

INTERNATIONAL DEVELOPMENT ASSOCIATION
FINANCIAL STATEMENTS AND INTERNAL CONTROL REPORTS
June 30, 2009

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MANAGEMENT'S REPORT REGARDING EFFECTIVENESS OF INTERNAL CONTROLS OVER EXTERNAL FINANCIAL REPORTING

The World Bank

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT
INTERNATIONAL DEVELOPMENT ASSOCIATION

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

August 5, 2009

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 financial reporting was valid and appropriate. The independent auditors' reports accompany the audited financial statements.

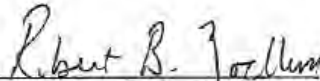
Management is responsible for establishing and maintaining effective internal control over external financial reporting for financial statement presentations in conformity with accounting principles generally accepted in the United States of America. Management maintains a comprehensive system of controls 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, support 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, 2009. 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, 2009. The independent audit firm that

audited the financial statements has issued an attestation report on management's assessment of 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.



Robert B. Zoellick
President



Vincenzo La Via
Chief Financial Officer



Charles A. McDonough
Acting Vice President and Controller

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



KPMG LLP
2001 M Street, NW
Washington, DC 20036

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, 2009, based on criteria established in *Internal Control – Integrated Framework* issued by the Commission 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 U.S. generally accepted accounting principles. An entity's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the entity; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with U.S. generally accepted accounting principles, 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, 2009 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 financial statements of IDA as of and for the year ended June 30, 2009, and our report dated August 5, 2009 expressed an unqualified opinion.

KPMG LLP

August 5, 2009

KPMG LLP, a U.S. limited liability partnership, is the U.S. member firm of KPMG International, a Swiss entity.

INDEPENDENT AUDITOR'S REPORT



KPMG LLP
2001 M Street, NW
Washington, DC 20036

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, 2009, including the summary statement of development credits and statement of voting power and subscriptions and contributions as of June 30, 2009, and the related statements of income, comprehensive income, changes in accumulated deficit and cash flows for the fiscal year then ended (2009 financial statements). These financial statements are the responsibility of IDA's management. Our responsibility is to express an opinion on these financial statements based on our audit. The accompanying financial statements of IDA as of and for the fiscal year ended June 30, 2008, were audited by other auditors whose report dated August 7, 2008, expressed an unqualified opinion on those statements.

We conducted our audit 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 audit provides a reasonable basis for our opinion.

In our opinion, the 2009 financial statements referred to above present fairly, in all material respects, the financial position of IDA as of June 30, 2009, and the results of its operations and its cash flows for the fiscal year then ended in conformity with U.S. generally accepted accounting principles.

We have also examined 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, 2009, 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 5, 2009 expressed an unqualified opinion.

KPMG LLP

August 5, 2009

KPMG LLP, a U.S. limited liability partnership, is the U.S. member firm of KPMG International, a Swiss corporation.

BALANCE SHEET

June 30, 2009 and June 30, 2008

Expressed in millions of U.S. dollars

	<u>2009</u>	<u>2008</u>
Assets		
Due from Banks		
Unrestricted currencies	\$ 127	\$ 90
Currencies subject to restrictions	27	28
	<u>154</u>	<u>118</u>
Investments—Trading (including securities transferred under repurchase or securities lending agreements of \$4,656 million-June 30, 2009; \$9,540 million-June 30, 2008)—Notes C, G and M	26,483	29,013
Securities Purchased Under Resale Agreements—Notes C and M	5	148
Nonnegotiable, Noninterest-bearing Demand Obligations on Account of Members' Subscriptions and Contributions		
Unrestricted currencies	8,398	8,004
Currencies subject to restrictions	50	54
	<u>8,448</u>	<u>8,058</u>
Derivative Assets—Notes C, E, F, G and M		
Investments	1,016	2,969
Asset/liability management	5,902	6,727
Receivable from Affiliated Organizations—Notes E and L		
Unrestricted	1,109	1,091
Temporarily Restricted	-	502
Other Receivables—Note C		
Receivable from investment securities traded	214	368
Accrued service and commitment charges	238	239
	<u>452</u>	<u>607</u>
Development Credits Outstanding (Summary Statement of Development Credits, Notes D and G)		
Development credits	142,797	141,081
Less: Undisbursed balance	29,903	27,539
Development credits outstanding	112,894	113,542
Less: Accumulated provision for debt relief and losses on development credits	10,577	13,096
Plus: Deferred development credits origination costs	30	28
Net development credits outstanding	<u>102,347</u>	<u>100,474</u>
Other Assets	94	142
Total Assets	<u>\$146,010</u>	<u>\$149,849</u>

	<u>2009</u>	<u>2008</u>
Liabilities		
Securities Sold Under Repurchase Agreements and Payable for Cash Collateral Received—Notes C and M	\$ 4,684	\$ 9,722
Derivative Liabilities – Notes C, E, F, G and M		
Investments	1,017	3,034
Asset/liability management	5,527	6,747
Payable for Development Grants—Note I	5,652	5,522
Payable to Affiliated Organization—Note E	316	340
Other Liabilities – Notes C, D and H		
Payable for investment securities purchased	757	689
Accounts payable and miscellaneous liabilities	107	176
	<u>864</u>	<u>865</u>
Total Liabilities	<u>18,060</u>	<u>26,230</u>
Equity		
Members' Subscriptions and Contributions (Statement of Voting Power and Subscriptions and Contributions, and Note B)		
Unrestricted	199,105	176,722
Restricted	318	316
Subscriptions and Contributions committed	199,423	177,038
Less:		
Subscriptions and Contributions receivable	47,712	33,141
Cumulative discounts on Subscriptions and Contributions	1,626	1,481
Subscriptions and Contributions paid-in	150,085	142,416
Deferred Amounts to Maintain Value of Currency Holdings	(231)	(225)
Accumulated Deficit (Statement of Changes in Accumulated Deficit, and Note K)	(35,687)	(37,537)
Accumulated Other Comprehensive Income—Note J	13,783	18,965
Total Equity	<u>127,950</u>	<u>123,619</u>
Total Liabilities and Equity	<u>\$146,010</u>	<u>\$149,849</u>

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

STATEMENT OF INCOME

For the fiscal years ended June 30, 2009 and June 30, 2008

Expressed in millions of U.S. dollars

	2009	2008
Income		
Development credits and guarantees—Note D		
Service charges, net	\$ 794	\$ 891
Commitment charges and guarantee fee income	7	30
	<u>801</u>	<u>921</u>
Investments—Trading—Notes C and F		
Interest	798	1,168
Net gains	825	228
	<u>1,623</u>	<u>1,396</u>
Transfers and grants from affiliated organizations and trust funds—Notes E and H		
Unrestricted	1,037	602
Temporarily Restricted	–	502
	<u>1,037</u>	<u>1,104</u>
Other income	14	–
Total Income	<u>3,475</u>	<u>3,421</u>
Expenses		
Administrative expenses—Notes E, H and L	975	888
Development grants—Note I	2,575	3,151
Securities sold under repurchase agreements	124	390
Release of provision for debt relief and for losses on credits and guarantees, net—Notes D and G	(1,236)	(773)
Non-functional currency translation adjustment gains, net	(859)	(6)
Write-off on sale of development credits—Note D	43	–
Net unrealized (gains) losses on non-trading derivatives—Note F	(13)	54
Other expenses	16	–
Total Expenses	<u>1,625</u>	<u>3,704</u>
Net Income (Loss)	<u>\$ 1,850</u>	<u>\$ (283)</u>

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

STATEMENT OF COMPREHENSIVE INCOME

For the fiscal years ended June 30, 2009 and June 30, 2008

Expressed in millions of U.S. dollars

	<u>2009</u>	<u>2008</u>
Net Income (Loss)	\$ 1,850	\$ (283)
Other Comprehensive Income—Note J		
Currency translation adjustments on functional currencies	(5,182)	7,360
Comprehensive Income	<u><u>\$(3,332)</u></u>	<u><u>\$7,077</u></u>

STATEMENT OF CHANGES IN ACCUMULATED DEFICIT

For the fiscal years ended June 30, 2009 and June 30, 2008

Expressed in millions of U.S. dollars

	<u>2009</u>	<u>2008</u>
Accumulated Deficit at beginning of the fiscal year	\$(37,537)	\$(37,254)
Net income (loss) for the year	<u>1,850</u>	<u>(283)</u>
Accumulated Deficit at end of the fiscal year	<u><u>\$(35,687)</u></u>	<u><u>\$(37,537)</u></u>

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

STATEMENT OF CASH FLOWS

For the fiscal years ended June 30, 2009 and June 30, 2008

Expressed in millions of U.S. dollars

	2009	2008
Cash flows from investing activities		
Development credits		
Disbursements	\$(7,010)	\$(6,534)
Principal repayments	2,182	2,182
Development credits sold	27	-
Net cash used in investing activities	<u>(4,801)</u>	<u>(4,352)</u>
Cash flows from financing activities		
Members' subscriptions and contributions	7,272	5,295
Cash flows from operating activities		
Net income (loss)	1,850	(283)
Adjustments to reconcile net income (loss) to net cash used in operating activities		
Release of provision for debt relief and losses on development credits and guarantees, net	(1,236)	(773)
Non-functional currency translation adjustment gains (losses), net	(859)	(6)
Write down on sale of development credits	43	-
Changes in:		
Investments—Trading	1,345	2,326
Net investment securities traded/purchased –Trading	190	(765)
Net derivatives—Investments	(50)	(6)
Net derivatives—Asset/liability management	137	64
Net securities purchased/sold under resale/repurchase agreements and payable for cash collateral received	(4,602)	(1,737)
Net receivable from affiliated organizations	460	(567)
Payable for development grants	366	534
Accrued service and commitment charges	(13)	(29)
Miscellaneous assets	(153)	(8)
Accounts payable and miscellaneous liabilities	69	339
Deferred development credits origination costs	18	1
Net cash used in operating activities	<u>(2,435)</u>	<u>(910)</u>
Effect of exchange rate changes on unrestricted cash	<u>1</u>	<u>9</u>
Net increase in unrestricted cash	37	42
Unrestricted cash at beginning of the fiscal year	<u>90</u>	<u>48</u>
Unrestricted cash at end of the fiscal year	<u>\$ 127</u>	<u>\$ 90</u>
Supplemental disclosure		
(Decrease) increase in ending balances resulting from exchange rate fluctuations		
Development credits outstanding	\$(4,680)	\$ 7,039
Investments—Trading	(1,185)	2,572
Derivatives—Investments	13	(75)
Derivatives - Asset/liability management	532	44
Principal repayments forgiven under Heavily Indebted Poor Countries (HIPC) Debt Initiative	(76)	(92)
Development credits written off under HIPC Debt Initiative and Multilateral Debt Relief Initiative (MDRI)	(650)	(214)
Development credits sold – nominal value	70	-

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

SUMMARY STATEMENT OF DEVELOPMENT CREDITS

June 30, 2009

Expressed in millions of U.S. dollars

<i>Borrower or guarantor</i>	<i>Total development credits</i>	<i>Undisbursed development credits^a</i>	<i>Development credits outstanding</i>	<i>Percentage of development credits outstanding</i>
Afghanistan	\$ 513	\$ 58	\$ 455	0.40%
Albania	990	155	835	0.74
Angola	569	194	375	0.33
Armenia	1,181	133	1,048	0.93
Azerbaijan	1,008	295	713	0.63
Bangladesh	12,206	1,629	10,577	9.37
Benin	514	236	278	0.25
Bhutan	116	6	110	0.10
Bolivia	519	224	295	0.26
Bosnia and Herzegovina	1,228	147	1,081	0.96
Botswana	5	—	5	*
Burkina Faso	995	330	665	0.59
Burundi	180	38	142	0.13
Cambodia	665	113	552	0.49
Cameroon	715	477	238	0.21
Cape Verde	286	2	284	0.25
Central African Republic	398	14	384	0.34
Chad	935	41	894	0.79
Chile	1	—	1	*
China	9,603	6	9,597	8.50
Colombia	1	—	1	*
Comoros	121	—	121	0.11
Congo, Democratic Republic of	2,670	221	2,449	2.17
Congo, Republic of	302	5	297	0.26
Costa Rica	—	—	—	*
Côte d'Ivoire	1,868	93	1,775	1.57
Djibouti	162	7	155	0.14
Dominica	31	5	26	0.02
Dominican Republic	8	—	8	0.01
Ecuador	11	—	11	0.01
Egypt, Arab Republic of	1,444	24	1,420	1.26
El Salvador	9	—	9	0.01
Equatorial Guinea	47	—	47	0.04
Eritrea	522	49	473	0.42
Ethiopia	2,862	1,735	1,127	1.00
Gambia, The	66	5	61	0.05
Georgia	1,099	81	1,018	0.90
Ghana	2,464	1,098	1,366	1.21
Grenada	51	14	37	0.03
Guinea	1,310	43	1,267	1.12
Guinea-Bissau	306	1	305	0.27
Guyana	10	—	10	0.01
Haiti	491	—	491	0.43
Honduras	748	269	479	0.42
India	29,819	4,299	25,520	22.61
Indonesia	2,476	350	2,126	1.88
Iraq	525	500	25	0.02
Jordan	36	—	36	0.03
Kenya	4,425	1,343	3,082	2.73
Korea, Republic of	35	—	35	0.03
Kyrgyz Republic	681	32	649	0.57
Lao People's Democratic Republic	686	8	678	0.60
Lesotho	339	34	305	0.27
Liberia	70	—	70	0.06
Macedonia, former Yugoslav Republic of	382	—	382	0.34
Madagascar	1,392	306	1,086	0.96

SUMMARY STATEMENT OF DEVELOPMENT CREDITS (*continued*)

June 30, 2009

Expressed in millions of U.S. dollars

<i>Borrower or guarantor</i>	<i>Total development credits</i>	<i>Undisbursed development credits^a</i>	<i>Development credits outstanding</i>	<i>Percentage of development credits outstanding</i>
Malawi	\$ 375	\$ 186	\$ 189	0.17%
Maldives	107	27	80	0.07
Mali	1,123	557	566	0.50
Mauritania	395	149	246	0.22
Mauritius	8	–	8	0.01
Moldova	414	92	322	0.29
Mongolia	441	100	341	0.30
Montenegro	91	16	75	0.07
Morocco	15	–	15	0.01
Mozambique	1,548	349	1,199	1.06
Myanmar	788	–	788	0.70
Nepal	1,646	157	1,489	1.32
Nicaragua	509	121	388	0.34
Niger	353	100	253	0.22
Nigeria	5,494	3,102	2,392	2.12
Pakistan	11,178	1,511	9,667	8.56
Papua New Guinea	149	74	75	0.07
Paraguay	16	–	16	0.01
Philippines	183	–	183	0.16
Rwanda	269	22	247	0.22
St. Kitts and Nevis	1	–	1	*
St. Lucia	59	9	50	0.04
St. Vincent and the Grenadines	22	2	20	0.02
Samoa	89	9	80	0.07
São Tomé and Príncipe	14	1	13	0.01
Senegal	1,323	515	808	0.72
Serbia	756	93	663	0.59
Sierra Leone	128	19	109	0.10
Solomon Islands	44	–	44	0.04
Somalia	445	–	445	0.39
Sri Lanka	2,792	420	2,372	2.10
Sudan	1,297	–	1,297	1.15
Swaziland	3	–	3	*
Syrian Arab Republic	17	–	17	0.02
Tajikistan	395	27	368	0.33
Tanzania	3,790	1,706	2,084	1.85
Thailand	61	–	61	0.05
Togo	592	–	592	0.52
Tonga	24	2	22	0.02
Tunisia	21	–	21	0.02
Turkey	51	–	51	0.05
Uganda	2,106	927	1,179	1.04
Uzbekistan	204	136	68	0.06
Vanuatu	13	–	13	0.01
Vietnam	9,621	4,279	5,342	4.73
Yemen, Republic of	2,455	318	2,137	1.89
Zambia	511	120	391	0.35
Zimbabwe	517	–	517	0.46
Subtotal members ^b	<u>142,551</u>	<u>29,766</u>	<u>112,785</u>	<u>99.90</u>

Expressed in millions of U.S. dollars

<i>Borrower or guarantor</i>	<i>Total development credits</i>	<i>Undisbursed development credits^a</i>	<i>Development credits outstanding</i>	<i>Percentage of development credits outstanding</i>
West African Development Bank ^c	\$ 160	\$ 102	\$ 58	0.05%
Caribbean Development Bank ^d	23	–	23	0.02
Bank of the States of Central Africa ^e	50	32	18	0.02
Subtotal regional development banks	233	134	99	0.09
African Trade Insurance Agency ^f	11	2	9	0.01
Other ^g	1	–	1	*
Total—June 30, 2009 ^b	<u>\$142,797</u>	<u>\$29,903</u>	<u>\$112,894</u>	<u>100.00%</u>
Total—June 30, 2008	<u>\$141,081</u>	<u>\$27,539</u>	<u>\$113,542</u>	

* Indicates amounts less than 0.005 percent.

NOTES

- a. Of the undisbursed balance at June 30, 2009, IDA has entered into irrevocable commitments to disburse \$391 million (\$305 million—June 30, 2008).
- b. May differ from the sum of individual figures shown due to rounding.
- c. These development credits are for the benefit of Benin, Burkina Faso, Côte d'Ivoire, Mali, Niger, Senegal and Togo.
- d. These development credits are for the benefit of Grenada and territories of the United Kingdom (Associated States and Dependencies) in the Caribbean region.
- e. These development credits are the benefit of Cameroon, Chad, Central African Republic, Republic of Congo, Gabon and Equatorial Guinea.
- f. Represents development credit extended to the African Trade Insurance Agency (ATI) as implementing agency for the benefit of Burundi, Kenya, Malawi, Rwanda, Tanzania, Uganda and Zambia.
- g. Represents development credits made at a time when the authorities in Taiwan represented China in IDA (prior to May 15, 1980).

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

STATEMENT OF VOTING POWER AND SUBSCRIPTIONS AND CONTRIBUTIONS

June 30, 2009

Expressed in millions of U.S. dollars

Member ^a	Number of votes	Percentage of total votes	Subscriptions and contributions committed
Part I Members			
Australia	224,641	1.23%	\$ 3,156.29
Austria	136,912	0.75	1,962.62
Belgium	206,975	1.13	2,973.05
Canada	493,508	2.69	8,719.55
Denmark	180,501	0.98	3,064.71
Estonia ^c	36,031	0.20	4.13
Finland	111,787	0.61	1,309.07
France	741,422	4.04	14,538.78
Germany	1,154,907	6.30	22,015.22
Greece	50,653	0.28	215.92
Iceland	46,037	0.25	48.85
Ireland	67,828	0.37	504.18
Italy	471,307	2.57	8,789.18
Japan	1,746,238	9.53	38,776.93
Kuwait	93,457	0.51	866.16
Latvia	33,956	0.19	0.93
Luxembourg	53,450	0.29	224.48
Netherlands	370,310	2.02	7,373.83
New Zealand	55,556	0.30	260.27
Norway	188,396	1.03	3,088.58
Portugal	53,527	0.29	297.38
Russian Federation	57,166	0.31	408.57
Slovenia	44,052	0.24	30.56
South Africa	54,472	0.30	173.78
Spain	163,320	0.89	3,215.13
Sweden	362,840	1.98	5,966.15
Switzerland	210,273	1.15	3,218.96
United Arab Emirates	1,367	0.01	5.58
United Kingdom	984,805	5.37	20,269.42
United States	2,228,252	12.16	42,686.03
Subtotal Part I Members ^b	<u>10,623,946</u>	<u>57.97%</u>	<u>\$194,164.30</u>
Part II Members			
Afghanistan	20,638	0.11%	1.32
Albania	45,667	0.25	0.35
Algeria	27,720	0.15	5.10
Angola	57,909	0.32	8.22
Argentina	134,439	0.73	69.80
Armenia	47,981	0.26	0.70
Azerbaijan	11,403	0.06	0.93
Bahamas, The	43,004	0.23	0.59
Bangladesh	107,859	0.59	7.73
Barbados	46,140	0.25	1.67
Belize	13,653	0.07	0.26
Benin	48,911	0.27	0.78
Bhutan	43,467	0.24	0.07
Bolivia	55,614	0.30	1.53
Bosnia and Herzegovina	45,734	0.25	2.48
Botswana	41,911	0.23	1.63
Brazil	293,046	1.60	581.09
Burkina Faso	48,910	0.27	0.77
Burundi	36,060	0.20	1.01
Cambodia	54,629	0.30	1.48
Cameroon	38,165	0.21	1.51
Cape Verde	8,320	0.05	0.10
Central African Republic	23,029	0.13	0.70
Chad	16,890	0.09	0.68
Chile	31,782	0.17	4.46
China	344,829	1.88	74.65
Colombia	92,384	0.50	24.93
Comoros	13,141	0.07	0.11

Expressed in millions of U.S. dollars

<i>Member^a</i>	<i>Number of votes</i>	<i>Percentage of total votes</i>	<i>Subscriptions and contributions committed</i>
Congo, Democratic Republic of	60,483	0.33%	\$ 4.33
Congo, Republic of	38,923	0.21	0.74
Costa Rica	12,480	0.07	0.25
Côte d'Ivoire	50,037	0.27	1.52
Croatia	64,324	0.35	5.84
Cyprus	51,712	0.28	7.48
Czech Republic	86,000	0.47	93.74
Djibouti	9,390	0.05	0.20
Dominica	26,014	0.14	0.12
Dominican Republic	27,780	0.15	0.58
Ecuador	50,730	0.28	0.94
Egypt, Arab Republic of	89,296	0.49	9.14
El Salvador	46,464	0.25	0.49
Equatorial Guinea	6,167	0.03	0.41
Eritrea	31,162	0.17	0.12
Ethiopia	42,879	0.23	0.72
Fiji	19,462	0.11	0.76
Gabon	2,093	0.01	0.63
Gambia, The	19,444	0.11	0.34
Georgia	51,259	0.28	0.99
Ghana	71,336	0.39	3.13
Grenada	20,627	0.11	0.13
Guatemala	37,396	0.20	0.55
Guinea	33,987	0.19	1.33
Guinea-Bissau	6,790	0.04	0.17
Guyana	23,460	0.13	1.05
Haiti	24,871	0.14	0.98
Honduras	46,457	0.25	0.43
Hungary	133,811	0.73	91.10
India	573,783	3.13	60.31
Indonesia	158,832	0.87	15.54
Iran, Islamic Republic of	15,455	0.08	5.69
Iraq	15,207	0.08	1.02
Israel	65,381	0.36	67.79
Jordan	24,865	0.14	0.41
Kazakhstan	5,685	0.03	1.89
Kenya	63,143	0.34	2.40
Kiribati	11,777	0.06	0.08
Korea, Republic of	125,355	0.68	1,117.99
Kosovo, Republic of ^d	48,357	0.26	0.88
Kyrgyz Republic	8,751	0.05	0.50
Lao People's Democratic Republic	26,216	0.14	0.68
Lebanon	8,562	0.05	0.56
Lesotho	41,221	0.22	0.23
Liberia	22,467	0.12	0.95
Libya	16,871	0.09	1.35
Macedonia, former Yugoslav Republic of	46,885	0.26	1.11
Madagascar	54,982	0.30	1.42
Malawi	44,374	0.24	0.99
Malaysia	73,273	0.40	5.86
Maldives	40,270	0.22	0.05
Mali	38,474	0.21	1.28
Marshall Islands	4,902	0.03	0.01
Mauritania	32,813	0.18	0.67
Mauritius	53,320	0.29	1.27
Mexico	135,398	0.74	167.86
Micronesia, Federated States of	18,424	0.10	0.03
Moldova	4,016	0.02	0.69
Mongolia	45,667	0.25	0.32
Montenegro	47,096	0.26	0.73
Morocco	85,559	0.47	5.51
Mozambique	19,523	0.11	1.72
Myanmar	67,326	0.37	3.17
Nepal	41,100	0.22	0.70

STATEMENT OF VOTING POWER AND SUBSCRIPTIONS AND CONTRIBUTIONS

June 30, 2009

Expressed in millions of U.S. dollars

Member ^a	Number of votes	Percentage of total votes	Subscriptions and contributions committed
Nicaragua	46,457	0.25%	\$ 0.44
Niger	19,302	0.11	0.68
Nigeria	72,183	0.39	4.56
Oman	46,580	0.25	1.39
Pakistan	168,679	0.92	14.18
Palau	3,804	0.02	0.02
Panama	10,185	0.06	0.04
Papua New Guinea	49,108	0.27	1.24
Paraguay	29,968	0.16	0.43
Peru	33,940	0.19	2.35
Philippines	16,583	0.09	6.43
Poland	385,457	2.10	88.53
Rwanda	27,184	0.15	1.01
St. Kitts and Nevis	13,778	0.08	0.17
St. Lucia	30,532	0.17	0.23
St. Vincent and the Grenadines	34,787	0.19	0.11
Samoa	21,741	0.12	0.12
São Tomé and Príncipe	9,714	0.05	0.08
Saudi Arabia	604,233	3.30	2,348.21
Senegal	50,925	0.28	2.50
Serbia	52,017	0.28	6.86
Sierra Leone	38,112	0.21	0.98
Singapore	13,421	0.07	60.73
Slovak Republic	57,892	0.32	21.71
Solomon Islands	43,901	0.24	0.13
Somalia	10,506	0.06	0.95
Sri Lanka	77,711	0.42	4.26
Sudan	25,784	0.14	1.31
Swaziland	19,022	0.10	0.42
Syrian Arab Republic	10,351	0.06	1.20
Tajikistan	20,568	0.11	0.46
Tanzania	53,758	0.29	2.25
Thailand	72,189	0.39	4.57
Timor-Leste	558	*	0.35
Togo	23,243	0.13	1.03
Tonga	43,714	0.24	0.11
Trinidad and Tobago	59,184	0.32	2.01
Tunisia	2,793	0.02	1.89
Turkey	115,613	0.63	155.84
Uganda	47,092	0.26	2.42
Ukraine	1,762	0.01	7.61
Uzbekistan	746	*	1.48
Vanuatu	13,821	0.08	0.25
Vietnam	23,425	0.13	1.98
Yemen, Republic of	53,742	0.29	2.15
Zambia	65,266	0.36	3.55
Zimbabwe	20,957	0.11	4.97
Subtotal Part II Members ^b	<u>7,705,687</u>	<u>42.03%</u>	<u>\$ 5,258.66</u>
Total—June 30, 2009 ^b	<u>18,329,633</u>	<u>100.00%</u>	<u>\$199,422.96</u>
Total—June 30, 2008	<u>17,248,162</u>	<u>100.00%</u>	<u>\$177,038.35</u>

* Indicates less than 0.005 percent.

NOTES

- See Notes to Financial Statements—Note A for an explanation of the two categories of membership.
- May differ from the sum of individual figures shown due to rounding.
- Estonia became a member of IDA on October 11, 2008.
- The Republic of Kosovo became a member of IDA on June 29, 2009.

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

NOTES TO FINANCIAL 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 who 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 the 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 judgments have been used in the valuation of certain financial instruments and the determination of the adequacy of the accumulated provision for the HIPC Debt Initiative, MDRI and losses on credits and guarantees.

Certain reclassifications of the prior years' information have been made to conform with the current year's presentation.

On August 5, 2009, 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 IDA's financial position and the results of its operations for the convenience of its members and other interested parties.

IDA is an international organization which conducts its operations in Special Drawing Rights (SDRs) and the SDR's component currencies of U.S. dollar, euro, Japanese yen and pound sterling. These comprise 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, which comprise IDA's functional currencies 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 as Subscriptions and Contributions receivable based upon the full amount of Instruments of Commitment (IoC) received from members upon effectiveness of the relevant replenishment. Prior to effectiveness, only a portion of the value of IoCs received as specified in the replenishment resolution is 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 qualification. 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, development grants, and guarantees by IDA 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 represent 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 credits 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 an accelerated encashment schedule. In these cases, IDA and the donor agree that IDA will invest the cash and retain the income with the donor receiving voting rights for the full undiscounted amount. Subscriptions and Contributions committed are recorded at the full undiscounted amount. Subscriptions and Contributions paid-in are recorded net of discounts.

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 which 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 local 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 IoC 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. 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 loans 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 Receivable to Maintain Value of Currency Holdings and deducted from equity; any changes relate solely to translation adjustments.

Development Credits

In fulfilling its mission, IDA makes concessional 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 (\$1,095 for FY2009 and \$1,065 for FY2008) and the country may have only limited or no creditworthiness for IBRD lending.

The following terms apply to the different types of development credits:

Regular development credits: These carry a service charge of 0.75 percent and generally have 35-year (for Blend borrowers) or 40-year (for IDA-only borrowers) final maturities and a 10-year grace period for principal payments.

Hardened-term development credits: These are offered to member countries with per capita income above IDA’s cut-off level for two consecutive years and the lending terms include 20-year maturity, with a 10-year grace period.

Hard-term development credits: Eligibility for these credits is restricted to creditworthy IBRD/IDA blend countries with per capita incomes below the IDA operational cut-off and an active IBRD lending program. Lending terms include a 35-year maturity, with a 10 year grace period, and an interest charge in addition to standard IDA service charges. The interest rate is determined on an annual basis, prior to the start of IDA’s fiscal year, and remains fixed for the life of the development credit.

Incremental direct costs associated with originating development credits are capitalized and amortized over the term of the credit. Development credits are

carried in the financial statements at the face amount of the borrowers' outstanding obligations, less an accumulated provision for debt relief and credit losses, plus the deferred origination costs.

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. Charges on nonaccruing development credits are included in income only to the extent that payments have actually been received by IDA. If collectibility risk is considered to be particularly high at the time of arrears clearance, the member's 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 IDA's 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 IDA's "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 sold and the amount received is recognized as an expense by way of write-off in IDA's Statement of Income.

Development Grants

Development grants are charged to income, and a liability recognized, upon approval by IDA's Executive Directors.

Guarantees

IDA provides guarantees for loans 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 borrower 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 in the Balance Sheet under Other Assets.

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 during 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, which was approved by IDA's Executive Directors in FY2000, 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.

MDRI

Debt relief provided under the MDRI is in addition to existing debt relief commitments provided by IDA and other creditors under the HIPC Debt Initiative. Additional resources for financing IDA's costs of providing debt relief under MDRI will be provided by donors over time under a resolution of IDA's Board of Governors adopted on April 21, 2006. These resources are added to IDA's resources and are accounted for as subscriptions and contributions. On June 23, 2006, the Executive Directors approved the implementation of the MDRI commencing July 1, 2006.

Accumulated Provision for Debt Relief and Losses on Development Credits (and Guarantees)

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 reduced when debt relief is provided by IDA.

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 Guarantees)

Delays in receiving payments from development credits or guarantee premiums result in present value losses to IDA since it does not charge fees or additional service charges or interest on any overdue service charges, interest and other charges. These present value losses are equal to the difference between the present value of payments of service charges and other charges made according to the credit's contractual terms and the present value of its expected future cash flows.

Management determines the appropriate level of accumulated provision for losses on credits and guarantees after taking into consideration the expected relief under the HIPC Debt Initiative and MDRI. This accumulated provision reflects the probable losses inherent in its nonaccrual and accrual portfolios. There are several steps required to determine the appropriate level of provisions. First, the total credits and guarantees portfolio is

segregated into the accrual and nonaccrual portfolios. In both portfolios, the net exposure for each borrower (defined as the nominal amount of credits outstanding plus the present value of guarantees less the accumulated provision for debt relief under the HIPC Debt Initiative and MDRI) is then assigned a credit risk rating. IDA development credits and guarantees in the accrual portfolio are grouped according to the assigned borrower risk rating. Each risk rating is mapped to an expected default frequency based on experience. The provision required is calculated by multiplying the outstanding exposure, by the expected default frequency and by the assumed severity of the loss given default for IDA.

IDA reassesses the adequacy of the accumulated provision for losses on credits and guarantees each quarter. 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 Due from Banks—Unrestricted currencies.

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, 2009 and June 30, 2008, all investment securities were held in a trading portfolio. Investment securities and related financial instruments held in IDA's trading portfolio are carried and reported at fair value. The first-in first-out (FIFO) 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 enhance investment returns and are not designated as hedging instruments. These derivatives are carried at fair value. IDA enters into forward contracts for the sale or purchase of investment securities; these transactions are recorded at the trade date.

Securities Purchased Under Resale 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 IDA under the repurchase and security lending arrangements and the securities transferred to counterparties 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 IDA's balance sheet, and securities received under resale agreements are not recorded on IDA's Balance Sheet.

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. Accordingly, these instruments are carried and reported at face value as assets on the Balance Sheet.

Accounting for Derivatives

Derivative instruments are recorded on the Balance Sheet at fair value. IDA has elected not to designate any hedging relationships. Rather, all derivative instruments have been marked to fair value and all changes in fair value have been recognized in net income.

Valuation of Financial Instruments

Derivative financial instruments and investment securities are recorded in IDA's financial statements at fair value.

IDA has an established and documented process for determining fair values. Fair value is based upon quoted market prices, 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. 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.

Determination of Fair Value

Summarized below are the techniques applied in determining the fair values of financial instruments.

Investment securities

Where available, quoted market prices are used to determine the fair value of trading securities. Examples include some government 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. Unless quoted prices are available, money market instruments are reported at face value which represents fair value.

Securities Purchased under Resale Agreements and Securities Sold under Agreements to Repurchase

Securities purchased under resale agreements and securities sold under agreements to repurchase are reported at face value which represents fair value.

Derivative contracts

Derivative contracts include currency forward contracts and plain vanilla interest rate swaps valued using the standard discounted cash flow methods using market observable inputs such as yield curves, foreign exchange rates and basis spreads.

Fair Value Hierarchy

IDA applies a three-level fair value hierarchy under which 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). When the inputs used to measure fair value fall within different levels of the hierarchy, the level within which the fair value measurement is categorized is based on the lowest level input that is significant to the fair value measurement of the instrument in its entirety. Thus, a Level 3 fair value measurement may include inputs that are observable (Level 2) and unobservable (Level 3). Additionally, FAS 157 requires that the valuation techniques used to measure fair value maximize the use of observable inputs and minimize the use of unobservable inputs.

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

Level 1: Financial assets 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.

Transfers and Grants

Transfers from IBRD's net income and grants made from the retained earnings of IFC to IDA are recorded through IDA's 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 which are recognized through the Income Statement upon receipt. IDA does not assign any voting rights for these transfers and grants.

Temporary restrictions relating to these transfers 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.

Accounting and Reporting Developments

Effective July 1, 2008, IDA adopted Financial Accounting Standards Board's (FASB's) Statement of Financial Accounting Standards No. 157, *Fair Value Measurements* (FAS 157), which defines fair value, establishes a consistent framework for measuring fair value and expands disclosure requirements about fair value measurements. FAS 157 also requires that the valuation techniques used to measure fair value maximize the use of observable inputs and minimize the use of unobservable inputs. IDA's adoption of FAS 157 did not have any impact on its financial statements, apart from additional disclosures in the notes to the financial statements (see Note M—Fair Value of Financial Instruments).

In conjunction with the adoption of FAS 157, IDA

adopted FASB's Statement of Financial Accounting Standards No. 159, *The Fair Value Option for Financial Assets and Financial Liabilities* (FAS 159) effective July 1, 2008. At the date of adoption, IDA did not elect to fair value any existing financial instruments under FAS 159. Subsequent to the adoption date, it is IDA's policy to assess the appropriateness of this election on an instrument-by-instrument basis.

In December 2008, the FASB issued FASB Staff Position (FSP) FAS 140-4 and FIN 46(R)-8, *Disclosures by Public Entities (Enterprises) about Transfers of Financial Assets and Interests in Variable Interest Entities*. The FSP increases disclosure requirements for public companies and is effective for interim and annual reporting periods ending after December 15, 2008. The application of this FSP did not have a material impact on IDA's June 30, 2009 financial statements.

Effective March 31, 2009, IDA adopted FASB's Statement of Financial Accounting Standards No.161, *Disclosures about Derivative Instruments and Hedging Activities - an amendment of FASB Statement No. 133 (FAS 161)*. FAS 161 requires enhanced disclosures about derivative instruments and hedging activities (see Note F—Derivative Instruments).

In April 2009, the FASB issued FSP FAS 157-4, *Determining Fair Value When the Volume and Level of Activity for the Asset or Liability Have Significantly Decreased and Identifying Transactions That Are Not Orderly*. This FSP provides guidance for estimating fair value when the volume and level of activity for the asset or liability have significantly decreased, and on the process for identifying circumstances in which a transaction is not orderly. The FSP is applicable prospectively to the financial statements for interim and annual reporting periods ending after June 15, 2009. The application of this FSP resulted in additional disclosures in the notes to the financial statements (see Note M—Fair Value of Financial Instruments).

In May 2009, the FASB issued Statement of Financial Accounting Standards No. 165, *Subsequent Events* (FAS 165). This standard establishes principles and requirements for evaluating and reporting subsequent events. In particular, it sets forth; the period after the balance sheet date during which management shall evaluate events or transactions that may occur for potential recognition or disclosure in the financial statements; the circumstances under which an entity shall recognize events or transactions occurring after the balance sheet date in its financial statements; and the

disclosures related to events or transactions occurring after the balance sheet date. The application of this standard resulted in additional disclosures in IDA's June 30, 2009 financial statements.

In June 2009, the FASB issued Statement of Financial Accounting Standards No. 166, *Accounting for Transfers of Financial Assets*—an amendment of FASB Statement No.140 (FAS 166). This standard addresses the information that a reporting entity provides in its financial reports about transfers of financial assets including: the effects of a transfer on its financial position, financial performance, and cash flows; and a transferor's continuing involvement in transferred assets. This standard is effective for IDA's interim and annual reporting periods beginning July 1, 2010. IDA is currently assessing the impact of this standard on its financial statements.

In June 2009, the FASB issued Statement of Financial Accounting Standards No. 167, *Amendments to FASB Interpretation No.46(R)* (FAS 167). This standard amends certain requirements of FASB Interpretation No. 46 (revised December 2003), *Consolidation of Variable Interest Entities* relating to enterprises involved with variable interest entities. This standard is effective for IDA's interim and annual reporting periods beginning July 1, 2010. IDA is currently assessing the impact of this standard on its financial statements.

NOTE B— MEMBERS' SUBSCRIPTIONS AND CONTRIBUTIONS

Subscriptions and Contributions Paid-In: The movement in Subscriptions and Contributions Paid-In during the fiscal years ended June 30, 2009 and June 30, 2008 is summarized below:

In millions of U.S. dollars

	June 30, 2009	June 30, 2008
Beginning of the fiscal year	\$142,416	\$136,091
Cash contributions received	1,994	1,043
Promissory notes received	6,295	4,663
Translation adjustment	(620)	619
End of the fiscal year	<u>\$150,085</u>	<u>\$142,416</u>

Subscriptions and Contributions Receivable: At June 30, 2009, receivables from subscriptions and contributions were \$47,712 million (\$33,141 million—June 30, 2008) of which \$785 million (\$585 million—June 30, 2008) was due and \$46,927 million (\$32,556 million—June 30, 2008) was not yet due.

Subscriptions and contributions due at June 30, 2009 were as follows:

<i>In millions of U.S. dollars</i>	
Amounts initially due	
July 1, 2008 through June 30, 2009	\$442
June 30, 2008 and earlier	343
Total	<u>\$785</u>

Subscriptions and contributions not yet due at June 30, 2009 will become due as follows:

<i>In millions of U.S. dollars</i>	
Period	
July 1, 2009 through June 30, 2010	\$ 9,199
July 1, 2010 through June 30, 2011	8,498
Thereafter	29,230
Total	<u>\$46,927</u>

On October 11, 2008, Estonia became the 168th member country of IDA with a subscription of \$868,572.

On June 29, 2009, The Republic of Kosovo became the 169th member of IDA with a subscription of \$874,956.

The Fifteenth Replenishment of IDA's Resources (IDA15): IDA15 became effective on November 6, 2008, following the receipt of commitments for subscriptions and contributions above the minimum threshold of SDR 9,696 million.

Cumulative Discounts on Subscriptions and Contributions: At June 30, 2009, the cumulative discounts on Subscriptions and Contributions totaled \$1,626 million (\$1,481 million—June 30, 2008) and comprised the following:

<i>In millions of U.S. dollars</i>		
	<i>June 30, 2009</i>	<i>June 30, 2008</i>
Discounts on Advance Subscriptions and Contributions	\$1,114	\$ 969
Allocation to Switzerland	512	512
Cumulative discounts	<u>\$1,626</u>	<u>\$1,481</u>

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 IDA 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 IDA's repayment terms existing then.

Donor Financing of MDRI: As of June 30, 2009, 33 donors to the MDRI had issued IoCs totaling \$32,390 million at the applicable MDRI and IDA15 foreign exchange reference rates covering 85% of total costs based on the updated costs estimates for the MDRI resolution. This includes firm (unqualified) donor commitments covering 18% of the total costs. Contributions provided under qualified commitments become available for IDA's commitment authority once the commitment becomes unqualified.

The following table summarizes by donor country the IoCs received under the MDRI resolution as of June 30, 2009.

<i>In millions of U.S. dollars</i>			
<i>Country</i>	<i>Unqualified</i>	<i>Qualified</i>	<i>Total</i>
Australia	\$ 170		\$ 170
Austria	82		82
Belgium	13		13
Canada	873	\$ 594	1,467
Czech Republic	5	13	18
Denmark	184	470	654
Finland	68		68
France	518	1,950	2,468
Germany	1,036	2,673	3,709
Greece	14	35	49
Hungary	5		5
Iceland	3		3
Ireland	80		80
Italy	52	1,532	1,584
Japan	331	4,616	4,947
Korea, Republic of	97	246	343
Kuwait	58		58
Luxembourg	40		40
Netherlands	242	907	1,149
New Zealand	14	35	49
Norway	200	431	631
Poland	2	9	11
Portugal	83		83
Russian Federation	33		33
Saudi Arabia	16		16
Slovak Republic	1		1
Slovenia	1	10	11
South Africa	29		29
Spain	210	537	747
Sweden	306	780	1,086
Switzerland	153		153
United Kingdom	1,463	3,731	5,194
United States	336	7,103	7,439
Total	<u>\$6,718</u>	<u>\$25,672</u>	<u>\$32,390</u>

NOTE C—INVESTMENTS

As of June 30, 2009 there were \$21 million (\$96 million—June 30, 2008) of short sales included in

Payable for Investment Securities Purchased on the Balance Sheet.

For the fiscal year ended June 30, 2009, IDA had included \$450 million of unrealized gains in income.

A summary of IDA's trading portfolio and the currency composition at June 30, 2009 and June 30, 2008, is as follows:

In millions of U.S. dollars

	Carrying Value	
	June 30, 2009	June 30, 2008
Investments—Trading		
Government and agency obligations	\$18,725	\$14,771
Time deposits	5,191	11,114
Asset-backed securities	2,567	3,128
Total	<u>\$26,483</u>	<u>\$29,013</u>

Investments - Trading

In millions of U.S. dollars

	June 30, 2009		June 30, 2008	
	Carrying value	Average Repricing (years) ^a	Carrying value	Average Repricing (years) ^a
Euro	\$ 9,327	3.67	\$14,246	1.84
Japanese yen	2,794	2.79	1,625	4.37
Pounds sterling	2,557	2.86	3,543	1.40
U.S. dollars	10,976	3.16	8,800	4.42
Other	829	0.44	799	0.05
Total	<u>\$26,483</u>	<u>3.18</u>	<u>\$29,013</u>	<u>2.66</u>

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 IDA's net portfolio position and currency composition as of June 30, 2009 and June 30, 2008:

In millions of U.S. dollars

	Carrying Value	
	June 30, 2009	June 30, 2008
Investments—Trading	\$26,483	\$29,013
Securities purchased under resale agreements	5	148
Securities sold under repurchase agreements and payable for cash collateral received	(4,684)	(9,722)
Derivatives Assets		
Currency forward contracts	1,014	2,968
Interest rate swaps	2	1
Total	<u>1,016</u>	<u>2,969</u>
Derivatives Liabilities		
Currency forward contracts	(1,015)	(3,033)
Interest rate swaps	(2)	(1)
Total	<u>(1,017)</u>	<u>(3,034)</u>
Cash held in investment portfolio^a	27	*
Reivable from investment securities traded	214	368
Payable for investment securities purchased	(757)	(689)
Net Investment Portfolio	<u>\$21,287</u>	<u>\$19,053</u>

* Indicates amounts less than \$0.5 million.

a. This amount is included in Unrestricted Currencies under Due from Banks on the Balance Sheet.

In millions of U.S. dollars

	June 30, 2009		June 30, 2008	
	Carrying value	Average Repricing (years) ^a	Carrying value	Average Repricing (years) ^a
Euro	\$ 7,321	4.62	\$ 7,658	3.35
Japanese yen	2,435	3.19	1,961	3.65
Pounds sterling	1,986	3.58	2,140	2.26
U.S. dollars	9,542	3.63	7,293	5.03
Other	3	*	1	*
Total	<u>\$21,287</u>	<u>3.92</u>	<u>\$19,053</u>	<u>3.90</u>

* 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.

Collateral Arrangements

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. These securities must be available to meet IDA's obligation to counterparties. 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, 2009	June 30, 2008	Financial Statement Presentation
Securities transferred under repurchase or securities lending agreements	\$4,656	\$9,540	Included under Investments-Trading on the Balance Sheet
Liabilities relating to securities transferred under repurchase or securities lending agreements	\$4,684	\$9,658	Included under Securities Sold Under Repurchase Agreements and Payable for Cash Collateral Received on the Balance Sheet.

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 IDA 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 IDA's Balance Sheet as the accounting criteria for treatment as a sale have not been met. As of June 30, 2009, IDA had received securities with a fair value of \$5 million (\$148 million— June 30, 2008). None of these securities (\$65 million— June 30, 2008) had been transferred under repurchase or security lending agreements.

NOTE D—DEVELOPMENT CREDITS AND GUARANTEES

Service charges

All outstanding regular development credits carry a service charge of 0.75 percent per annum. This rate has been in effect since FY1966.

In addition to the standard service charge of 0.75 percent per annum, there are interest charges on

credits made under IDA's hard-term lending window which are available to eligible recipients. For the fiscal year ended June 30, 2009, the rate for hard-term development credits was 3.2 percent (fiscal year ended June 30, 2008—4.2 percent). The rate is fixed for the life of the development credit.

Deferred origination costs represent the incremental direct costs of credit origination incurred in transactions with borrowers and are reported in the Balance Sheet as "Deferred development credits origination costs" and are amortized over the life of the credits. The movement in this balance represents the impact of deferrals of new costs and the amortization of previously deferred costs between reporting periods.

Commitment charges

Commitment charges on the undisbursed balance of development credits are recognized into income as accrued. The rate is set annually by the Executive Directors of IDA. For the fiscal year ended June 30, 2009, the rate was set at zero percent (fiscal year ended June 30, 2008—0.10%).

Development credits outstanding by product type on approval at June 30, 2009 and June 30, 2008 comprised of:

In millions of U.S. dollars

	<u>June 30, 2009</u>	<u>June 30, 2008</u>
Regular credits with 40-years or more maturity	\$ 69,841	\$ 70,691
Regular credits with 35 years maturity	41,140	41,449
Hardened term credits	1,706	1,206
Hard-term credits	207	196
Total	<u>\$112,894</u>	<u>\$113,542</u>

The maturity structure of IDA's development credits outstanding at June 30, 2009 and June 30, 2008 were as follows:

In millions of U.S. dollars

<u>June 30, 2009</u>		<u>June 30, 2008</u>	
July 1, 2009 through June 30, 2010 ^a	\$ 4,136	July 1, 2008 through June 30, 2009	\$ 3,201
July 1, 2010 through June 30, 2014	12,082	July 1, 2009 through June 30, 2013	11,838
July 1, 2014 through June 30, 2019	21,113	July 1, 2013 through June 30, 2018	20,838
Thereafter	75,563	Thereafter	77,665
Total	<u>\$112,894</u>	Total	<u>\$113,542</u>

a. Includes \$830 million to be written off on July 1, 2009 under the MDRI.

Currency Composition

The currency composition of IDA's development credits outstanding at June 30, 2009 and June 30, 2008 was as follows:

In millions of U.S. dollars

	<u>June 30, 2009</u>	<u>June 30, 2008</u>
USD	\$ 8,472	\$ 9,007
SDR	104,422	104,535
Development credits outstanding	<u>\$112,894</u>	<u>\$113,542</u>

Overdue Amounts

At June 30, 2009, in addition to those development credits referred to in the following paragraph, principal payments of \$0.9 million and charges of \$0.6 million payable to IDA on development credits were overdue by more than three months.

The following tables provide a summary of selected financial information related to development credits in nonaccrual status for the fiscal year ended June 30, 2009 and June 30, 2008:

In millions of U.S. dollars

	<u>June 30, 2009</u>	<u>June 30, 2008</u>
Recorded investment in nonaccrual credits ^a	\$3,047	\$3,153
Accumulated provision for debt relief under HIPC/MDRI on nonaccrual credits	1,660	1,697
Accumulated provision for credit losses on nonaccrual credits	185	194
Average recorded investment in nonaccrual credits for the period	3,029	5,223
Overdue amounts of nonaccrual credits:	1,149	1,066
Principal	839	768
Charges	310	298

a. A credit loss provision has been recorded against each of the credits in the nonaccrual portfolio.

In millions of U.S. dollars

	2009	2008
Service charge income recognized on credits in nonaccrual status at the end of the fiscal year	\$ -	\$ -
Service charge income not recognized as a result of credits being in nonaccrual status	21	23

A summary of countries with development credits or guarantees in nonaccrual status at June 30, 2009, is as follows:

In millions of U.S. dollars

<i>Borrower</i>	<i>Principal Outstanding</i>	<i>Principal and Charges Overdue</i>	<i>Nonaccrual Since</i>
Myanmar	\$ 788	\$ 300	September 1998
Somalia	445	198	July 1991
Sudan	1,297	530	January 1994
Zimbabwe	517	121	October 2000
Total	<u>\$3,047</u>	<u>\$1,149</u>	

During the fiscal year ended June 30, 2009, there were no borrowers that went into or were restored from nonaccrual status.

The developments in the nonaccrual portfolio during the fiscal year ended June 30, 2008 are discussed below:

In December 2007, Liberia cleared all of its overdue principal and charges due to IDA and IBRD and the development credits to, or guaranteed by, Liberia were restored to accrual status. As a result of this event, income from development credits increased by \$17 million, all of which represented income that would have been accrued in previous fiscal years had these credits not been in nonaccrual status.

In April 2008, Côte d'Ivoire cleared all of its overdue principal and charges due to IDA and the credits to, or guaranteed by, Côte d'Ivoire were restored to accrual status. This resulted in the increase in income from development credits by \$63 million, including \$52 million which represented

income that would have been accrued in previous fiscal years had these credits not been in nonaccrual status.

In May 2008, Togo cleared all of its overdue principal and charges due to IDA and the credits to, or guaranteed by, Togo were restored to accrual status. The impact of this event was an increase in income from development credits by \$38 million, including \$34 million which represented income that would have been accrued in previous fiscal years had these credits not been in nonaccrual status.

In each of the above cases, the clearance of overdue payments was accomplished using intra-day bridge financing provided by other member countries. IDA then disbursed development grants on the respective arrears clearance dates, with part of the grants proceeds being applied towards repayment of the bridge financing. The development grants were funded by IDA resources other than transfers from IBRD.

The following table presents IDA's development credits outstanding at June 30, 2009, and June 30, 2008, and associated charge income during the fiscal years ended June 30, 2009 and June 30, 2008, by geographic region.

In millions of U.S. dollars

	June 30, 2009		June 30, 2008	
	Development Credits		Development Credits	
	Outstanding	Charge Income	Outstanding	Charge Income
Africa	\$ 29,720	\$194	\$ 29,278	\$298
East Asia and Pacific	19,937	141	20,028	143
Europe and Central Asia	7,273	53	7,264	53
Latin America and the Caribbean	1,868	12	1,827	13
Middle East and North Africa	3,826	28	3,927	30
South Asia	50,270	373	51,218	384
Total	<u>\$112,894</u>	<u>\$801</u>	<u>\$113,542</u>	<u>\$921</u>

For the fiscal year ended June 30, 2009, development credits to one country generated in excess of ten percent of charge income. Charge income from this country was \$189 million.

Accumulated Provision for the HIPC Debt Initiative, MDRI, and Losses on Credits and Guarantees

Changes to the accumulated provision for the HIPC Debt Initiative, MDRI, and Losses on Credits and Guarantees for the fiscal years ended June 30, 2009 and June 30, 2008, are summarized below:

In millions of U.S. dollars

	June 30, 2009			June 30, 2008
	Debt Relief HIPC/MDRI	Credits and Guarantees Losses	Total	Total
Accumulated provision, beginning of the fiscal year	\$11,843	\$1,257	\$13,100	\$13,364
(Release of) increase in the provision, net	(1,264)	28	(1,236)	(773)
Debt relief given	(76)	-	(76)	(92)
Development credits written off	(650)	-	(650)	(214)
Translation adjustment	(516)	(42)	(558)	815
Accumulated provision, end of the fiscal year	<u>\$ 9,337</u>	<u>\$1,243</u>	<u>\$10,580</u>	<u>\$13,100</u>
Composed of:				
Accumulated provision for debt relief and losses on development credits			10,577	\$13,096
Accumulated provision for guarantee losses			3	4
			<u>\$10,580</u>	<u>\$13,100</u>

Reported as Follows

Allowance for Losses on:	Balance Sheet	Statement of Income
	HIPC, MDRI and Credits	Accumulated provision for debt relief and losses on development credits
Guarantees	Other Liabilities-Accounts payable and miscellaneous liabilities	Provision for debt relief and for losses on credits and guarantees

Except for debt relief provided under the HIPC Debt Initiative and MDRI, IDA has always eventually collected all contractual principal, charges and interest on its credits. Notwithstanding this history, there remains a risk of loss of principal, charges and interest due to the risk of non-payment and default by borrowers. IDA also suffers losses resulting from the difference between the discounted present value of payments for interest and charges according to the related credit's contractual terms and the actual cash flows. Certain borrowers have found it difficult to

make timely payments for protracted periods, resulting in their credits being placed in nonaccrual status. Several borrowers have emerged from nonaccrual status after a period of time by bringing up-to-date all principal payments and all overdue service payments, including interest and other charges. To recognize the probable losses inherent in its credit and guarantee portfolio, IDA maintains an accumulated provision for losses on credits and guarantees.

The following table provides the amounts written off by country on an accumulated basis since implementation of the MDRI, commencing on July 1, 2006.

In millions of U.S. dollars

<i>Country</i>	<i>Cumulative amounts written off</i>
Benin	\$ 689
Bolivia	1,506
Burkina Faso	822
Burundi	650
Cameroon	908
Ethiopia	3,053
The Gambia	214
Ghana	3,769
Guyana	221
Honduras	1,103
Madagascar	1,891
Malawi	1,865
Mali	1,260
Mauritania	607
Mozambique	1,189
Nicaragua	970
Niger	967
Rwanda	866
São Tomé and Príncipe	69
Senegal	1,733
Sierra Leone	526
Tanzania	3,300
Uganda	2,923
Zambia	2,318
Total	\$33,419

The following countries reached completion point under the HIPC Debt Initiative during the fiscal year, allowing cancellation of eligible development credits outstanding under the MDRI:

<i>Country</i>	<i>Completion Point Date</i>	<i>Impact on Development Credits</i>
Burundi	January 29, 2009	\$650 million written off on April 1, 2009
Central African Republic	June 30, 2009	\$377 million written off on July 1, 2009
Haiti	June 30, 2009	\$453 million written off on July 1, 2009

The amounts written off on July 1, 2009 were included in the accumulated provision for debt relief under HIPC and MDRI of \$9,337 million as of June 30, 2009.

Sale of Credits under buy-down mechanism

In March 2009, two development credits with an outstanding nominal value of \$70 million were sold for a present value equivalent of \$27 million under the buy-down mechanism to the Global Program to Eradicate Poliomyelitis Trust Funds, resulting in a \$43 million write-off.

Guarantees

Guarantees of \$209 million were outstanding at June 30, 2009 (\$194 million—June 30, 2008). 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 7 and 22 years, and expire in decreasing amounts through 2026.

At June 30, 2009, liabilities related to IDA's obligations under guarantees of \$19 million (June 30, 2008—\$21 million), have been included in Accounts Payable and Miscellaneous Liabilities on the Balance Sheet. These include the accumulated provision for guarantee losses of \$3 million (June 30, 2008—\$4 million).

During the fiscal years ended June 30, 2009 and June 30, 2008, no guarantees provided by IDA were called.

NOTE E—AFFILIATED ORGANIZATIONS

Derivative Transactions

These transactions relate to the intermediation by IBRD of foreign exchange derivative transactions on behalf of IDA under an arrangement approved by the Executive Directors of both IDA and IBRD. The balances from these transactions are reported at fair value, and are included under Derivative Assets/ Derivative Liabilities – Asset/liability management on the Balance Sheet (See Note F—Derivative Instruments for more details).

Transfers and Grants

On October 13, 2008 the Board of Governors of IBRD approved a transfer of \$583.3 million from its fiscal year 2008 net income to IDA. This transfer was received by IDA on October 15, 2008.

On December 12, 2008, IFC and IDA signed an agreement for IFC to provide a grant to IDA of \$450 million to be used as part of IDA 15 resources in furtherance of IFC's purposes. The grant was received by IDA on December 15, 2008.

Cumulative transfers and grants made to IDA as of June 30, 2009 were \$11,679 million (\$10,642 million—June 30, 2008). Details by transferee are provided below:

Receivables and Payables

At June 30, 2009, and June 30, 2008, the total amounts receivable from or payable to affiliated organizations comprised of the following:

<i>In millions of U.S. dollars</i>		
	<u>June 30, 2009</u>	<u>June 30, 2008</u>
Receivable from:		
Unrestricted		
IBRD	<u>\$1,109</u>	<u>\$1,091</u>
Temporarily Restricted		
IFC	-	\$ 500
Trust funds – Note I	-	2
Total Temporarily Restricted	<u>\$ -</u>	<u>\$ 502</u>
Payable to:		
IBRD	<u>\$316</u>	<u>\$ 340</u>

At June 30, 2009, the unrestricted receivable from IBRD of \$1,109 million (\$1,091 million—June 30, 2008) represents IDA's share of prepaid costs related to pension and other postretirement benefits. These will be realized over the life of the plan participants.

In millions of U.S. dollars

<i>Transfers from</i>	<i>Transfers and Grants during the fiscal year</i>			<i>June 30, 2009</i>
	<i>June 30, 2008</i>	<i>Unrestricted</i>	<i>Temporarily restricted</i>	
IBRD	\$ 9,845	\$ 583	\$-	\$10,428
IFC	650	450	-	1,100
Trust funds – Note H	147	4	-	151
Total Transfers	<u>\$10,642</u>	<u>\$1,037</u>	<u>\$-</u>	<u>\$11,679</u>

Administrative Expenses

Administrative expenses represent IDA's share of expenses jointly incurred by IBRD and IDA.

The allocation of expenses is based upon an agreed cost sharing formula that reflects the administrative costs of service delivery to countries that are eligible for lending from IBRD and IDA. Amounts due for administrative expenses are settled on a periodic basis by IDA, net of any fees earned for administering trust funds which totaled \$23 million during the fiscal year ended June 30, 2009 (fiscal year ended June 30, 2008—\$20 million).

At June 30, 2009, a payable for administrative services to IBRD of \$ 316 million (\$340 million—June 30, 2008) was reported as Payable to Affiliated Organizations on the Balance Sheet.

NOTE F—DERIVATIVE INSTRUMENTS

IDA uses derivative instruments in its investments portfolio and for asset/liability management purposes. In applying FASB's Statement of Financial Accounting Standards No. 133, *Accounting for Derivative Instruments and Hedging Activities* (FAS 133) for the purposes of financial

statement reporting, IDA has elected not to designate any hedging relationships. Rather, all derivative instruments, as defined by FAS 133, have been marked to fair value and all changes in fair value have been recognized in net income.

The following table summarizes IDA's use of derivatives in its various financial portfolios:

Portfolio	Derivative instruments used	Purpose/Risk being managed
Investments—Trading	Currency swaps, interest rate swaps and currency forward contracts	Enhance returns in target currencies.
Other assets/liabilities	Currency forward contracts	Manage foreign exchange risks of future cash flows.

Derivatives for Asset/Liability Management Purposes

These comprise currency forward contracts entered into by IDA with IBRD acting as the intermediary

with the market to convert donors' expected contributions in national currencies under IDA 15 and prior replenishments into U.S. dollars, Euro, Japanese Yen and British Pounds, the four currencies of the SDR basket.

The following tables provide a summary of the derivative assets and derivative liabilities relating to IDA's other derivatives at June 30, 2009 and June 30, 2008:

In millions of U.S. dollars

	2009	
	Amount	Average Maturity (years)
Receivable:		
Euro	\$4,860	2.9
U.S. dollars	1,042	2.0
Total Receivable	\$5,902	2.4
Payable:		
Pounds Sterling	\$1,766	3.7
Japanese Yen	286	0.7
Other currencies	3,474	2.8
Total Payable	\$5,527	2.4

In millions of U.S. dollars

	2008	
	Amount	Average Maturity (years)
Receivable:		
Euro	\$5,553	3.3
U.S. dollars	1,174	2.5
Total Receivable	\$6,727	3.2
Payable:		
Pounds Sterling	\$1,728	4.7
Japanese Yen	250	1.7
Other currencies	4,769	2.7
Total Payable	\$6,747	3.2

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 contract value/notional amounts of those derivative instruments, as of June 30, 2009 and June 30, 2008:

Fair value amounts of the derivative instruments on the Condensed Balance Sheet

In millions of U.S. dollars

	Derivative assets			Derivative liabilities		
	Balance Sheet Location	June 30, 2009	June 30, 2008	Balance Sheet Location	June 30, 2009	June 30, 2008
Derivatives not designated as hedging instruments under FAS 133						
Options and Futures	Other assets	\$ 8	\$ 21	Other liabilities	\$ -	\$ -
Interest rate swaps	Derivative assets at fair value	2	1	Derivative liabilities at fair value	2	1
Currency forward contracts	Derivative assets at fair value	6,916	9,695	Derivative liabilities at fair value	6,542	9,780
Total Derivatives		\$6,926	\$9,717		\$6,544	\$9,781

Contract value/notional amounts of the derivative instruments

In millions of U.S. dollars

	<i>June 30, 2009</i>	<i>June 30, 2008</i>
Type of contract		
Investments—Trading		
Interest rate swaps		
Notional principal	\$ 40	\$ 80
Exchange traded Options and Futures		
Notional long position	1,693	17,602
Notional short position	351	108

The following table provides information on the gains and losses on the derivative instruments during the fiscal year ended June 30, 2009 and their location on the Statement of Income:

Derivatives not designated as hedging instruments under FAS 133, and not held in a trading portfolio

In millions of U.S. dollars

	<i>Income Statement Location</i>	<i>Gains (Losses)</i>	
		<i>2009</i>	<i>2008</i>
Derivatives not designated as hedging instruments under FAS 133, and not held in a trading portfolio ^a			
	Net unrealized gains (losses) on non-trading derivatives		
Currency forward contracts		\$13	\$(54)

a. For alternative disclosures about trading derivatives, see the following table.

All of the instruments in IDA's investment portfolio are held for trading purposes. IDA's investment portfolio is primarily held for liquidity management purposes. Within the liquidity portfolio, IDA holds highly rated fixed income securities as well as derivatives. The primary objective of holding this portfolio is to protect the principal amount of these investments and thereby ensure the availability of sufficient cashflows to meet all of IDA's financial

commitments. In addition, IDA uses derivatives as part of its liquidity management to enhance investment returns.

The following table provides information on gains and losses on both derivative and non-derivative instruments during fiscal year ended June 30, 2009 and June 30, 2008 and their location on the Statement of Income:

Investments—Trading related instruments

In millions of U.S. dollars

<i>Income Statement Location</i>		<i>Investments—Trading^a</i>	
		<i>Gains</i>	<i>2008</i>
		<i>2009</i>	<i>2008</i>
Type of instrument			
Fixed income	Investments—Trading	\$825	\$228

a. Amounts associated with the instrument type include realized and unrealized gains (losses) on both derivative and non-derivative instruments.

NOTE G—CREDIT RISK

Country Credit Risk: This risk includes potential losses arising from protracted arrears on payments from borrowers for credits and guarantees. IDA establishes commitment authority limits for individual borrowing member countries. These exposure limits are tied to performance on macroeconomic and structural policies. Collectability risk is covered by the accumulated provision for losses on credits and guarantees.

Commercial Credit Risk: For the purpose of risk management in the investment portfolio, IDA is party to a variety of financial instruments, certain of which involve elements of credit risk. Credit risk exposure represents the maximum potential accounting loss due to possible nonperformance by obligors and counterparties under the terms of the contracts. IDA limits trading to a list of authorized dealers and counterparties. Credit limits have been established for counterparties by type of instrument and maturity category.

In addition, 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 shown below. 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.

The credit risk exposure, as applicable, of these financial instruments at June 30, 2009 and June 30, 2008 are given below:

In millions of U.S. dollars

CREDIT RISK EXPOSURE	<u>June 30, 2009</u>	<u>June 30, 2008</u>
Interest rate swaps		
Investments – Trading portfolio	\$ 2	\$ 1
Currency forward contracts		
Investments – Trading portfolio	1	1
Derivatives – Asset/liability management	431	40

Exchange traded instruments are deemed to have no material credit risk. All outstanding futures and options contracts at the end of June 30, 2009, and June 30, 2008, were interest rate contracts.

NOTE H— 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 with IDA and/or IBRD, and are held in a separate investment portfolio which is not commingled with IDA and/or IBRD funds, neither are they included in the assets of IDA.

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.

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 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 funds management roles. Funds are held and disbursed in accordance with instructions from donors or, in some cases, external governance structure or body operating on behalf of donors. The cash and investment assets held in trust by IDA as administrator and trustee at June 30, 2009 and June 30, 2008 are summarized below:

In millions of U.S. dollars

	<u>Total fiduciary assets</u>	
	<u>June 30, 2009</u>	<u>June 30, 2008</u>
IDA-executed	\$ 499	\$ 403
Recipient-executed	2,074	2,018
Financial intermediary funds	1,214	1,192
Execution not yet assigned*	3,167	3,117
Total	\$6,954	\$6,730

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

During the fiscal year ended June 30, 2009, IDA, as executing agency, disbursed \$ 208 million (\$181 million—fiscal year ended June 30, 2008) of trust fund program funds.

Fees

During the fiscal year ended June 30, 2009, IDA recognized fees for administration of trust funds operations totaling \$23 million (\$20 million—fiscal year ended June 30, 2008). Fees collected by trust funds from donor contributions but not yet earned by IDA totaling \$59 million at June 30, 2009 (\$65 million—June 30, 2008) 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. Receipts of these transfers are reported as income in the period in which they are received.

Details of the cumulative transfers by transferee are provided below.

In millions of U.S. dollars

Transfers from	June 30, 2008	Transfers during the fiscal year		June 30, 2009
		Unrestricted	Temporarily restricted	
Trust Fund for Bosnia and Herzegovina	\$135	\$-	\$-	\$135
Trust Fund for Kosovo	4	-	-	4
Trust Fund for West Bank and Gaza	8	3	-	11
Private Organizations	*	1	-	1
Total Transfers	\$147	\$4	\$-	\$151

* Indicates amounts less than \$0.5 million.

NOTE I—DEVELOPMENT GRANTS

A summary of changes to the amounts payable for development grants is presented below:

In millions of U.S. dollars

	June 30, 2009	June 30, 2008
Balance, beginning of the fiscal year	\$ 5,522	\$ 4,642
Commitments	2,575	3,160
Disbursements	(2,209)	(2,626)
Translation adjustment	(236)	346
Balance, end of the fiscal year	\$ 5,652	\$ 5,522

The commitments reported in the above table may differ from the amount of commitments reported in the Statement of Income due to the exchange rate movements in the value of commitments approved in SDR.

Commitment charges on the undisbursed balances of IDA development grants are set annually by the Executive Directors of IDA. For the fiscal year ended June 30, 2009, IDA's commitment charge on the undisbursed balances of grants was set at zero (fiscal year ended June 30, 2008—zero).

NOTE J—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 is comprised of net loss and currency translation adjustments on functional currencies. These items are presented in the Statement of Comprehensive Income. The following tables present the changes in Accumulated Other Comprehensive Income balances for the fiscal years ended June 30, 2009 and June 30, 2008:

In millions of U.S. dollars

	June 30, 2009
Balance, beginning of the fiscal year	\$18,965
Currency translation adjustments on functional currencies	(5,182)
Balance, end of the fiscal year	\$13,783

In millions of U.S. dollars

	June 30, 2008
Balance, beginning of the fiscal year	\$11,605
Currency translation adjustments on functional currencies	7,360
Balance, end of the fiscal year	\$18,965

NOTE K—ACCUMULATED DEFICIT

The accumulated deficit comprises the following elements at June 30, 2009 and June 30, 2008.

In millions of U.S. dollars

	Accumulated Deficit		
	Unrestricted	Temporarily restricted	Total
Balance at June 30, 2008	\$(38,039)	\$ 502	\$(37,537)
Release of temporary restriction	502	(502)	-
Net income for the fiscal year	1,850	-	1,850
Balance at June 30, 2009	\$(35,687)	\$ -	\$(35,687)

NOTE L—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 defined

benefit Staff Retirement Plan (SRP), a Retired Staff Benefits Plan (RSBP) and a Post-Employment Benefits Plan (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.

The amounts presented below reflect IBRD's and IDA's respective share of the costs, assets and liabilities of 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 a result, the cost of any potential future liability arising from these plans would be shared by IBRD and IDA using the applicable share ratio. The following disclosures provide the status of the benefit plans as applicable to the World Bank.

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, 2009 and June 30, 2008.

In millions of U.S. dollars

	SRP		RSBP		PEBP	
	2009	2008	2009	2008	2009	2008
Benefit Cost						
Service cost	\$ 264	\$ 258	\$ 44	\$ 38	\$15	\$14
Interest cost	697	611	104	82	28	15
Expected return on plan assets	(948)	(943)	(115)	(112)	—	—
Amortization of prior service cost (credit)	7	7	(2)	(2)	*	*
Amortization of unrecognized net loss	—	—	21	4	20	3
Net periodic pension cost (income)	\$ 20	\$(67)	\$ 52	\$ 10	\$64	\$32
of which:						
IBRD's share	\$ 10	\$(32)	\$ 25	\$ 5	\$31	\$15
IDA's share	\$ 10	\$(35)	\$ 27	\$ 5	\$33	\$17

* Indicates amount less than \$0.5 million

IDA's share of the net periodic pension income/cost for the SRP, RSBP and PEBP are included in Administrative Expenses.

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, 2009, and June 30, 2008. Since the assets for the PEBP are not held in an irrevocable trust separate from the assets of IBRD, they are therefore included in IBRD's investment portfolio. The assets of the PEBP are invested in fixed income instruments.

In millions of U.S. dollars

	SRP		RSBP		PEBP	
	2009	2008	2009	2008	2009	2008
Projected Benefit Obligations	\$9,607	\$10,561	\$1,433	\$1,558	\$395	\$ 436
Fair value of plan assets	9,932	12,414	1,166	1,396	—	—
Funded status ^a	325	1,853	(267)	(162)	(395)	(436)
Accumulated Benefit Obligations	\$8,003	\$ 8,673	\$1,433	\$1,558	\$356	\$ 402

a. IDA's share of the funded status of these benefit plans are included in Unrestricted Receivable from Affiliated Organizations on the Balance Sheet.

Assumptions

The following tables present the weighted-average assumptions used in determining the projected benefit obligations and the net periodic pension costs for the fiscal year ended June 30, 2009.

Weighted average assumptions used to determine projected benefit obligation

In millions of U.S. dollars

	SRP		RSBP		PEBP	
	2009	2008	2009	2008	2009	2008
Discount rate	7.00	6.75	7.00	6.75	7.00	6.75
Rate of compensation increase	6.70	7.00			6.70	7.00
Health care growth rates						
- at end of fiscal year			7.00	7.25		
- ultimate health care growth rate			4.75	5.50		
Year in which ultimate rate is reached			2017	2016		

Weighted average assumptions used to determine net periodic pension cost

In millions of U.S. dollars

	SRP		RSBP		PEBP	
	2009	2008	2009	2008	2009	2008
Discount rate	6.75	6.25	6.75	6.25	6.75	6.25
Expected return on plan assets	7.75	7.75	8.25	8.25		
Rate of compensation increase	7.00	6.50			7.00	6.50
Health care growth rates						
- at end of fiscal year			7.25	6.80		
- ultimate health care growth rate			5.50	4.75		
Year in which ultimate rate is reached			2016	2012		

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	\$ 36	\$ (27)
Effect on postretirement benefit obligation	267	(211)

Expected Contributions

The best estimate of the amount of contributions expected to be paid by IBRD and IDA combined is \$149 million to the SRP and \$54 million to the RSBP during the fiscal year beginning July 1, 2009. IDA's share of these estimated contributions will be based on the applicable share ratio for the fiscal year ended June 30, 2010.

NOTE M—FAIR VALUE OF FINANCIAL INSTRUMENTS

Effective July 1, 2008, IDA adopted FAS 157 which defines fair value, establishes a consistent framework for measuring fair value, establishes a fair value hierarchy based on the quality of inputs used to measure fair value and expands disclosure requirements about fair value measurements.

FAS 157 establishes a three-level fair value hierarchy under which financial instruments are categorized based on the priority of the inputs to the valuation technique.

Financial Instruments Measured at Fair Value on a Recurring Basis

The following table presents IDA's fair value hierarchy for those assets and liabilities measured at fair value on a recurring basis as of June 30, 2009:

In millions of U.S. dollars

	Fair Value Measurements on a Recurring Basis as of June 30, 2009			
	Level 1	Level 2	Level 3	Total
Assets:				
Investments - Trading				
Government and agency obligations	\$2,656	\$16,069	\$ -	\$18,725
Time deposits	1,668	3,523	-	5,191
Asset-backed securities	-	2,496	71	2,567
Securities Purchased Under Resale Agreements	-	5	-	5
Derivative Assets				
Investments	-	1,016	-	1,016
Asset/Liability Management	-	5,902	-	5,902
Total assets at fair value	\$4,324	\$29,011	\$71	\$33,406
Liabilities:				
Securities Sold Under Repurchase Agreements and Payable for Cash Collateral Received	\$409	\$4,275	\$-	\$4,684
Derivative Liabilities				
Investments	-	1,017	-	1,017
Asset/Liability Management	-	5,527	-	5,527
Total liabilities at fair value	\$409	\$10,819	\$	\$11,228

The following table provides a summary of changes in the fair value of IDA's Level 3 financial assets relating to Investments-Trading during the fiscal year ended June 30, 2009:

In millions of U.S. dollars

	Level 3 Financial Assets: Investments - Trading
	Asset-backed securities
Fair value, beginning of the fiscal year	\$ 17
Total realized/unrealized gains (losses) in:	
Net income	(21)
Purchases, issuance and settlements, net	(2)
Transfers in (out), net	77
Fair value, end of the fiscal year	\$ 71

The following table provides information on the unrealized gains or losses included in income for the fiscal year ended June 30, 2009, relating to IDA's Level 3 financial instruments still held at that date, as well as where those amounts are included in the Statement of Income.

In millions of U.S. dollars

	Level 3 Financial Instruments Investments—Trading
	Asset-backed securities
Unrealized (Losses) Gains	
Income:	
Investments—Trading	\$(8)

Financial Instruments Measured at Fair Value on a Non-Recurring Basis

As of June 30, 2009, IDA had no assets or liabilities measured at fair value on a non-recurring basis.

NOTE N—FAIR VALUE DISCLOSURES

The condensed balance sheets below present IDA's estimates of fair value of its assets and liabilities along with their respective carrying amounts as of June 30, 2009.

In millions of U.S. dollars

	<i>June 30, 2009</i>	
	<i>Carrying Value</i>	<i>Fair Value</i>
Due from Banks	\$ 154	\$ 154
Investments—Trading	26,483	26,483
Net Development Credits Outstanding	102,347	56,971
Derivative Assets		
Investments	1,016	1,016
Asset/Liability Management	5,902	5,902
Nonnegotiable, noninterest-bearing demand obligations on account of members' subscriptions and contributions	8,448	8,448
Other Assets	1,660	1,660
Total Assets	<u>\$146,010</u>	<u>\$100,634</u>
Securities sold under Repurchase Agreements and Payable for Cash		
Collateral Received	\$ 4,684	\$ 4,684
Derivative Liabilities		
Investments	1,017	1,017
Asset/Liability Management	5,527	5,527
Payable for Development Grants	5,652	5,652
Other Liabilities	1,180	1,180
Total Liabilities	<u>18,060</u>	<u>18,060</u>
Subscriptions and Contributions paid in	150,085	150,085
Accumulated Deficit and Other Equity	(22,135)	(67,511)
Total Equity	<u>127,950</u>	<u>82,574</u>
Total Liabilities and Equity	<u>\$146,010</u>	<u>\$100,634</u>

Given that the fiscal year ended June 30, 2009 is the first period of presentation of condensed fair value disclosures, IDA's management considered it impracticable to provide the June 30, 2008 comparative amounts.

Valuation Methods and Assumptions

Due from Banks: The carrying amount of unrestricted and restricted currencies is considered a reasonable estimate of the fair value of those positions.

Investments: IDA's investment securities and related financial instruments held in the trading portfolio are carried and reported at fair value. Therefore, for the investment portfolio, no additional adjustment is necessary. The fair values are based on quoted market prices, where available. If quoted market prices are not available, fair values are based on quoted market prices of comparable instruments or market-based valuation methodologies using market information. The fair value of short-term financial instruments approximates their carrying value.

Development Credits: The fair values of development credits are determined using market-based methodologies incorporating Credit Default Swap (CDS) levels.

Derivatives: Asset/liability management: Derivatives used to manage currency exposure are recorded at fair value. These fair values are based on discounted cash flow models using market discount rates and forward foreign exchange rates.

Other assets/receivables and liabilities/payables: These amounts are generally short-term in nature. Therefore, the carrying value is a reasonable estimate of fair value.