved During Fiscal 2012, South Asia

View Excel Version

Country/Project name	Network[a]	Date of approval	Maturities	Principal amount (millions) SDR[b]	Principal amount (millions) US$
Afghanistan					
IDA **Financial Sector Rapid Response Specific Investment Loan** will assist Da Afghanistan Bank to develop action plans for improved banking supervision and implement a modern national payment system. Total cost: $19 million.	FPD	8/25/2011	n.a.	11.9	19.0
◊ IDA **Afghanistan Rural Access Emergency Recovery Grant** rehabilitates and maintains secondary and tertiary roads to benefit rural communities for all-season road access to basic services and facilities. Total cost: $332 million.	SDN	6/26/2012	n.a.	82.8	125.0
Bangladesh					
◊ IDA **Third Primary Education Development Specific Investment Credit** will increase the number of children participating and completing primary education, and improve the quality and effectiveness of education resources. Total cost: $5,860 million.	HDN	8/25/2011	2022/2051	187.5	300.0
IDA **Rural Electification and Renewable Energy Development Additional Financing Credit** will increase the access to energy-efficient electricity in rural Bangladesh through solar-home-system and renewable-energy mini-grid installations. Total cost: $255.1 million.	SDN	10/4/2011	2021/2051	107.6	172.0
◊ IDA **Northern Areas Reduction-of-Poverty Initiative: Women's Economic Empowerment Specific Investment Credit** facilitates access to urban employment for poor and vulnerable women through technical and life-skills training, and other social supports. Total cost: $39.7 million.	SDN	10/27/2011	2022/2051	18.2	29.3
◊ IDA **Second Local Governance Support Specific Investment Credit** will strengthen Union Parishads to provide accountable and responsive local services, supported by an efficient and transparent intergovernmental fiscal system. Total cost: $545.4 million.	SDN	11/29/2011	2022/2051	185.8	290.0
◊ IDA **Rural Water Supply and Sanitation Specific Investment Credit** will increase the hygienic sanitation and provision of safe water to rural areas of Bangladesh, and improve disaster response capacity. Total cost: $92.6 million.	SDN	3/22/2012	2022/2052	48.4	75.0
India					
◊ IDA **National Rural Livelihoods Specific Investment Credit** supports institutions enabling the rural poor to increase household income through sustainable livelihood enhancements and improved access to financial and public services. Total cost: $1,168.5 million.	SDN	7/5/2011	2017/2036	635.8	1,000.0
◊ IDA **Capacity Building for Urban Development Technical Assistance Credit** will strengthen capacity building for effective urban poverty alleviation through program implementation and training with select Indian Urban Local Bodies. Total cost: $60 million.	SDN	7/21/2011	2017/2036	37.1	60.0
◊ IBRD/IDA **West Bengal Accelerated Development of Minor Irrigation Specific Investment Loan/Credit** will enhance agricultural production of small and marginal farmers through development of community-managed, minor irrigation schemes, and agriculture support services. Total cost: $300 million.	SDN	10/4/2011	2017/2029 2017/2036	n.a. 78.2	125.0 / 125.0 *c*
◊ IDA **Second Kerala Rural Water Supply and Sanitation Specific Investment Credit** supports the sustainable water supply services in Kerala through technical assistance and infrastructure development to implement a decentralized, demand-responsive system. Total cost: $241.2 million.	SDN	12/15/2011	2017/2036	98.0	155.3
◊ IDA **Uttar Pradesh Health Systems Strengthening Specific Investment Credit** will improve the quality and accountability of health services delivery in Uttar Pradesh by strengthening public management and system capacities. Total cost: $170 million.	HDN	12/20/2011	2017/2036	95.9	152.0
◊ IDA **North East Rural Livelihoods Specific Investment Credit** improves rural livelihoods in participating North Eastern States through social and economic empowerment programs targeting women, youths, and the disadvantaged. Total cost: $144.4 million.	SDN	12/20/2011	2017/2036	80.8	130.0

◊ IDA **Assam Agricultural Competitiveness Additional Financing Credit** will use holistic approaches to increase productivity and market access of farmers and community groups within the Assam agricultural economy. Total cost: $76.3 million.	SDN	3/8/2012	2017/2037	32.6	50.0
◊ IBRD **Assam State Roads Specific Investment Loan** will enhance road connectivity of Assam by assisting the Public Works Roads Department to improve and effectively manage its network. Total cost: $400 million.	SDN	3/13/2012	2017/2030	n.a.	320.0
◊ IDA **National Dairy Support Specific Investment Credit** will increase productivity and improve the nutrition of milk animals, and improve market access of small holder producers through infrastructure investments. Total cost: $453.9 million.	SDN	3/15/2012	2017/2036	218.8	352.0
◊ IDA **Secondary Education Specific Investment Credit** supports the Government's framework to increase the access and equity of quality secondary education through infrastructure and human capital investments. Total cost: $12,896 million.	HDN	3/22/2012	2017/2037	322.4	500.0
◊ IDA **Rajasthan Agricultural Competitiveness Specific Investment Credit** will examine sustainably increasing agricultural productivity and farmer incomes through an integrated agricultural development and water management program across Rajasthan. Total cost: $166.5 million.	SDN	3/27/2012	2017/2037	70.3	109.0
◊ IDA **Bihar Rural Livelihoods Specific Investment Additional Financing Credit** continues to enhance social and economic empowerment of the rural poor through community-level investment and institution development. Total cost: $140 million.	SDN	5/31/2012	2017/2037	64.6	100.0
Nepal					
◊ IDA **Modernization of Rani Jamara Kulariya Irrigation Specific Investment Credit/Grant** will improve water delivery and management along the Karnali River by modernizing the Rani Jamara and Kulariya Irrigation Scheme. Total cost: $49 million.	SDN	7/5/2011	2021/2051 n.a.	14.9 12.3	23.6 *c* 19.4 *g*
◊ IDA **Sunaula Hazar Din - Community Action for Nutrition Specific Investment Credit/Grant** improves public attitudes toward child malnutrition and practices known to improve nutrition of women of reproductive age and children under the age of 2. Total cost: $40 million.	HDN	6/26/2012	2022/2052 n.a.	14.2 11.7	22.0 *c* 18.0 *g*
◊ IDA **Bridges Improvement and Maintenance Program for Results Credit** provides safe, reliable, and cost effective bridges on Nepal's Strategic Roads Network. Total cost: $100 million.	SDN	6/28/2012	2022/2052	38.7	60.0
Pakistan					
◊ IDA **Social Safety Net Technical Assistance Additional Financing Credit** will expand and strengthen the administration of the country's safety net, with particular focus on the national income support program. Total cost: $2,255 million.	HDN	3/6/2012	2017/2036	96.7	150.0
◊ IBRD/IDA **Tarbela Fourth Extension Hydropower Specific Investment Loan/Credit** will facilitate a sustainable expansion in electricity generation capacity, and also strengthen the Government's administrative capacity to develop hydropower resources. Total cost: $914 million.	SDN	3/20/2012	2023/2036 2017/2036	n.a. 283.7	400.0 *l* 440.0 *c*
◊ IDA **Punjab Irrigated Agriculture Productivity Improvement Specific Investment Credit** will increase agricultural production in Punjab through the development of efficient irrigation systems and improved agricultural practices, such as crop diversification. Total cost: $423.5 million.	SDN	3/20/2012	2017/2036	161.2	250.0
◊ IDA **Second Punjab Education Sector Specific Investment Credit** supports the Government of Punjab's education sector reform program to increase child school participation and achievement at all education levels. Total cost: $4,407 million.	HDN	4/26/2012	2017/2037	225.0	350.0
◊ IBRD/ IDA **Natural Gas Efficiency Specific Investment Loan/Credit** enhances the efficient supply of natural gas by reducing the physical and commercial losses of gas in the pipeline system. Total cost: $272 million.	SDN	4/26/2012	2021/2039 2017/2037	n.a. 64.5	100.0 *l* 100.0 *c*
Sri Lanka					
◊ IDA **Transforming the School Education System as the Foundation of a Knowledge Hub Specific Investment Credit** will improve the quality and availability of primary and secondary education and re-orient learning outcomes for economic and social development. Total cost: $100 million.	HDN	11/29/2011	2017/2036	64.1	100.0
IDA **E-Sri Lanka Development Specific Investment Additional Financing Credit** will promote the development, access, and use of information and communication technology to enhance the competitiveness of private sector enterprises. Total cost: $11 million.	FPD	1/31/2012	2017/2036	7.1	11.0

◊ IBRD **Metro Colombo Urban Development Specific Investment Loan** will reduce flooding in the Colombo Water Basin by strengthening local capacity to rehabilitate, maintain, and improve infrastructure and services. Total cost: $321 million.	SDN	3/15/2012	2017/2036	n.a.	213.0
Total				**3,370.80**	**6,445.60**

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c. Financing provided by trust funds administered by the Bank.

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Guatemala	Pavel V. Centeno Lopez	Edgar Baltazar Barquin Duran
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Mali	Tiena Coulibaly	Marimpa Samoura
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Serbia	Mirko Cvetkovic	Verica Kalanovic
Seychelles[a]	Pierre Laporte	Caroline Abel
Sierra Leone	Samura Mathew Wilson Kamara	Sheku S. Sesay
Singapore	Tharman Shanmugaratnam	Peter Ong Boon Kwee
Slovak Republic	Peter Kazimir	Viliam Ostrozlik
Slovenia	Janez Sustersic	Mitja Mavko
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Somalia	(vacant)	(vacant)
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South Sudan	Kosti Manibe Ngai	Kornelio Koryom
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St. Lucia	Kenny D. Anthony	Isaac Anthony
St. Vincent and the Grenadines	Ralph E. Gonsalves	Len Ishmael
Sudan	Ali Mahmoud Mohamed Abdelrasoul	Elfatih Ali Siddig
Suriname[a]	Gillmore Hoefdraad	Adelien Wijnerman
Swaziland	Hlangusemphi Dlamini	Dumisani E. Masilela
Sweden	Anders Borg	Gunilla Carlsson
Switzerland	Johann N. Schneider-Ammann	Didier Burkhalter
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Tajikistan	Safarali Najmudinov	Negmatdzhon Buriev
Tanzania	William A. Mgimwa	Ramadhan Mussa Khijjah
Thailand	Kittiratt Na-Ranong	Areepong Bhoocha-Oom
Timor-Leste	Emilia Pires	Joao Goncalves
Togo	Dede Ahoefa Ekoue	Aheba Johnson

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Venezuela, República Bolivariana de[a]	Jorge Giordani	(vacant)
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Yemen, Republic of	Mohammed Saeed Al-Sadi	Mutahar Abdulaziz Al-Abbasi
Zambia	Alexander B. Chikwanda	Fredson K. Yamba
Zimbabwe	Tendai Biti	Willard L. Manungo

Source: Corporate Secretariat, June 30, 2012.

a. Not a member of IDA

Country Eligibility for Borrowing from The World Bank | June 30, 2012

IBRD only[a]

Per capita income of more than $7,035

Korea, Rep.	20,870	Mexico	9,240
Trinidad and Tobago	15,040	Lebanon	9,110
Equatorial Guinea	14,540	Argentina	9,740
Croatia	13,850	Malaysia	8,420
Poland	12,480	Mauritius	8,240
St. Kitts and Nevis	12,480	Kazakhstan	8,220
Chile	12,280	Gabon	7,980
Antigua and Barbuda	12,060	Panama	7,910
Venezuela, R.B.	11,920	Romania	7,910
Uruguay	11,860	Costa Rica	7,660
Turkey	10,410	Botswana	7,480
Russian Federation	10,400	Palau	7,250
Seychelles	11,130	Montenegro	7,060
Brazil	10,720	Suriname	—

Per capita income of $1,195–$7,035

South Africa	6,960	Tunisia	4,070
Bulgaria	6,550	Albania	3,980
Colombia	6,110	Belize	3,690
Belarus	5,830	Fiji	3,680
Serbia	5,680	El Salvador	3,480
Peru	5,500	Swaziland	3,300
Azerbaijan	5,290	Ukraine	3,120
Dominican Republic	5,240	Morocco	2,970
Jamaica	4,980	Paraguay	2,970
China	4,930	Indonesia	2,940
Macedonia, FYR	4,730	Guatemala	2,870
Namibia	4,700	Iraq	2,640
Algeria	4,470	Egypt, Arab Rep.	2,600
Thailand	4,420	Philippines	2,210
Jordan	4,380	Iran, Islamic Rep.	—
Ecuador	4,140	Libya	—
Turkmenistan	4,110	Syrian Arab Republic	—

Blend[b]

Per capita income of more than $7,035

Grenada	7,220	Dominica	7,090

Per capita income of $1,195–$7,035

St. Lucia	6,680	Mongolia	2,320
St. Vincent and the Grenadines	6,100	Bolivia	2,040
Bosnia and Herzegovina	4,780	Papua New Guinea	1,480
Cape Verde	3,540	Uzbekistan	1,510
Armenia	3,360	India	1,420
Georgia	2,860	Vietnam	1, 260
Sri Lanka	2,580		

Per capita income of $1,195 or less

Pakistan	1,120

Per capita income of $1,025 or less

Zimbabwe[c]	640

IDA[b]

Per capita income of $1,195–$7,035

Maldives	6,530	Moldova	1,980
Tuvalu	5,010	Honduras	1,970
Angola	4,060	Ghana	1,410
Marshall Islands	3,910	São Tomé and Príncipe	1,360
Tonga	3,580	Lesotho	1,220
Kosovo	3,520	Cameroon	1,210
Samoa	3,190	Nigeria	1,200
Micronesia, Fed. Sts.	2,900	Djibouti	—
Vanuatu	2,870	Guyana	—
Congo, Rep.	2,270	Sudan[c]	—
Kiribati	2,110	Timor-Leste	—
Bhutan	2,070		

Per capita income of $1,195 or less

Nicaragua	1,170	Côte d'Ivoire	1,100
Zambia	1,160	Senegal	1,070
Lao PDR	1,130	Yemen, Rep.	1,070
Solomon Islands	1,110		

Per capita income of $1,025 or less

Mauritania	1,000	Tanzania	540
Kyrgyz Republic	920	Uganda	510
Tajikistan	870	Central African Republic	470
Cambodia	830	Mozambique	470
Kenya	820	Guinea	440
Benin	780	Eritrea	430
Bangladesh	770	Madagascar	430
Comoros	770	Ethiopia	400
Haiti	700	Niger	360
Chad	690	Malawi	340
Gambia, The	610	Sierra Leone	340
Mali	610	Burundi	250
Guinea-Bissau	600	Liberia	240
Burkina Faso	570	Congo, Dem. Rep.	190
Rwanda	570	Afghanistan	—
Togo	560	Myanmar[c]	—
Nepal	540	Somalia[c]	—

Changes during previous fiscal year

1. Sri Lanka changed from IDA-only borrower to Blend borrower status, effective July 18, 2011.
2. The GNI per capita for Timor-Leste was revised as a result of recent revisions to national statistics.
3. Tuvalu was granted access to IDA resources on IDA-only terms, effective fiscal 2012.
4. Mongolia changed from IDA-only borrower to Blend borrower status, effective May 17, 2012.

— = not available. Estimates are available in ranges only .

a. World Bank Atlas methodology; 2011 per capita GNI (gross national income, formerly GNP) figures are in U.S. dollars.

b. Countries are eligible for IDA on the basis of (a) relative poverty and (b) lack of creditworthiness. The operational cutoff for IDA eligibility for fiscal 13 is a 2011 GNI per capita of US$1,195, using Atlas methodology. To receive IDA resources, countries must also meet tests of performance. An exception has been made for small island economies. In exceptional circumstances, IDA extends eligibility temporarily to countries that are above the operational cutoff and are undertaking major adjustment efforts but are not creditworthy for IBRD lending.

c. Loans/credits in nonaccrual status as of June 30, 2012. General information on countries with loan/credits in nonaccrual status is available from the Credit Risk Department in Finance (CFRCR).

Top Ten Trust Fund Donors | Fiscal 2012
millions of dollars

Donor	2011	2012
United States	1,852	2,563
United Kingdom	1,344	2,061
Japan	851	862
Germany	505	738
Australia	524	667
France	891	631
Canada	620	601
Norway	495	599
European Commission	298	491
Netherlands	460	741
Others	2,461	2,185
Total	**10,301**	**11,869**

Note: Contribution to ICSID escrow accounts are excluded.

Executive Directors and Alternates of The World Bank and their Voting Power | June 30, 2012

Executive Director	Alternate	Casting votes on behalf of	IBRD Total votes	IBRD % of total	IDA Total votes	IDA % of total
Appointed						
Ian H. Solomon	Sara M. Aviel	United States	281,715	15.69	2,372,764	10.86
Nobumitsu Hayashi	Yasuo Takamura	Japan	165,976	9.24	1,882,463	8.61
Ingrid G. Hoven	Wilhelm M. Rissmann	Germany	82,982	4.62	1,219,662	5.58
Susanna Moorehead	Stewart James	United Kingdom	74,227	4.13	1,215,716	5.56
Ambroise Fayolle	Anne Touret-Blondy	France	74,227	4.13	833,247	3.81
Elected						
Konstantin Huber (Austria)	Gino Alzetta (Belgium)	Austria, Belarus,[a] Belgium, Czech Republic, Hungary, Kosovo, Luxembourg, Slovak Republic, Slovenia, Turkey	87,021	4.85	1,017,755	4.66
Marta Garcia (Spain)	Juan Jose Bravo (Mexico)	Costa Rica, El Salvador, Guatemala, Honduras, Mexico, Nicaragua, Spain, Republica Bolivariana de Venezuela [a]	78,618	4.38	550,758	2.52
Rudolf Treffers (Netherlands)	Stefan Nanu (Romania)	Armenia, Bosnia and Herzegovina, Bulgaria,[a] Croatia, Cyprus, Georgia, Israel, former Yugoslav Republic of Macedonia, Moldova, Montenegro, Netherlands, Romania,[a] Ukraine	76,935	4.28	923,132	4.22
Marie-Lucie Morin (Canada)	Kelvin Dalrymple (Barbados)	Antigua and Barbuda,[a] The Bahamas, Barbados, Belize, Canada, Dominica, Grenada, Guyana, Ireland, Jamaica,[a] St. Kitts and Nevis, St. Lucia, St. Vincent and the Grenadines	73,797	4.11	966,455	4.42
Anna Brandt (Sweden)	Jens Haarlov (Denmark)	Denmark, Estonia, Finland, Iceland, Latvia, Lithuania, Norway, Sweden	62,669	3.49	1,157,948	5.30
Rogerio Studart (Brazil)	Vishnu Dhanpaul (Trinidad and Tobago)	Brazil, Colombia, Dominican Republic, Ecuador, Haiti, Panama, Philippines, Suriname,[a] Trinidad and Tobago	62,476	3.48	717,389	3.28
John Whitehead (New Zealand)	In-Kang Cho (Republic of Korea)	Australia, Cambodia, Kiribati, Republic of Korea, Marshall Islands, Federated States of Micronesia, Mongolia, New Zealand, Palau, Papua New Guinea, Samoa, Solomon Islands, Tuvalu, Vanuatu	62,008	3.45	858,308	3.93
Mukesh Prasad (India)	Kazi M. Aminul Islam (Bangladesh)	Bangladesh, Bhutan, India, Sri Lanka	61,830	3.44	914,385	4.18
Shaolin Yang (China)	Bin Han (China)	China	59,396	3.31	449,652	2.06
Piero Cipollone (Italy)	Nuno Mota Pinto (Portugal)	Albania, Greece, Italy, Malta,[a] Portugal, San Marino,[a] Timor-Leste	58,679	3.27	689,302	3.15

Executive Directors and Alternates of The World Bank and their Voting Power | June 30, 2012

Executive Director	Alternate	Casting votes on behalf of	IBRD		IDA	
			Total votes	% of total	Total votes	% of total
Jorg Frieden (Switzerland)	Wieslaw Szczuka (Poland)	Azerbaijan, Kazakhstan, Kyrgyz Republic, Poland, Serbia, Switzerland, Tajikistan, Turkmenistan,[a] Uzbekistan	56,978	3.17	995,687	4.56
Javed Talat (Pakistan)	Sid Ahmed Dib (Algeria)	Afghanistan, Algeria, Ghana, Islamic Republic of Iran, Morocco, Pakistan, Tunisia	53,797	3.00	519,917	2.38
Merza H. Hasan (Kuwait)	Ayman Alkaffas (Arab Republic of Egypt)	Bahrain,[a] Arab Republic of Egypt, Iraq, Jordan, Kuwait, Lebanon, Libya, Maldives, Oman, Qatar,[a] Syrian Arab Republic, United Arab Emirates, Republic of Yemen	51,001	2.84	516,226	2.36
Abdulrahman M. Almofadhi (Saudi Arabia)	Ibrahim Alturki (Saudi Arabia)	Saudi Arabia	45,327	2.52	696,582	3.19
Vadim Grishin (Russian Federation)	Eugene Miagkov (Russian Federation)	Russian Federation	45,327	2.52	68,902	0.32
Hekinus Manao (Indonesia)	Dyg Sadiah Binti Abg Bohan (Malaysia)	Brunei Darussalam,[a] Fiji, Indonesia, Lao People's Democratic Republic, Malaysia, Myanmar, Nepal, Singapore, Thailand, Tonga, Vietnam	44,198	2.46	695,209	3.18
Felix Alberto Camarasa (Argentina)	Varinia Cecilia Daza Foronda (Bolivia)	Argentina, Bolivia, Chile, Paraguay, Peru, Uruguay[a]	39,191	2.18	339,877	1.56
Agapito Mendes Dias (São Tomé and Príncipe)	Mohamed Sikieh Kayad (Djibouti)	Benin, Burkina Faso, Cameroon, Cape Verde, Central African Republic, Chad, Comoros, Democratic Republic of Congo, Republic of Congo, Côte d'Ivoire, Djibouti, Equatorial Guinea, Gabon, Guinea-Bissau, Mali, Mauritania, Mauritius, Niger, São Tomé and Príncipe, Senegal, Togo	33,664	1.87	1,019,017	4.66
Hassan Ahmed Taha (Sudan)	Denny H. Kalyalya (Zambia)	Botswana, Burundi, Eritrea, Ethiopia, The Gambia, Kenya, Lesotho, Liberia, Malawi, Mozambique, Namibia,[a] Rwanda, Seychelles, [a] Sierra Leone, Sudan, Swaziland, Tanzania, Uganda, Zambia, Zimbabwe	32,583	1.81	1,009,700	4.62
Renosi Mokate (South Africa)	Mansur Muhtar (Nigeria)	Angola, Nigeria, South Africa	31,168	1.74	224,372	1.03

Executive Directors and Alternates of The World Bank and their Voting Power | June 30, 2012

In addition to the executive directors and alternates shown in the foregoing list, the following also served after June 30, 2011:

Executive director	End of period of service	Alternate director	End of period of service
Pulok Chatterji (India)	September 26, 2011	Michal Tomasz Krupinski (Poland)	August 31, 2011
James Hagan (Australia)	July 31, 2011	Tamara Solyanyk (Ukraine)	July 31, 2011
		Ruediger von Kleist (Germany)	August 4, 2011
		Ciyong Zou (China)	October 14, 2011

Note: Guinea (1,824 votes in IBRD and 33,987 votes in IDA), Madagascar (1,954 votes in IBRD and 54,982 votes in IDA), and Somalia (1,084 votes in IBRD and 10,506 votes in IDA) did not participate in the 2010 Regular Election of Executive Directors. South Sudan (1,969 votes in IBRD and 52,447 in IDA) became a member after that Election.

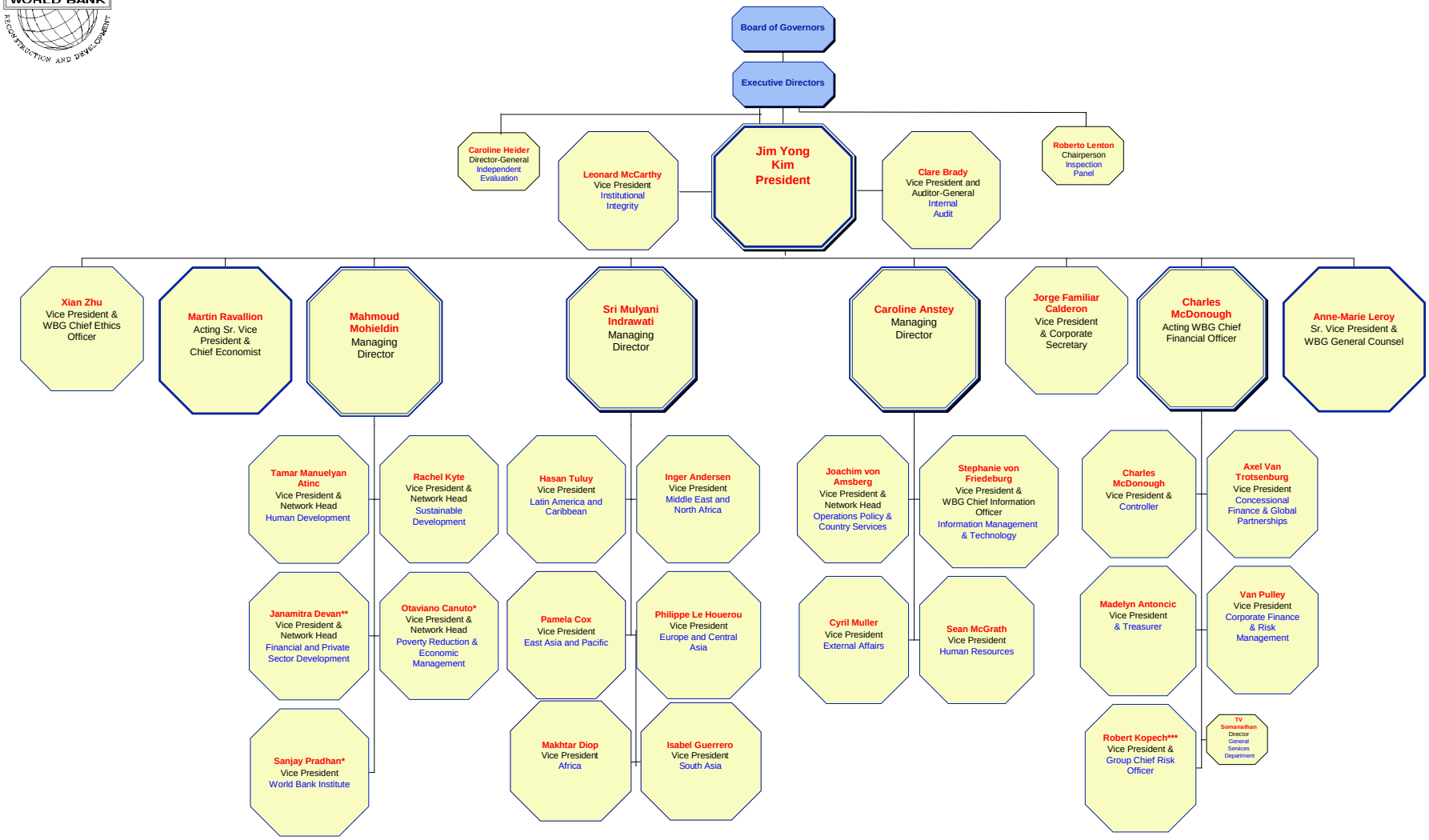
a. Member of the IBRD only.

Officers of The World Bank | June 30, 2012

Robert B. Zoellick	President
Caroline Anstey	Managing Director
Sri Mulyani Indrawati	Managing Director
Mahmoud Mohieldin	Managing Director
Charles McDonough	Acting World Bank Group Chief Financial Officer
Anne-Marie Leroy	Senior Vice President and World Bank Group General Counsel
Martin Ravallion	Acting Chief Economist and Senior Vice President, DEC
Inger Andersen	Vice President, Middle East and North Africa
Madelyn Antoncic	Vice President and Treasurer
Tamar Manuelyan Atinc	Vice President and Network Head, Human Development
Clare Brady	Vice President and Auditor-General, Internal Auditing
Jorge Familiar Calderon	Vice President and Corporate Secretary
Otaviano Canuto	Vice President and Network Head, Poverty Reduction and Economic Management
Pamela Cox	Vice President, East Asia and Pacific
Janamitra Devan	Vice President and Network Head, Financial and Private Sector Development
Makhtar Diop*	Vice President, Africa
Isabel Guerrero	Vice President, South Asia
Robert Kopech	Vice President and Group Chief Risk Officer
Rachel Kyte	Vice President and Network Head, Sustainable Development
Philippe Le Houerou	Vice President, Europe and Central Asia
Leonard McCarthy	Vice President for Institutional Integrity
Charles McDonough	Vice President and Controller
Sean McGrath	Vice President, Human Resources
Cyril Muller	Vice President, External Affairs
Sanjay Pradhan	Vice President, World Bank Institute
Van Pulley	Vice President, Corporate Finance and Risk Management
Hasan Tuluy	Vice President, Latin America and the Caribbean
Axel van Trotsenburg	Vice President, Concessional Finance and Global Partnerships
Joachim von Amsberg	Vice President and Network Head, Operations Policy and Country Services
Stephanie von Friedeburg	Vice President, Information Management and Technology and World Bank Group Chief Information Officer
Xian Zhu	Vice President and WBG Chief Ethics Officer
Caroline Heider	Director General, Independent Evaluation Group

*Succeeded Obiageli Katryn Ezekwesili on May 5, 2012

ORGANIZATION CHART OF THE WORLD BANK
EFFECTIVE JULY 1, 2012



* Dotted line to Sr. Vice President & Chief Economist
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Public Information Centers

Public Information Centers (PICs), maintained at various World Bank Country Offices, serve as the central contact for individuals seeking information on Bank operations and related documents. They offer project documents specific to their country in which the office is located and most often offer a library of recent Bank publications. They may also offer Internet access in order to browse through the World Bank's online resources, videos produced by the World Bank or access to popular journals and periodicals.

Centers in Paris and Tokyo offer a more extensive selection of operational documents and maintain libraries of recent World Bank Publications.

To view all PICs by country, visit http://go.worldbank.org/U39STT8DZ0. Please note, not all Country Offices have PICs as yet. Please check this website for future updates.

International Development Association Membership | June 30, 2012
(172 members)

Part I Countries

Australia
Austria
Belgium
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Denmark
Estonia
Finland
France
Germany
Greece
Iceland
Ireland
Italy
Japan
Kuwait
Latvia
Lithuania
Luxembourg
Netherlands
New Zealand
Norway
Portugal
Russian Federation
Slovenia
South Africa
Spain
Sweden
Switzerland
United Arab Emirates
United Kingdom
United States

Part II Countries

Afghanistan
Albania
Algeria
Angola
Argentina
Armenia
Azerbaijan
Bahamas, The
Bangladesh
Barbados
Belize
Benin
Bhutan
Bolivia
Bosnia and Herzegovina
Botswana
Brazil
Burkina Faso
Burundi
Cambodia
Cameroon
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Chad
Chile
China
Colombia
Comoros
Congo, Democratic Republic of
Congo, Republic of
Costa Rica
Côte d'Ivoire
Croatia
Cyprus
Czech Republic
Djibouti
Dominica
Dominican Republic
Ecuador
Egypt, Arab Republic of
El Salvador
Equatorial Guinea
Eritrea
Ethiopia
Fiji
Gabon
Gambia, The
Georgia
Ghana
Grenada
Guatemala
Guinea
Guinea-Bissau
Guyana
Haiti
Honduras
Hungary
India
Indonesia
Iran, Islamic Republic of
Iraq
Israel
Jordan
Kazakhstan
Kenya
Kiribati
Korea, Republic of
Kosovo
Kyrgyz Republic
Lao People's Democratic Republic
Lebanon
Lesotho
Liberia
Libya
Macedonia, Former Yugoslav Republic of
Madagascar
Malawi
Malaysia
Maldives
Mali
Marshall Islands
Mauritania
Mauritius
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Moldova
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International Development Association Membership | June 30, 2012
(172 members)

Part II Countries (continued)

Rwanda
Samoa
São Tomé and Príncipe
Saudi Arabia
Senegal
Serbia
Sierra Leone
Singapore
Slovak Republic
Solomon Islands
Somalia
South Sudan
Sri Lanka
St. Kitts and Nevis
St. Lucia
St. Vincent and the Grenadines
Sudan
Swaziland
Syrian Arab Republic
Tajikistan
Tanzania
Thailand
Timor-Leste
Togo
Tonga
Trinidad and Tobago
Tunisia

Remuneration of Executive Management, Executive Directors, and Staff Members

To recruit and retain highly qualified staff, the World Bank Group has developed a compensation and benefits system designed to be internationally competitive, to reward performance, and to take into account the special needs of a multinational and largely expatriate staff. The Bank Group's staff salary structure is reviewed annually by the Executive Directors and, if warranted, is adjusted on the basis of a comparison with salaries paid by private financial and industrial firms and by representative public sector agencies in the U.S. market. After analyses of updated comparator salaries, the Board approved an average increase in the salary structure of 1.9 percent for fiscal 2012, effective July 1, 2011, for Washington-based staff.

The annual salaries (net of taxes) of executive management of the World Bank Group were as follows for the period July 1, 2011 through June 30, 2012:

Executive Management: Annual Salaries (net of taxes, US$)

Name and Position	Annual Net Salary[a]	Annual Bank Group Contribution to Pension Plan[b]	Annual Bank Group Contribution to Other Benefits[c]
Robert B. Zoellick, President [d]	467,940	109,779	204,956
Sri Mulyani Indrawati, Managing Director	378,599	88,819	85,563
Lars Thunell, Executive Vice President, IFC	365,948	85,851	82,704
Vincenzo La Via, Chief Financial Officer [e]	364,609	85,537	82,402
Ngozi N. Okonjo-Iweala, Managing Director [f]	361,646	144,622[l]	81,732
Anne-Marie Leroy, Senior Vice President and World Bank Group General Counsel	359,454	84,328	81,237
Izumi Kobayashi, Executive Vice President, MIGA	358,497	84,103	81,020
Mahmoud Mohieldin, Managing Director	358,456	84,094	81,011
Vinod Thomas, Director General, IEG [g]	337,936	135,141[l]	87,525
Yifu Lin, Senior Vice President and Chief Economist [h]	334,066	78,372	75,499
Caroline Anstey, Managing Director [i]	315,164	126,034[l]	81,627
Caroline Heider, Director General [j]	298,600	70,052	67,484
Executive Directors [k]	244,350	n.a.	n.a.
Alternate Executive Directors [k]	211,370	n.a.	n.a.

a. The salaries are set on a net-of-tax basis as the World Bank Group (WBG) staff, other than U.S. citizens, are usually not required to pay income taxes on their WBG compensation.
b. Approximate annualized WBG contribution made to the Staff Retirement Plan and deferred compensation plans from July 1, 2011 through June 30, 2012.
c. “Other Benefits” includes annual leave, medical, life and disability insurance, accrued termination benefits, and other nonsalary benefits.
d. Mr. Zoellick, as part of WBG contribution to other benefits, receives a supplemental allowance of $83,760 to cover expenses. As a U.S. citizen, Mr. Zoellick's salary is taxable and he received a tax allowance to cover the estimated taxes on his Bank salary and benefits. In addition to his pension, Mr. Zoellick received a supplemental retirement benefit equal to 5 percent of annual salary.
e. Mr. Vincenzo La Via terminated effective April 25, 2012, and his actual salary for the period July 1, 2011 to April 25, 2012 was $299,698. The WBG contributed approximately $70,309 to his pension and $67,732 to other benefits during the period he worked for the WBG.
f. Ms. Ngozi Okonjo-Iweala terminated effective August 15, 2011, and her actual salary for the period July 1, 2011 to August 15, 2011 was $45,206. The WBG contributed approximately $18,078 to her pension and $10,216 to other benefits during the period she worked for the WBG.
g. Mr. Vinod Thomas terminated effective August 12, 2011, and his actual salary for the period July 1, 2011 to August 12, 2011 was $40,962. The WBG contributed approximately $16,381 to his pension and $10,609 to other benefits during the period he worked for the WBG.

h. Mr. Yifu Lin terminated effective June 1, 2012, and his actual salary for the period July 1, 2011 to June 1, 2012 was $307,493. The WBG contributed approximately $72,138 to his pension and $69,493 to other benefits during the period he worked for the WBG.
i. Ms. Caroline Anstey's salary was adjusted to $315,164 effective September 19, 2011, and her actual salary for the period July 1, 2011 to June 30, 2012 was $309,068. The WBG contributed approximately $123,596 to her pension and $80,049 to other benefits during the fiscal year.
j. Ms. Caroline Heider's appointment was effective October 2, 2011, and her actual salary for October 2, 2011 through June 30, 2012 was $223,950. The WBG contributed approximately $52,539 to her pension and $50,613 to other benefits during the period she worked for the WBG.
k. These figures do not apply to the U.S. Executive Director and Alternate Executive Director, who are subject to U.S. congressional salary caps.
l. Pension benefits for these staff members are based on Staff Retirement Plan (SRP) provisions in effect prior to April 15, 1998.

Staff Salary Structure (Washington, DC)

During the period July 1, 2011 to June 30, 2012, the salary structure (net of tax) and average net salaries/benefits for World Bank Group staff were as follows:

Grades	Representative Job Titles	Minimum ($)	Market Reference ($)	Maximum ($)	Staff at Grade Level (%)	Average Salary/ Grade	Average Benefits [a]
GA	Office Assistant	25,100	32,600	42,400	0.0	43,090	24,152
GB	Team Assistant, Information Technician	31,700	41,200	57,700	0.6	42,136	23,617
GC	Program Assistant, Information Assistant	39,100	50,900	71,300	9.5	53,698	30,098
GD	Senior Program Assistant, Information Specialist, Budget Assistant	46,200	60,100	84,200	7.9	67,671	37,929
GE	Analyst	62,100	80,700	113,000	9.8	76,179	42,698
GF	Professional	82,500	107,300	150,200	19.6	98,249	55,069
GG	Senior Professional	111,300	144,700	202,500	31.6	135,238	75,801
GH	Manager, Lead Professional	151,700	197,200	245,900	17.7	187,019	104,824
GI	Director, Senior Advisor	202,200	264,500	303,300	2.8	244,806	137,214
GJ	Vice President	271,800	304,500	340,900	0.4	302,422	169,508
GK	Managing Director, Executive Vice President	298,600	338,600	372,400	0.1	292,656	177,705

Note: Because World Bank Group (WBG) staff, other than U.S. citizens, usually are not required to pay income taxes on their WBG compensation, the salaries are set on a net-of-tax basis, which is generally equivalent to the after-tax take-home pay of the employees of the comparator organizations and firms from which WBG salaries are derived. Only a relative small minority of staff will reach the upper third of the salary range.

a. Includes medical, life, and disability insurance; accrued termination benefits; and other nonsalary benefits.

FOR IMMEDIATE RELEASE

DEVELOPMENT COMMITTEE

JOINT MINISTERIAL COMMITTEE
OF THE
BOARDS OF GOVERNORS OF THE BANK AND THE FUND
ON THE
TRANSFER OF REAL RESOURCES TO DEVELOPING COUNTRIES

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Washington, DC September 24, 2011

1. The Development Committee met today, September 24, 2011, in Washington DC.

2. We note with concern the turbulence in global financial markets and widespread fiscal strains, which put at risk the robustness and sustainability of global economic recovery. Volatile commodity prices and pressures on food security are critical challenges. We are alert to the possible global impacts of these issues, particularly for the poor. While developing countries have been the main contributors to recent global economic growth, the economic crisis has reduced their capacity to withstand further shocks. We commit to do everything within our means to support strong, sustainable, balanced and inclusive growth in all our member countries. We reaffirm the need to work cooperatively to meet our development commitments to achieve the Millennium Development Goals by 2015 and to support the poor in developing and emerging countries through this period of instability, as well as in the long term. We commend the G20 for anchoring development in its agenda.

3. Jobs are vital in translating growth into lasting poverty reduction and broad-based economic opportunities. We reiterate our commitment to job creation, especially by supporting the expansion of a vibrant private sector. In this connection, we recognize the important role IFC and MIGA play in poorer countries and in challenging markets. We welcome and encourage the cooperation of the World Bank Group (WBG) with member governments and other partners, such as the G20, the International Labor Organization and the International Monetary Fund (IMF), to pursue a comprehensive approach to job creation for women and men. We look forward to discussing the next World Development Report (WDR) on jobs.

4. The WBG must continue to help member countries build resilience and respond to crises. To do this effectively, the WBG must remain prepared with human, knowledge and financial capacity. We welcome the WBG's enhanced focus on innovative approaches to support countries in the Middle East and North Africa region to address the social and economic consequences of their current transition. We call on the WBG to scale up support and strengthen collaboration with all relevant stakeholders, in particular other Multilateral Development Banks.

5. We are saddened by the scale of human tragedy caused by the drought and famine in the Horn of Africa. We welcome the WBG's $1.88 billion contribution to tackling the crisis and its underlying causes, including $250 million from the recently created IDA Crisis Response Window, as well as the steps the IMF is taking to provide additional concessional financing. An emergency of this magnitude needs swift, coordinated and effective international action to save as many lives and livelihoods as possible. We also need to build national capacity and resilience to speed recovery, reduce the risk of future disasters and create longer-term solutions. We must put agriculture and food security at the top of our development priorities. To do this, we need to harness the creativity and resources of the private sector. We call for continued innovation to tackle longer-term challenges, including climate change and infrastructure investment.

6. We strongly welcome the WBG's *World Development Report on Gender Equality and Development* and its clear message that equality between women and men is smart economics and an essential ingredient in poverty reduction. We agree that the WDR has important lessons globally and that gender equality requires specific action from governments, the private sector and development partners. To this end, we endorse the recommendations for the WBG set out in the accompanying implications note and look forward to reviewing its implementation in a year. We urge the WBG to integrate further equality between women and men into its operations and reporting, working within its mandate and respecting national values and norms.

7. We welcome progress the WBG has made in institutional reform to meet new challenges. Greater transparency through the Open Data, Open Knowledge, Open Solutions Initiative and improved accountability via the new Corporate Scorecard will contribute to a more efficient and effective WBG. We call on the WBG to continue to promote staff diversity. We urge the WBG to maintain the momentum on its modernization agenda and look forward to discussing further progress at our next meeting.

8. We welcome the addition of the 25th Chair to the WBG Boards and look forward to a proposal in the spring to align the Development Committee with the new structure.

9. We thank Mr. Ahmed bin Mohammed Al Khalifa for his valuable leadership and guidance as Chairman of the Committee during the past two years.

10. The Development Committee's next meeting is scheduled for April 21, 2012, in Washington DC.

FOR IMMEDIATE RELEASE

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DEVELOPMENT COMMITTEE

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Washington, DC April 21, 2012

1. The Development Committee met today, 21 April 2012, in Washington DC.

2. The global economic outlook remains challenging. Policy adjustments and improved economic activity have reduced the threat of a sharp global slowdown. Growth in emerging and developing economies continues to be relatively strong, but poor countries still need support. Implementing policies and structural reforms to promote poverty reduction and inclusive growth must continue.

3. The likely achievement of the Millennium Development Goal (MDG) to halve global poverty by 2015 is welcome news, but we remain vigilant and continue to work with all stakeholders to advance the other MDGs and to learn from experience. We call on the World Bank Group (WBG) and the International Monetary Fund (IMF) to support the implementation of the New Deal for Engagement in Fragile States. We call on the WBG to develop more innovative and stronger partnerships with middle income countries. Providing knowledge and financing for global public goods will also remain key. We welcome steps being taken by the IMF to implement the agreed funding package for the Poverty Reduction and Growth Trust, which should enable it to meet likely demand for the IMF's concessional support through 2014.

4. Higher, more volatile food prices threaten poverty reduction and other lagging MDGs, especially reducing hunger and child and maternal mortality. Food insecurity and malnutrition have devastating effects, especially on women and children. The *Global Monitoring Report: Food Prices, Nutrition and the MDGs* is timely and builds on our discussion last spring and the G20 conclusions at Cannes. We call on the WBG to continue to pursue multi-sectoral solutions to food insecurity and malnutrition through instruments such as the Global Agriculture and Food Security Program.

5. Social protection makes sound development sense. Social safety nets bolstered poor people's resilience to the last financial crisis and are also an important component of longer-term poverty reduction when they are well-targeted, affordable, gender sensitive and sustainable. The WBG has increased support for social safety nets, including conditional cash transfers, public works, and school feeding. We welcome the report *Safety Nets Work: During Crisis and Prosperity*, with its focus on improving the design and efficiency of existing social safety net programs and building new ones where needed, particularly in low income countries. We urge the WBG to promote south-south learning and to allocate sufficient resources to this work, continuing to collaborate with relevant institutions such as the IMF, the regional development banks and the International Labor Organization.

6. A vibrant private sector is crucial for growth, jobs and poverty reduction. We therefore welcome the report on the *WBG's Innovations in Leveraging the Private Sector for Development.* Building on its

mandate of poverty reduction, the WBG is uniquely placed to innovate and advise clients about how to harness the private sector for development and to promote an enabling environment. The IFC has effectively supported development through the private sector and grown its investment portfolio and advisory services, and innovative products such as local currency and short term finance, while maintaining its focus on IDA countries and frontier markets. MIGA has also expanded its guarantee portfolio. We ask management to prepare a group-wide approach that assesses the implications for priorities and use of resources, and optimizes synergies between IBRD, IDA, IFC and MIGA to enhance responsiveness to clients and provide integrated solutions.

7. We are encouraged by progress on the modernization agenda, designed to improve the Bank's effectiveness and efficiency to deliver more and better results. Cultural and organizational change will be needed and we fully support management in bringing this about. The *Update on the Bank's Business Modernization: Results, Openness and Accountability* indicates a clear way forward. Critical areas for reform include human resources and knowledge building and sharing. Promoting staff diversity is vital to enhance operational effectiveness and attract motivated talent. The Corporate Scorecard is beginning to drive a results culture through the organization. Building on recent World Development Reports, the incorporation of gender equality and greater focus on fragile and conflict affected situations (FCS) will incentivize improved WBG performance. The momentum behind modernization must be maintained, and we look forward to a progress report next spring and to an updated Corporate Scorecard this autumn. Modernization, innovation, and greater creativity in the use of capital will achieve a more efficient WBG and contribute to its long term financial sustainability.

8. The Ministerial Dialogue on Sustainable Development, with the participation of the United Nations Secretary General Ban Ki-moon, sent an important signal about the need for global partnership to advance this demanding agenda. We look forward to continued discussion about inclusive, green growth in the context of poverty reduction and sustainable development, natural capital accounting and oceans, feeding into the Rio + 20 and G20 processes.

9. We express our profound appreciation and gratitude to Robert B. Zoellick for his leadership of the WBG over the last five years. He has positioned the WBG at the forefront of effective and timely responses to food and financial crises and natural disasters, as well as reinvigorating delivery of longer-term poverty reduction and tangible results. He has championed gender equality, better performance in FCS, adaptation to climate change, and renewed attention to agriculture and infrastructure. Under his leadership, the Bank secured the first capital increase in over twenty years and two unprecedented IDA replenishments, and launched a host of private sector initiatives, such as the IFC's Asset Management Company. He has helped transform the WBG, making it more open, transparent, accountable and ready for a new era of "modernized multilateralism". Reflecting this change, Mr. Zoellick has overseen the rise in the voting share of developing countries to 47%, to be followed by a further review of voice by 2015.

10. We congratulate Dr. Jim Yong Kim on his selection as President of the WBG and commit to working in close partnership with him. We thank Dr. Ngozi Okonjo-Iweala and Dr. José Antonio Ocampo for their candidacies and for sharing their valuable ideas for the WBG.

11. We welcome Mr. Marek Belka as the new Chair of the Development Committee and look forward to working with him. We also note with satisfaction the proposed revision of the Development Committee's membership to reflect the addition of a third chair for Sub-Saharan Africa in the WBG's Board.

12. The Development Committee's next meeting is scheduled for 13 October 2012, in Tokyo.

FOLLOW-UP TO SPRING 2012 DEVELOPMENT COMMITTEE MEETING			
Subject/Work Area	**DC Communiqué**	**Output**	**Timeline**
Jobs	(para. 3, Fall 2011) *"Jobs are vital in translating growth into lasting, poverty reduction and broad-based economic opportunities….We look forward to discussing the next World Development Report (WBDR) on jobs."*	WDR 2013: Jobs	March 27 (Inf. Meeting) Preliminary Findings and Messages July 17 Draft Report
Food Insecurity and Malnutrition	(para. 4, Spring 2012) *"We call on the WBG to continue to pursue multi-sectoral solutions to food insecurity and malnutrition through instruments such as the Global Agriculture and Food security Program."*	Agriculture Action Plan (FY13-15) – Concept Note Briefing on Food Price Volatility	May 30 (CODE)
Social Safety Nets	(para. 5, Spring 2012) *"We urge the WBG to promote south-south learning and to allocate sufficient resources to this work, continuing to collaborate with relevant institutions such as the IMF, the regional development banks and the International Labor Organization."*	Partnership Programs Management Framework	FY13 QII undated
Middle Income Countries	(para. 3, Spring 2012) *"We call on the WBG to develop more innovative and stronger partnerships with middle income countries."*	Middle Income Countries' Agenda	FY13 QI undated (EDs' Seminar)
Sustainable Development	(para. 8, Spring 2012) *"We look forward to continued discussion about inclusive, green growth in the context of poverty reduction and sustainable development, natural capital accounting and oceans, feeding into the Rio+20 and G20 processes."*	Oral Briefing Rio + 20 GMR – Outline	July 10 September 11 (Inf. Mtg.)
Private Sector	(para. 6, Spring 2012) *"We ask management to prepare a group-wide approach that assesses the implications for priorities and use of resources, and optimizes synergies between IBRD, IDA, IFC and MIGA to enhance responsiveness to clients and provide integrated solutions."*	Performance Standards for Private Sector Projects Supported by IBRD/IDA IFC Private Sector Evaluation System	June 26 FY13 QI undated

FOLLOW-UP TO SPRING 2012 DEVELOPMENT COMMITTEE MEETING			
Subject/Work Area	**DC Communiqué**	**Output**	**Timeline**
Disaster Risk Management	(para. 4, Fall 2011) *"We call on the WBG to scale up support and strengthen collaboration with all relevant stakeholders, in particular other Multilateral Development Banks."*	Note on Disaster Risk Management	Fall 2012 Annual Meetings
Gender Equality and Development	(para. 6, Fall 2011) *"…we endorse the recommendations for the WBG set out in the accompanying implications note and look forward to reviewing its implementation in a year."*	Implications Follow Up Report	September undated
Corporate Scorecard	(para. 7, Spring 2012) *"…we look forward to … an updated Corporate Scorecard this autumn."*	Annual Report	June 18 (Tech. Briefing) Annual Report- Final text (Q1 FY13)
Modernization Agenda	(para. 7, Spring 2012) *"The momentum behind modernization must be maintained, and we look forward to a progress report next spring … ."*	Modernization Progress Report	Spring 2013 Modernization Progress Report