

**SPECIAL PURPOSE FINANCIAL STATEMENTS AND INTERNAL CONTROL
REPORTS OF THE INTERNATIONAL DEVELOPMENT ASSOCIATION**

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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 Controls Over External Financial Reporting

July 31, 2003

The management of the International Development Association (IDA) is responsible for the preparation, integrity, and fair presentation of its published special purpose financial statements and all other information presented in this annual report. The special purpose financial statements have been prepared in accordance with accounting principles described in Note A to IDA's special purpose financial statements and, as such, include amounts based on informed judgments and estimates made by management.

Management is responsible for establishing and maintaining effective internal control over external financial reporting for financial presentations in conformity with accounting principles described in Note A to IDA's special purpose financial statements. The system of internal control contains monitoring mechanisms, and actions are taken to correct deficiencies identified. Management believes that internal controls for external financial reporting, which are subject to scrutiny by management and the internal auditors, and are revised as considered necessary, support the integrity and reliability of the external financial statements.

The special purpose financial statements have been audited by an independent accounting firm, which was given unrestricted access to all financial records and related data, including minutes of all meetings of the Board of Executive Directors and committees of the board. Management believes that all representations made to the independent auditors during their audit were valid and appropriate. The independent auditors' report is presented herein in the Annual Report.

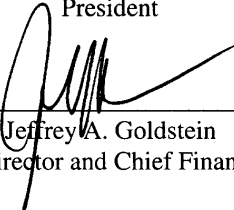
The Board of Executive Directors of IDA has appointed an Audit Committee responsible for monitoring the accounting practices and internal controls of IDA. The Audit Committee is comprised entirely of Executive Directors who are independent of IDA's management. The Audit Committee is responsible for recommending to the Board of 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 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.

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 control can provide only reasonable assurance with respect to financial statement preparation. Further, because of changes in conditions, the effectiveness of internal control may vary over time.

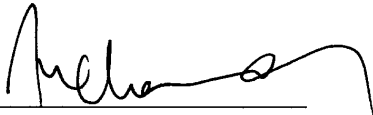
IDA assessed its internal control over external financial reporting for financial presentations in conformity with accounting principles described in Note A to IDA's special purpose financial statements as of June 30, 2003. This assessment was based on the criteria for effective internal control over 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 described in Note A to IDA's special purpose financial statements.



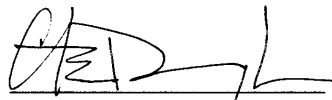
James D. Wolfensohn
President



Jeffrey A. Goldstein
Managing Director and Chief Financial Officer



Fayezul H. Choudhury
Vice President and Controller



Charles A. McDonough
Director, Accounting Department

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

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President and Board of Governors
International Development Association

We have examined management's assertion, included in the accompanying *Management's Report Regarding Effectiveness of Internal Controls Over External Financial Reporting*, that the International Development Association met the criteria for effective internal control over external financial reporting presented in accordance with the accounting principles described in Note A to the International Development Association's special purpose financial statements as of June 30, 2003, based on the criteria established in "Internal Control – Integrated Framework" issued by the Committee of Sponsoring Organizations of the Treadway Commission (the COSO report). Management is responsible for maintaining effective control over external financial reporting. Our responsibility is to express an opinion on management's assertion based on our examination.

Our examination was made in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included obtaining an understanding of internal control over financial reporting, testing, and evaluating the design and operating effectiveness of internal control over financial reporting, and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion.

Because of inherent limitations in any internal control, misstatements due to error or fraud may occur and not be detected. Also, projections of any evaluation of internal control over external financial reporting to future periods are subject to the risk that internal control may become inadequate because of changes in conditions, or that the degree of compliance with the policies may deteriorate.

In our opinion, management's assertion that the International Development Association met the criteria for effective internal control over external financial reporting presented in conformity with the accounting principles described in Note A to the International Development Association's special purpose financial statements as of June 30, 2003, is fairly stated in all material respects, based on the criteria established in "Internal Control – Integrated Framework" issued by the Committee of Sponsoring Organizations of the Treadway Commission.

This report is intended solely for the information and use of the Board of Governors, management and members of the International Development Association and should not be used for any other purpose.

Deloitte Touche Tohmatsu (International Firm)

July 31, 2003

REPORT OF INDEPENDENT ACCOUNTANTS ON SPECIAL PURPOSE FINANCIAL STATEMENTS

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International Development Association

We have audited the accompanying special purpose statements of sources and applications of development resources of the International Development Association as of June 30, 2003 and 2002, including the summary statement of development credits and statement of voting power, and subscriptions and contributions as of June 30, 2003, and the related special purpose statements of income, comprehensive income, changes in retained earnings, and cash flows for each of the three fiscal years in the period ended June 30, 2003. These special purpose financial statements are the responsibility of the International Development Association's management. Our responsibility is to express an opinion on these special purpose financial statements based on our audits.

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

The accompanying special purpose financial statements were prepared to reflect the sources and applications of development resources, operations, and cash flows of the International Development Association to comply with Article VI, Section 11(a) of the Articles of Agreement of the International Development Association, as discussed in Note A to the special purpose financial statements, and are not intended to be a presentation in conformity with accounting principles generally accepted in the United States of America or International Financial Reporting Standards.

In our opinion, such special purpose financial statements referred to above present fairly, in all material respects, the sources and applications of development resources of the International Development Association as of June 30, 2003 and 2002, and the results of its operations and its cash flows for each of the three fiscal years in the period ended June 30, 2003 in conformity with the accounting principles described in Note A to the special purpose financial statements.

Our audits were conducted for the purpose of forming an opinion on the basic special purpose financial statements taken as a whole. The Supplementary Information on the Heavily Indebted Poor Countries Debt Initiative listed in the table of contents is presented for the purpose of additional analysis. This additional information is the responsibility of IDA's management. Such information has been subjected to the auditing procedures applied in our audits of the basic special purpose financial statements.

This report is intended solely for the information and use of the Board of Governors, management, and members of the International Development Association. However, under the International Development Association's Articles of Agreement, this report is a matter of public record and its distribution is not limited.

Deloitte Touche Tohmatsu (International Firm)

July 31, 2003

STATEMENT OF SOURCES AND APPLICATIONS OF DEVELOPMENT RESOURCES

June 30, 2003 and June 30, 2002

Expressed in millions of U.S. dollars

	2003	2002
Applications of Development Resources		
Net resources available for development activities		
Due from banks		
Unrestricted currencies	\$ 590	\$ 434
Currencies subject to restriction	21	21
	611	455
Investments—Notes B and F		
Investments—Trading (including securities transferred under repurchase or security lending agreements of \$5,922 million—June 30, 2003; \$1,919 million—June 30, 2002)	14,242	12,055
Net payable on investment securities transactions	(1,207)	(447)
	13,035	11,608
Nonnegotiable, noninterest-bearing demand obligations on account of member subscriptions and contributions	7,935	8,971
Receivable from the International Bank for Reconstruction and Development—Note D	1,293	1,243
Receivable from the HIPC Debt Initiative Trust Fund—Note I	498	559
Payable for HIPC grants	—	(26)
Payable for development grants—Note J	(1,063)	(148)
Other resources, net	663	731
Total net resources available for development activities	22,972	23,393
Resources used for development credits (see Summary Statement of Development Credits, Notes E and F)		
Total development credits	129,306	118,882
Less undisbursed balance	22,429	22,510
Development credits outstanding	106,877	96,372
Less allowance for HIPC Debt Initiative	10,395	10,270
Total resources used for development credits outstanding	96,482	86,102
Total applications of development resources	\$119,454	\$109,495

	<u>2003</u>	<u>2002</u>
Sources of Development Resources		
<i>Member subscriptions and contributions</i> (see Statement of Voting Power, Subscriptions and Contributions, and Note C)		
Unrestricted	\$118,054	\$108,588
Restricted	<u>292</u>	<u>288</u>
Subscriptions and contributions committed	118,346	108,876
Less subscriptions and contributions receivable and unamortized discounts on contributions—Note C	<u>5,887</u>	<u>122</u>
Subscriptions and contributions paid in	112,459	108,754
<i>Deferred amounts receivable to maintain value of currency holdings</i>	<u>(234)</u>	<u>(235)</u>
	112,225	108,519
<i>Transfers from the International Bank for Reconstruction and Development—Note D</i>	7,392	7,042
<i>Accumulated other comprehensive income (loss)—Note K</i>	4,708	(514)
<i>Accumulated deficit</i> (see Statement of Changes in Retained Earnings)	<u>(4,871)</u>	<u>(5,552)</u>
<i>Total sources of development resources</i>	<u><u>\$119,454</u></u>	<u><u>\$109,495</u></u>

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

STATEMENT OF INCOME

For the fiscal years ended June 30, 2003, June 30, 2002 and June 30, 2001

Expressed in millions of U.S. dollars

	<u>2003</u>	<u>2002</u>	<u>2001</u>
Income			
Income from development credits—Note E	\$ 816	\$ 641	\$ 614
Income from investments, net—Note B	<u>1,159</u>	<u>773</u>	<u>684</u>
Total income	<u>1,975</u>	<u>1,414</u>	<u>1,298</u>
Expenses			
Administrative expenses—Notes G and H	846	568	431
Amortization of discount on contributions	5	—	1
Development grants—Note J	<u>1,016</u>	<u>154</u>	<u>—</u>
Total expenses	<u>1,867</u>	<u>722</u>	<u>432</u>
Operating Income	108	692	866
Effect of exchange rate changes on income before HIPC Debt Initiative	<u>759</u>	<u>819</u>	<u>(847)</u>
Income before HIPC Debt Initiative	867	1,511	19
HIPC Debt Initiative—Income (Expenses)—Notes E and I			
Provision for principal component of debt relief	(393)	(1,883)	(686)
Contribution from the HIPC Debt Initiative Trust Fund	207	108	177
HIPC grants	—	—	(101)
Write-down on sale of development credits	<u>—</u>	<u>—</u>	<u>(24)</u>
Total net expenses for HIPC Debt Initiative	<u>(186)</u>	<u>(1,775)</u>	<u>(634)</u>
Income (Loss) after HIPC Debt Initiative	<u>\$ 681</u>	<u>\$ (264)</u>	<u>\$ (615)</u>

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

STATEMENT OF COMPREHENSIVE INCOME

For the fiscal years ended June 30, 2003, June 30, 2002 and June 30, 2001

Expressed in millions of U.S. dollars

	<u>2003</u>	<u>2002</u>	<u>2001</u>
Income (loss) after HIPC Debt Initiative	\$ 681	\$ (264)	\$ (615)
Other comprehensive income-Note K			
Currency translation adjustment on development credits and development grants	<u>5,222</u>	<u>4,454</u>	<u>(4,230)</u>
Comprehensive income (loss)	<u><u>\$5,903</u></u>	<u><u>\$4,190</u></u>	<u><u>\$(4,845)</u></u>

STATEMENT OF CHANGES IN RETAINED EARNINGS

For the fiscal years ended June 30, 2003 and June 30, 2002

Expressed in millions of U.S. dollars

	<u>2003</u>			<u>2002</u>		
	<i>Balance at beginning of the fiscal year</i>	<i>Activity during the fiscal year</i>	<i>Balance at end of the fiscal year</i>	<i>Balance at beginning of the fiscal year</i>	<i>Activity during the fiscal year</i>	<i>Balance at end of the fiscal year</i>
Accumulated income before HIPC Debt Initiative	\$ 5,042	\$ 867	\$ 5,909	\$ 3,531	\$ 1,511	\$ 5,042
HIPC Debt Initiative:						
Provision for principal component of debt relief	(10,578)	(393)	(10,971)	(8,695)	(1,883)	(10,578)
Contribution from the HIPC Debt Initiative Trust Fund	886	207	1,093	778	108	886
HIPC grants	(330)	—	(330)	(330)	—	(330)
Write down of development credits	<u>(572)</u>	<u>—</u>	<u>(572)</u>	<u>(572)</u>	<u>—</u>	<u>(572)</u>
HIPC Debt Initiative	<u>(10,594)</u>	<u>(186)</u>	<u>(10,780)</u>	<u>(8,819)</u>	<u>(1,775)</u>	<u>(10,594)</u>
Accumulated deficit	<u><u>\$ (5,552)</u></u>	<u><u>\$ 681</u></u>	<u><u>\$(4,871)</u></u>	<u><u>\$(5,288)</u></u>	<u><u>\$ (264)</u></u>	<u><u>\$(5,552)</u></u>

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

STATEMENT OF CASH FLOWS

For the fiscal years ended June 30, 2003, June 30, 2002 and June 30, 2001

Expressed in millions of U.S. dollars

	2003	2002	2001
Cash flows from development activities			
Development credits			
Disbursements	\$ (6,898)	\$ (6,601)	\$ (5,492)
Principal repayments	1,369	1,063	997
Credits sold to the HIPC Debt Initiative Trust Fund	—	—	133
Reimbursements received from the HIPC Debt Initiative Trust Fund for principal repayments forgiven	268	192	105
Net cash used in development credit activities	(5,261)	(5,346)	(4,257)
Grant activities			
Development grant disbursements	(121)	(11)	—
HIPC grant disbursements	(26)	(45)	(31)
Reimbursements received from the HIPC Debt Initiative Trust Fund for HIPC debt service grants disbursed	—	4	15
Net cash used in grant activities	(147)	(52)	(16)
Net cash used in development activities	(5,408)	(5,398)	(4,273)
Cash flows from Member subscriptions and contributions	4,671	4,088	5,232
Transfers from the International Bank for Reconstruction and Development	300	2	19
Cash flows from operating activities			
Operating income	108	692	866
Adjustments to reconcile operating income to net cash provided by operating activities			
Amortization of discount on subscription advances	5	—	1
Development Grants	1,016	154	—
Net changes in other development resources	138	(100)	(113)
Net cash provided by operating activities	1,267	746	754
Effect of exchange rate changes on unrestricted cash and liquid investments	753	813	(838)
Net increase in unrestricted cash and liquid investments	1,583	251	894
Unrestricted cash and liquid investments at beginning of the fiscal year	12,042	11,791	10,897
Unrestricted cash and liquid investments at end of the fiscal year	<u>\$13,625</u>	<u>\$12,042</u>	<u>\$11,791</u>
Composed of:			
Due from banks—Unrestricted currencies	\$ 590	\$ 434	\$ 49
Investments	13,035	11,608	11,742
	<u>\$13,625</u>	<u>\$12,042</u>	<u>\$11,791</u>
Supplemental Disclosure			
Increase (decrease) in ending balances of development credits outstanding, resulting from exchange rate fluctuations	\$ 5,244	\$ 4,454	\$ (4,230)
Principal repayments forgiven under HIPC Debt Initiative	(268)	(192)	(105)
Write-down on sale of development credits under HIPC Debt Initiative	—	—	(97)

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

SUMMARY STATEMENT OF DEVELOPMENT CREDITS

June 30, 2003

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	\$ 185	\$ 133	\$ 52	0.05%
Albania	707	196	511	0.48
Angola	296	18	278	0.26
Armenia	734	148	586	0.55
Azerbaijan	598	216	382	0.36
Bangladesh	9,022	1,335	7,687	7.19
Benin	761	68	693	0.65
Bhutan	63	20	43	0.04
Bolivia	1,760	313	1,447	1.35
Bosnia and Herzegovina	867	245	622	0.58
Botswana	8	—	8	0.01
Burkina Faso	1,111	318	793	0.74
Burundi	787	91	696	0.65
Cambodia	538	197	341	0.32
Cameroon	1,114	223	891	0.83
Cape Verde	198	41	157	0.15
Central African Republic	447	32	415	0.39
Chad	907	200	707	0.66
Chile	6	—	6	0.01
China	10,079	273	9,806	9.18
Colombia	6	—	6	0.01
Comoros	121	18	103	0.10
Congo, Democratic Republic of	2,075	440	1,635	1.53
Congo, Republic of	288	81	207	0.19
Costa Rica	1	—	1	*
Côte d'Ivoire	2,010	335	1,675	1.57
Djibouti	137	44	93	0.09
Dominica	19	2	17	0.02
Dominican Republic	12	—	12	0.01
Ecuador	18	—	18	0.02
Egypt, Arab Republic of	1,640	299	1,341	1.26
El Salvador	14	—	14	0.01
Equatorial Guinea	49	—	49	0.05
Eritrea	454	186	268	0.25
Ethiopia	3,744	819	2,925	2.74
Gambia, The	268	62	206	0.19
Georgia	742	214	528	0.49
Ghana	4,255	523	3,732	3.49
Grenada	27	8	19	0.02
Guinea	1,295	151	1,144	1.07
Guinea-Bissau	305	52	253	0.24
Guyana	234	27	207	0.19
Haiti	514	—	514	0.48
Honduras	1,270	201	1,069	1.00

SUMMARY STATEMENT OF DEVELOPMENT CREDITS

(continued)

June 30, 2003

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>
India	\$25,593	\$3,950	\$21,643	20.25%
Indonesia	1,300	500	800	0.75
Jordan	51	—	51	0.05
Kenya	2,909	363	2,546	2.38
Korea, Republic of	56	—	56	0.05
Kyrgyz Republic	639	155	484	0.45
Lao People's Democratic Republic	659	142	517	0.48
Lesotho	266	37	229	0.21
Liberia	105	—	105	0.10
Macedonia, former Yugoslav Republic of	365	37	328	0.31
Madagascar	2,279	470	1,809	1.69
Malawi	2,023	172	1,851	1.73
Maldives	63	11	52	0.05
Mali	1,496	289	1,207	1.13
Mauritania	755	170	585	0.55
Mauritius	12	—	12	0.01
Moldova	232	73	159	0.15
Mongolia	318	126	192	0.18
Morocco	23	0	23	0.02
Mozambique	1,696	639	1,057	0.99
Myanmar	742	—	742	0.69
Nepal	1,404	151	1,253	1.17
Nicaragua	1,129	231	898	0.84
Niger	1,022	110	912	0.85
Nigeria	1,657	948	709	0.66
Pakistan	6,002	397	5,605	5.24
Papua New Guinea	86	—	86	0.08
Paraguay	24	—	24	0.02
Philippines	211	—	211	0.20
Rwanda	1,067	203	864	0.81
St. Kitts and Nevis	1	—	1	*
St. Lucia	32	10	22	0.02
St. Vincent and the Grenadines	16	5	11	0.01
Samoa	66	12	54	0.05
São Tomé and Príncipe	74	6	68	0.06
Senegal	2,241	558	1,683	1.57
Serbia and Montenegro	430	204	226	0.21
Sierra Leone	586	87	499	0.47
Solomon Islands	46	3	43	0.04
Somalia	416	—	416	0.39
Sri Lanka	2,193	255	1,938	1.81
Sudan	1,222	—	1,222	1.14
Swaziland	4	—	4	*
Syrian Arab Republic	26	—	26	0.02
Tajikistan	328	120	208	0.19

<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>
Tanzania	\$ 3,919	\$ 772	\$ 3,147	2.94%
Thailand	81	—	81	0.08
Togo	677	22	655	0.61
Tonga	11	5	6	0.01
Tunisia	34	—	34	0.03
Turkey	86	—	86	0.08
Uganda	3,569	696	2,873	2.69
Uzbekistan	48	48	—	—
Vanuatu	13	—	13	0.01
Vietnam	4,193	2,074	2,119	1.98
Yemen, Republic of	2,005	539	1,466	1.37
Zambia	2,533	280	2,253	2.11
Zimbabwe	476	8	468	0.44
Subtotal members ^b	<u>129,196</u>	<u>22,407</u>	<u>106,789</u>	<u>99.92</u>
West African Development Bank ^c	59	4	55	0.06
Bank of the States of Central Africa ^d	16	16	—	—
Caribbean Development Bank ^e	<u>26</u>	<u>—</u>	<u>26</u>	<u>0.02</u>
Subtotal regional development banks	101	20	81	0.08
African Trade Insurance Agency ^f	5	2	3	*
Other ^g	<u>4</u>	<u>—</u>	<u>4</u>	<u>*</u>
Total—June 30, 2003 ^b	<u>\$129,306</u>	<u>\$22,429</u>	<u>\$106,877</u>	<u>100.00%</u>
Total—June 30, 2002	<u>\$118,882</u>	<u>\$22,510</u>	<u>\$ 96,372</u>	

* Indicates amounts less than 0.005 per cent.

NOTES

- Of the undisbursed balance at June 30, 2003, IDA has entered into irrevocable commitments to disburse \$318 million (\$174 million—June 30, 2002).
- May differ from the sum of individual figures shown due to rounding.
- These development credits are for the benefit of Benin, Burkina Faso, Côte d'Ivoire, Mali, Niger, Senegal and Togo.
- These development credits are for the benefit of Cameroon, Chad, Central African Republic, Republic of Congo, Gabon and Equatorial Guinea.
- These development credits are for the benefit of Grenada and territories of the United Kingdom (Associated States and Dependencies) in the Caribbean region.
- 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.
- Represents development credits made at a time when the authorities on Taiwan represented China in IDA (prior to May 15, 1980).

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

SUMMARY STATEMENT OF DEVELOPMENT CREDITS

(continued)

June 30, 2003

Expressed in millions of U.S. dollars

Maturity Structure of Development Credits Outstanding

<i>Period</i>	
July 1, 2003 through June 30, 2004	\$ 2,208
July 1, 2004 through June 30, 2005	2,011
July 1, 2005 through June 30, 2006	2,217
July 1, 2006 through June 30, 2007	2,422
July 1, 2007 through June 30, 2008	2,626
July 1, 2008 through June 30, 2013	16,903
July 1, 2013 through June 30, 2018	20,953
July 1, 2018 through June 30, 2023	22,743
July 1, 2023 through June 30, 2028	19,408
July 1, 2028 through June 30, 2033	11,246
July 1, 2033 through June 30, 2038	3,613
July 1, 2038 through June 30, 2043	<u>527</u>
Total	<u>\$106,877</u>

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

STATEMENT OF VOTING POWER AND SUBSCRIPTIONS AND CONTRIBUTIONS

June 30, 2003

Expressed in millions of U.S. dollars

<i>Member</i> ^a	<i>Number of votes</i>	<i>Percentage of total votes</i>	<i>Subscriptions and contributions committed</i>
Part I Members			
Australia	180,540	1.31%	\$ 2,077.7
Austria	90,656	0.66	912.6
Belgium	158,185	1.15	1,791.4
Canada	408,597	2.97	5,269.7
Denmark	143,391	1.04	1,739.4
Finland	86,168	0.63	802.3
France	596,483	4.33	8,593.7
Germany	966,302	7.02	14,070.0
Greece	35,171	0.26	60.9
Iceland	33,116	0.24	29.8
Ireland	39,324	0.29	144.3
Italy	398,415	2.89	4,496.9
Japan	1,502,886	10.92	26,231.1
Kuwait	78,681	0.57	707.4
Luxembourg	33,117	0.24	67.5
Netherlands	305,971	2.22	4,502.4
New Zealand	41,152	0.30	154.3
Norway	143,447	1.04	1,642.7
Portugal	36,684	0.27	93.8
Russian Federation	39,082	0.28	202.6
South Africa	39,579	0.29	103.5
Spain	85,714	0.62	682.8
Sweden	273,599	1.99	3,256.7
Switzerland	147,924	1.07	1,869.0
United Arab Emirates	1,367	0.01	5.6
United Kingdom	688,291	5.00	9,604.2
United States	1,913,640	13.90	25,841.8
Subtotal Part I Members ^c	<u>8,467,482</u>	<u>61.50</u>	<u>114,954.0</u>
Part II Members			
Afghanistan	13,557	0.10	1.3
Albania	32,073	0.23	0.3
Algeria	27,720	0.20	5.1
Angola	48,362	0.35	7.9
Argentina	134,439	0.98	69.9
Armenia	2,717	0.02	0.5
Azerbaijan	3,803	0.03	0.9
Bangladesh	80,183	0.58	7.3
Barbados	29,714	0.22	0.6
Belize	4,553	0.03	0.3
Benin	13,166	0.10	0.7
Bhutan	19,583	0.14	0.1
Bolivia	39,768	0.29	1.4
Bosnia and Herzegovina	19,571	0.14	2.3
Botswana	26,854	0.20	1.6
Brazil	242,015	1.76	372.7
Burkina Faso	24,156	0.18	0.7
Burundi	25,706	0.19	1.0

STATEMENT OF VOTING POWER AND SUBSCRIPTIONS AND CONTRIBUTIONS *(continued)*

June 30, 2003

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>
Cambodia	13,705	0.10%	\$ 1.3
Cameroon	26,050	0.19	1.4
Cape Verde	4,916	0.04	0.1
Central African Republic	13,620	0.10	0.7
Chad	13,980	0.10	0.7
Chile	31,782	0.23	4.5
China	273,252	1.98	41.3
Colombia	53,080	0.39	24.4
Comoros	13,141	0.10	0.1
Congo, Democratic Republic of	17,041	0.12	3.8
Congo, Republic of	11,375	0.08	0.7
Costa Rica	12,480	0.09	0.3
Côte d'Ivoire	23,069	0.17	1.3
Croatia	40,374	0.29	5.6
Cyprus	37,001	0.27	1.1
Czech Republic	65,386	0.47	43.6
Djibouti	532	*	0.2
Dominica	16,749	0.12	0.1
Dominican Republic	27,780	0.20	0.6
Ecuador	35,989	0.26	0.9
Egypt, Arab Republic of	67,385	0.49	6.7
El Salvador	6,244	0.05	0.4
Equatorial Guinea	6,167	0.04	0.4
Eritrea	25,295	0.18	0.1
Ethiopia	26,044	0.19	0.7
Fiji	9,423	0.07	0.7
Gabon	2,093	0.02	0.6
Gambia, The	19,444	0.14	0.3
Georgia	28,859	0.21	0.9
Ghana	23,831	0.17	3.0
Grenada	20,627	0.15	0.1
Guatemala	33,667	0.24	0.5
Guinea	31,453	0.23	1.3
Guinea-Bissau	6,790	0.05	0.2
Guyana	24,083	0.17	1.0
Haiti	25,455	0.18	1.0
Honduras	27,109	0.20	0.4
Hungary	104,883	0.76	54.2
India	440,607	3.20	56.5
Indonesia	126,774	0.92	14.7
Iran, Islamic Republic of	15,455	0.11	5.7
Iraq	9,407	0.07	1.0
Israel	46,515	0.34	26.0
Jordan	24,865	0.18	0.4
Kazakhstan	806	0.01	1.9
Kenya	37,753	0.27	2.2
Kiribati	11,895	0.09	0.1
Korea, Republic of	76,922	0.56	438.6
Kyrgyz Republic	2,700	0.02	0.5

<i>Member</i> ^a	<i>Number of votes</i>	<i>Percentage of total votes</i>	<i>Subscriptions and contributions committed</i>
Lao People's Democratic Republic	19,957	0.15%	\$ 0.6
Latvia	3,659	0.03	0.7
Lebanon	8,562	0.06	0.6
Lesotho	28,677	0.21	0.2
Liberia	22,467	0.16	1.0
Libya	7,771	0.06	1.3
Macedonia, former Yugoslav Republic of	18,707	0.14	1.0
Madagascar	14,966	0.11	1.3
Malawi	31,515	0.23	1.0
Malaysia	53,427	0.39	3.6
Maldives	30,186	0.22	0.1
Mali	24,808	0.18	1.2
Marshall Islands	4,902	0.04	*
Mauritania	18,275	0.13	0.7
Mauritius	37,993	0.28	1.2
Mexico	102,666	0.75	138.2
Micronesia, Federated States of	18,424	0.13	*
Moldova	612	*	0.7
Mongolia	24,389	0.18	0.3
Morocco	62,932	0.46	5.0
Mozambique	15,855	0.12	1.7
Myanmar	48,827	0.35	3.0
Nepal	34,400	0.25	0.7
Nicaragua	29,845	0.22	0.4
Niger	19,302	0.14	0.7
Nigeria	17,782	0.13	4.3
Oman	26,927	0.20	1.3
Pakistan	116,830	0.85	13.5
Palau	504	*	*
Panama	7,550	0.05	*
Papua New Guinea	15,750	0.11	1.1
Paraguay	16,958	0.12	0.4
Peru	20,428	0.15	2.2
Philippines	16,583	0.12	6.4
Poland	314,678	2.29	62.7
Rwanda	20,312	0.15	1.0
St. Kitts and Nevis	7,888	0.06	0.2
St. Lucia	27,231	0.20	0.2
St. Vincent and the Grenadines	4,883	0.04	0.1
Samoa	18,441	0.13	0.1
São Tomé and Príncipe	6,414	0.05	0.1
Saudi Arabia	488,093	3.55	2,208.2
Senegal	39,095	0.28	2.3
Serbia and Montenegro	29,374	0.21	6.9
Sierra Leone	17,551	0.13	1.0
Singapore	4,134	0.03	18.4
Slovak Republic	41,870	0.30	14.4
Slovenia	22,300	0.16	3.0
Solomon Islands	518	*	0.1
Somalia	10,506	0.08	1.0
Sri Lanka	56,067	0.41	4.0

STATEMENT OF VOTING POWER AND SUBSCRIPTIONS AND CONTRIBUTIONS (continued)

June 30, 2003

Expressed in millions of U.S. dollars

Member ^a	Number of votes	Percentage of total votes	Subscriptions and contributions committed
Sudan	22,484	0.16%	\$ 1.3
Swaziland	15,630	0.11	0.4
Syrian Arab Republic	10,351	0.08	1.2
Tajikistan	20,568	0.15	0.5
Tanzania	45,557	0.33	2.2
Thailand	58,195	0.42	4.2
Timor-Leste	558	*	0.4
Togo	23,243	0.17	1.0
Tonga	16,813	0.12	0.1
Trinidad and Tobago	4,396	0.03	1.7
Tunisia	2,793	0.02	1.9
Turkey	94,605	0.69	127.5
Uganda	26,992	0.20	2.2
Uzbekistan	746	0.01	1.5
Vanuatu	13,821	0.10	0.3
Vietnam	15,454	0.11	1.9
Yemen, Republic of	40,727	0.30	2.1
Zambia	33,199	0.24	3.4
Zimbabwe	20,742	0.15	5.0
Subtotal Part II Members ^c	<u>5,300,458</u>	<u>38.50</u>	<u>3,903.8</u>
Total—June 30, 2003 ^{b,c}	<u>13,767,940</u>	<u>100.00%</u>	<u>\$118,857.8</u>
Total—June 30, 2002 ^b	<u>13,248,130</u>		<u>\$109,387.7</u>

* Indicates amounts less than \$0.05 million or less than 0.005 percent.

NOTES

- See Notes to Special Purpose Financial Statements—Note A for an explanation of the two categories of membership.
- \$512.3 million of Switzerland's subscription and contributions have not been included in the Statement of Sources and Applications of Development Resources at June 30, 2003 and June 30, 2002 since this represents the difference between the total cofinancing grants of \$580.1 million provided by Switzerland directly to IDA borrowers as cofinancing grants between the fourth and the ninth replenishments of IDA resources, and the July 1992 contribution by Switzerland of \$67.8 million.
- May differ from the sum of individual figures shown due to rounding.

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

NOTES TO SPECIAL PURPOSE FINANCIAL STATEMENTS

NOTE A—ORGANIZATION, OPERATIONS AND SIGNIFICANT ACCOUNTING AND RELATED POLICIES

Purpose and Affiliated Organizations

The International Development Association (IDA) is an international organization that was established on September 24, 1960. IDA's main goal is reducing poverty through promoting sustainable economic development in the less developed areas of the world included in IDA's membership, by extending concessionary financing in the form of grants, development credits and guarantees. IDA has 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 other 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 was established to encourage the flow of investments for productive purposes between member countries and, in particular, to developing member countries by providing guarantees against noncommercial risks for foreign investment in its developing member countries.

Summary of Significant Accounting and Related Policies

Due to the nature and organization of IDA, these financial statements have been prepared for the specific purpose of reflecting the sources and applications of member subscriptions and contributions and other development resources. These financial statements are not intended to be a presentation in accordance with accounting principles generally accepted in the United States of America or with International Financial Reporting Standards. These special purpose financial statements have been prepared to comply with Article VI, Section 11(a) of the Articles of Agreement of IDA, and are prepared in accordance with the accounting policies outlined below. On July 31, 2003, the Executive Directors approved these financial statements for issue.

The preparation of these special purpose financial statements 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 revenue and expenses during the reporting period. Actual results could differ from these estimates. Significant judgments have been used in the computation of estimated fair values of development credits and allowances for the HIPC Debt Initiative.

Reclassifications

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

Basis of Accounting

IDA's special purpose financial statements are prepared on the accrual basis of accounting. That is, the effects of transactions and other events are recognized when they occur (and not as cash or its equivalent is received or paid) and are recorded in the accounting records and reported in the financial statements of the periods to which they relate.

Translation of Currencies

IDA's special purpose financial statements are expressed in terms of U.S. dollars solely 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 U.S. dollars. Applications of development resources and sources of development resources are translated at market exchange rates in effect at the end of the accounting period, except Member 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 and development grants denominated in SDRs are charged or credited to Accumulated Other Comprehensive Income. Other translation adjustments are shown in the Statement of Income.

Member Subscriptions and Contributions

Recognition

Member Subscriptions and Contributions committed for each IDA replenishment are recorded in full as Subscriptions and Contributions Committed upon effectiveness of the relevant replenishment.

A replenishment becomes effective when IDA receives Instruments of Commitments from members for subscriptions and contributions of 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 come due throughout the replenishment period (generally three years) in accordance with an agreed maturity schedule. The actual payment of receivables when they become due from certain members is conditional upon the respective member's budgetary appropriation processes.

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 as provided in the relevant replenishment resolution over the disbursement period of the credits committed under the replenishment.

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. The related subscription and contribution is recorded at the full undiscounted amount. The discount is recorded as unamortized discounts on contributions (a reduction of Subscriptions and Contributions Committed) and amortized over the projected encashment period.

Under the provisions governing replenishments, IDA must encash the notes or similar obligations of contributing members on an approximately *pro rata* basis. As discussed in the previous paragraph, donors sometimes contribute resources on an advanced or an accelerated basis. IDA holds these resources until they become available for disbursement on a *pro rata* basis.

Transfers to IDA from IBRD are recorded under Sources of Development Resources and are receivable upon approval by IBRD's Board of Governors.

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 agreements 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 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 Nonnegotiable, noninterest-bearing demand obligations on account of member subscriptions and contributions. Restricted notes at June 30, 2003 were \$35 million (\$33 million—June 30, 2002).

Valuation

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, with effect from that date and until such time as the relevant provisions of the Articles of Agreement are amended, that the words "U.S. dollars of the weight and fineness in effect on 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), and have 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. Beginning July 1, 1986, 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. Prior to that date, subscriptions and contributions which had been disbursed or converted into other currencies were translated at market exchange rates in effect on dates of disbursement or conversion. Subscriptions and contributions not yet available for disbursements are translated at market exchange rates in effect at the end of the accounting period.

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 within the member's territories, 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.

Development Credits

All 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 level and the country may have only limited or no creditworthiness for IBRD lending. Development credits carry a service charge of 0.75 percent and generally have 35- or 40-year final maturities and a 10-year grace period for principal payments. Development credits are carried in the

Special Purpose Financial Statements at the full face amount of the borrowers' outstanding obligations.

It is the practice of IDA to place in nonaccrual status all development credits made to 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, charges that had been accrued on development credits outstanding to the member which 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. A decision on the restoration of accrual status is made on a case-by-case basis.

In fulfilling its mission, IDA makes concessional loans to the poorest countries. Therefore, there is significant credit risk in the portfolio of development credits. Management continually monitors this credit risk. No provision for credit losses, other than allowances for the Heavily Indebted Poor Countries (HIPC) Debt Initiative, has been established. Should losses occur, they would be included in the Statement of Income.

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.

Development Grants

The Twelfth Replenishment Resolution authorized the use of Twelfth Replenishment donor funds to finance grants in the context of the HIPC Debt Initiative, or

grant assistance to post-conflict countries under a framework approved by the Executive Directors on July 31, 2001.

IDA is authorized to provide a significant portion of financing under the Thirteenth Replenishment as development grants. The annual net income transfers from IBRD for fiscal years 1997 through 2002 also authorized the use of such funds for IDA development grants.

Development grants are charged to income when the development grant agreement is signed by the recipient.

Guarantees

IDA provides guarantees for loans or securities 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.

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.

In the event that a guarantee is called, IDA has the contractual right to require payment from the member country in whose territory the project is located, on demand, or as IDA may otherwise direct.

For guarantees issued prior to January 1, 2003, the fee income received was deferred and amortized over the period of benefit. The unamortized balance of the deferred guarantee fee income is included in Other Resources, net on the Statement of Sources and Applications of Development Resources. For guarantees issued or modified after December 31, 2002, in accordance with Financial Accounting Standards Board (FASB) Interpretation No. 45 (FIN 45), "Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness to Others", IDA will record the fair value of the obligation to stand ready in the financial statements. IDA has not issued or modified any guarantees after December 31, 2002.

Heavily Indebted Poor Countries Debt Initiative

The HIPC Debt Initiative was launched in 1996 as a joint effort by bilateral and multilateral creditors to ensure that reform efforts of HIPCs would not be put

at risk by unsustainable external debt burdens. As a part of this process, the HIPC Debt Initiative Trust Fund was established on November 7, 1996. It is administered by IDA and constituted by funds of donors including the IBRD, to help beneficiaries reduce their overall debt, including IDA debt.

Under the Original Framework of the Initiative, eligible countries received relief on IBRD and IDA debt through three mechanisms: (i) partial financing of lending operations with development grants; (ii) purchase and cancellation of IDA credits by the IBRD/IDA component of the HIPC Debt Initiative Trust Fund subject to availability of funds; and (iii) the provision of debt service on selected IDA credits, in certain cases, by the HIPC Debt Initiative Trust Fund.

Under the Enhanced Framework of the Initiative, which was approved by IDA's Executive Directors on January 27, 2000, implementation mechanisms also include: (i) partial forgiveness of IDA debt service as it comes due, to be reimbursed to IDA by the IBRD/IDA component of the HIPC Debt Initiative Trust Fund; 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 approval of debt relief for a country under the Enhanced HIPC Initiative by the Executive Directors of IDA, the principal component of the estimated debt relief costs is recorded as a reduction of the disbursed and outstanding development credits under the Allowance for HIPC Debt Initiative, and as a charge to income. This estimate is subject to periodic revision. The Allowance for HIPC Debt Initiative is reduced when debt relief is provided by IDA.

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), a receivable from the HIPC Debt Initiative Trust Fund is created (to the extent that funds are available) and income is recognized. The receivable is limited to the nominal value equivalent of one-third of the net present value of the principal component of the total debt relief committed to the specific country. The receivable is also the maximum debt relief that can be provided before the country reaches its completion point as defined by IDA's Executive Directors, and the country's other creditors have confirmed their full participation in the debt relief initiative to the satisfaction of IDA.

An additional receivable from the HIPC Debt Initiative Trust Fund is created and income is recognized when the country reaches its completion

point and the country's other creditors have confirmed their full participation in the debt relief initiative to the satisfaction of IDA. This additional receivable represents the remaining principal component of the total debt relief committed that was not recognized at the decision point.

Cash and Liquid Investments

IDA considers unrestricted cash as well as securities held in the investment portfolio, as an element of liquidity in the Statement of Cash Flows, since they are readily convertible to known amounts of cash within ninety days.

IDA carries its investment securities and related financial instruments at fair value, using trade date accounting. 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. Both realized and unrealized gains and losses are included in Income from investments.

Securities Purchased Under Resale Agreements and Securities Sold Under Repurchase Agreements

Securities purchased under resale agreements and securities sold under repurchase agreements are recorded at historical cost. IDA receives securities purchased under resale agreements, monitors the fair value of the securities and, if necessary, requires additional collateral.

Accounting and reporting developments

In January 2003, FASB issued Interpretation No. 46, "Consolidation of Variable Interest Entities". This interpretation did not have a material impact on IDA's financial statements for the fiscal year ended June 30, 2003. There were no significant changes in the relevant International Financial Reporting Standards that would have an impact on IDA's financial statements.

NOTE B-INVESTMENTS

As part of its portfolio management strategy, IDA invests in the following financial instruments.

Asset-backed Securities: Asset-backed securities are instruments whose cash flow is based on the cash flows of a pool of underlying assets managed separately. IDA may only invest in asset-backed securities with a AAA credit rating.

Currency Swaps: Currency swaps are agreements between two parties to exchange cash flows denominated in different currencies at one or more certain times in the future. The cash flows are based on a predetermined formula reflecting rates of interest and an exchange of principal. IDA is authorized to enter into currency swaps including covered forwards.

Futures: Futures are contracts for delivery of securities or money market instruments in which the seller agrees to make delivery at a specified future date of a specified instrument, at a specified price or yield. Futures contracts are traded on regulated United States and international exchanges. IDA generally closes out most open positions in futures contracts prior to maturity. Therefore, cash receipts or payments are mostly limited to the change in market value of the futures contracts. Futures contracts generally entail daily settlement of the variation margin.

Government and Agency Obligations: These obligations include marketable bonds, notes and other obligations issued by governments. Obligations issued or unconditionally guaranteed by governments of countries require a minimum credit rating of AA if denominated in a currency other than the home currency of the issuer, otherwise no rating is required. Obligations issued by an agency or instrumentality of a government of a country, a multilateral organization or any other official entity require a minimum credit rating of AA.

Options: Options are contracts that allow the holder of the option the right, but not the obligation, to purchase or sell a financial instrument at a specified price within a specified period of time from or to the seller of the option. The purchaser of an option pays a premium at the outset to the seller of the option, who then bears the risk of an unfavorable change in the price of the financial instrument underlying the option. IDA invests only in exchange-traded options. The initial price of an option contract is equal to the premium paid by the purchaser and is significantly less than the contract or notional amount.

Repurchase and Resale Agreements and Securities

Loans: Repurchase agreements are contracts under which a party sells securities and simultaneously agrees to repurchase the same securities at a specified future date at a fixed price. The reverse of this transaction is called a resale agreement. A resale agreement involves the purchase of securities with a simultaneous agreement to sell back the same securities at a stated price on a stated date. Securities loans are contracts under which securities are lent for a specified period of time at a fixed price.

Short Sales: Short sales are sales of securities not held in the seller's portfolio at the time of the sale. The seller must purchase the security at a later date and bears the risk that the market value of the security will move adversely between the time of the sale and the time the security must be delivered. As of June 30, 2003, IDA had \$716 million (\$120 million—June 30,

2002) of short sales included in Net payable on investment securities transactions in the Statement of Sources and Applications of Development Resources.

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

A summary of IDA's investments, by instrument, at June 30, 2003 and June 30, 2002 is as follows:

In millions of U.S. dollars equivalent

	2003	2002
Government and agency obligations	\$10,723	\$ 9,598
Time deposits	6,487	1,812
Asset-backed securities	1,715	1,906
Futures and options	3	*
Securities purchased under resale agreements	1,461	765
Repurchase agreements and securities loans	(6,150)	(2,017)
Investment holdings excluding swaps	14,239	12,064
Receivable from currency swaps	192	212
Payable for currency swaps	(189)	(221)
Investments-Trading	\$14,242	\$12,055

A summary of the currency composition of investments at June 30, 2003 and June 30, 2002 is as follows:

Investment holdings excluding swaps

In millions of U.S. dollars equivalent

	2003			2002		
	Carrying value	Average Yield (%)	Average Repricing (years)	Carrying value	Average Yield (%)	Average Repricing (years)
Euro	\$ 5,120	2.89	4.66	\$ 4,663	4.52	5.81
Japanese yen	—	—	—	956	0.56	5.33
Pounds sterling	1,726	3.94	6.02	2,110	4.88	6.26
U.S. dollars	7,353	2.72	6.33	4,335	4.03	7.61
Other	40	1.34	5.47	—	—	—
Total	\$14,239	2.92	5.67	\$12,064	4.10	6.45

Investment holdings including swaps

In millions of U.S. dollars equivalent

	2003			2002		
	Carrying value	Average Yield (%)	Average Repricing (years)	Carrying value	Average Yield (%)	Average Repricing (years)
Euro	\$ 5,006	2.91	4.77	\$ 4,609	4.53	5.87
Japanese yen	—	—	—	789	0.67	6.50
Pounds sterling	1,725	3.94	6.02	2,110	4.88	6.26
U.S. dollars	7,544	2.69	6.15	4,547	3.93	7.21
Other	(33)	2.90	0.08	—	—	—
Total	\$14,242	2.91	5.67	\$12,055	4.12	6.45

The average repricing in the above currency composition tables represents the remaining period to the contractual repricing or maturity date, whichever is earlier. It indicates the average length of time for which interest rates are fixed.

For the purpose of risk management, IDA is party to a variety of financial instruments, certain of which involve elements of credit risk in excess of the amount reflected in the Statement of Sources and Applications of Development Resources. 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 each counterparty 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. Credit risk with financial assets subject to a master derivatives agreement is further reduced under these agreements to the extent that payments and receipts with the counterparty are netted at settlement. The reduction in exposure as a result of these netting provisions can vary 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 and contract value, as applicable, of these financial instruments at June 30, 2003 and June 30, 2002 (prior to taking into account any master derivatives agreements or collateral arrangements that have been made) are given below:

In millions of U.S. dollars equivalent

	2003	2002
Futures and options		
• Long position	\$1,193	\$721
• Short position	405	—
• Credit exposure due to potential nonperformance by counterparties	—	*
Currency swaps		
• Credit exposure due to potential nonperformance by counterparties	3	—

* Less than \$0.5 million.

As of June 30, 2003, IDA had received \$1,533 million (\$776 million—June 30, 2002) of securities purchased

under resale agreements. Of these instruments held by IDA, \$179 million (\$102 million—June 30, 2002) has been transferred under repurchase or security lending agreements. None of these securities have been included in the assets of IDA.

At June 30, 2003, IDA maintained a line of credit facility with an independent financial institution. This facility was created for the benefit of both IBRD and IDA. The available line of credit to each institution is \$500 million, but usage from both institutions cannot exceed this amount in aggregate. The line of credit facility is being used to cover any overnight overdrafts that may occur due to failed trades. As of June 30, 2003, IDA had drawn down \$1 million under this facility. At June 30, 2002, IDA maintained a \$100 million line of credit facility. No amounts had been drawn down under this facility as of June 30, 2002.

NOTE C-MEMBER SUBSCRIPTIONS AND CONTRIBUTIONS

Subscriptions and Contributions Receivable: At June 30, 2003, receivables from subscriptions and contributions were \$5,887 million (\$122 million—June 30, 2002) of which \$77 million (\$79 million—June 30, 2002) was due and \$5,810 million (\$43 million—June 30, 2002) was not yet due.

Subscriptions and contributions due at June 30, 2003 were as follows:

In millions of U.S. dollars equivalent

<u>Amounts initially due from</u>	
July 1, 2002 through June 30, 2003	\$76
June 30, 2002 and earlier	<u>1</u>
Total	<u>\$77</u>

Subscriptions and contributions not yet due at June 30, 2003 will become due as follows:

In millions of U.S. dollars equivalent

<u>Period</u>	
July 1, 2003 through June 30, 2004	\$2,869
July 1, 2004 through June 30, 2005	2,812
Thereafter	<u>129</u>
Total	<u>\$5,810</u>

Thirteenth Replenishment: On September 29, 2002, IDA's Board of Governors adopted a resolution authorizing the Thirteenth Replenishment of IDA's resources. Under the Thirteenth Replenishment, IDA is authorized to provide concessional financing of about SDR 18 billion (\$24 billion equivalent at authorization), including a significant portion as grants, during the period July 1, 2002 to June 30, 2005. Of this amount, new donor contributions are expected to total about SDR 10 billion (\$13 billion equivalent at authorization). The Thirteenth Replenishment became effective on April 8, 2003 after IDA had received commitments for subscriptions and contributions of SDR 5,984 million.

Membership: Timor-Leste (formerly East Timor) and Singapore became Part II members of IDA on July 23, 2002 and September 27, 2002 respectively. On July 15, 2002, the membership status for Greece changed from Part II to Part I.

NOTE D—TRANSFERS AND RECEIVABLES FROM IBRD

IBRD's Board of Governors has approved aggregate transfers to IDA totaling \$7,357 million through June 30, 2003 (\$7,057 million—June 30, 2002). The aggregate transfers of \$7,392 million reported in the Statement of Sources and Applications of Development Resources differs from the amount of aggregate transfers approved due to exchange rate movements.

Of the aggregate transfers, \$300 million was approved by the IBRD Board of Governors in September 2002. This approved transfer was paid on September 30, 2002.

In millions of U.S. dollars

	2003	2002	2001
Aggregate recorded investment in nonaccrual credits	\$4,763	\$5,759	\$5,887
Overdue amounts:			
Principal	394	443	340
Charges	203	251	207
	\$ 597	\$ 694	\$ 547
Increase in service charge income due to income from prior years being recognized as a result of countries coming out of nonaccrual status	\$ 91	\$ 9	\$ —
Service charge income foregone as a result of credits being in nonaccrual status	\$ 31	\$ 43	\$ 34

At June 30, 2003, \$1,293 million was receivable from IBRD (\$1,243 million—June 30, 2002). Of this amount, \$368 million will be paid after all other resources available to IDA for the purpose of the Eleventh Replenishment have been drawn down. The remaining \$925 million of the receivable amount will be paid in fiscal year 2005 at the end of the defined encashment schedule for donor contributions to IDA's Twelfth Replenishment

NOTE E—DEVELOPMENT CREDITS

Currency Composition

The currency composition of IDA's development credits outstanding at June 30, 2003 and June 30, 2002 is as follows:

	<i>In millions of U.S. dollars equivalent</i>	
	2003	2002
USD	\$ 13,067	\$13,694
SDR	93,810	82,678
Development credits outstanding	\$106,877	\$96,372

Overdue Amounts

At June 30, 2003, in addition to the development credits referred to in the following table, there were principal and charges of less than \$1 million payable to IDA, which were overdue by more than three months.

The following table provides a summary of selected financial information related to development credits in nonaccrual status as of June 30:

A summary of borrowers with development credits or guarantees in nonaccrual status follows:

In millions of U.S. dollars equivalent

<i>Borrower</i>	<i>June 30, 2003</i>		
	<i>Principal Outstanding</i>	<i>Principal and Charges Overdue</i>	<i>Nonaccrual Since</i>
<i>With overdues</i>			
Central African Republic	\$ 415	\$ 18	June 2002
Haiti	514	28	September 2001
Liberia	105	33	April 1988
Myanmar	742	112	September 1998
Somalia	416	103	July 1991
Sudan	1,222	256	January 1994
Togo	655	27	May 2002
Zimbabwe	468	20	October 2000
Total	<u>4,537</u>	<u>597</u>	
<i>Without overdues</i>			
Serbia and Montenegro	<u>226</u>	<u>—</u>	September 1992
Total	<u>\$4,763</u>	<u>\$597</u>	

In July 2002, the Syrian Arab Republic and the Democratic Republic of Congo cleared all of their overdue payments to IDA and IBRD. Subsequently, all development credits to, or guaranteed by, these two countries were restored to accrual status. Income from development credits for the fiscal year ended June 30, 2003 increased by \$85 million, representing income that would have been accrued in previous fiscal years had these credits not been in nonaccrual status.

The arrears clearance of the overdue payments to IDA and IBRD for the Democratic Republic of Congo was accomplished using bridge financing provided by an international financial institution, and supported by certain member countries. On the same day, IDA disbursed a development credit to the Democratic Republic of Congo in support of an economic and poverty reduction program. A part of the proceeds of this development credit was used to repay the bridge financing. The development credit was funded by IDA resources other than transfers from IBRD.

In February 2003, the Solomon Islands and Afghanistan cleared all of their overdue service payments to IDA, and all development credits to, or guaranteed by, these two countries were restored to accrual status. Income from development credits for the fiscal year ended June 30, 2003 increased by \$6 million, representing income that would have been

recognized in previous fiscal years had these credits not been in nonaccrual status. The arrears clearance for Afghanistan was accomplished using donor funds provided through the Afghanistan Debt Clearance Trust Fund.

As of June 30, 2002, all IDA credits and IBRD loans outstanding to Bosnia and Herzegovina were restored to accrual status following management's determination that a suitable period of payment performance had passed subsequent to the time of arrears clearance. During the fiscal year ended June 30, 2002, income from development credits increased by \$1 million, representing income that would have been accrued in previous fiscal years had these development credits not been in nonaccrual status.

During the fiscal year ended June 30, 2002, Côte d'Ivoire and the Republic of Congo cleared all of their overdue service payments to IDA and IBRD, and all IDA development credits to, or guaranteed by, these two countries were restored to accrual status. These arrears clearances were accomplished using bridge financing provided by an international financial institution. On the same day that arrears were cleared, IDA extended development credits to the respective country in support of economic reform and poverty reduction programs. Some or all of the proceeds of these development credits were used to repay the

bridge financing. The development credits were funded by IDA resources other than transfers from IBRD. As a result of these events, income for the fiscal year ended June 30, 2002 increased by \$8 million, representing income that would have been accrued in previous fiscal years had these development credits not been in nonaccrual status.

Allowance for HIPC Debt Initiative

Development credits outstanding are presented in the Statement of Sources and Applications of Development Resources before any allowance in connection with the HIPC Debt Initiative (see Note I).

The allowance for HIPC Debt Initiative is the sum of the principal component of debt relief remaining to be provided to those countries that have reached their decision points, and in certain cases their completion points, and the estimated principal component of debt relief that is expected to be provided to other eligible countries.

Changes to the allowance for HIPC Debt Initiative for the fiscal years ended June 30, 2003 and June 30, 2002 are summarized below:

In millions of U.S. dollars equivalent

	2003	2002
Balance, beginning of the fiscal year	\$10,270	\$ 8,579
Allowance for principal component of debt relief	393	1,883
Principal component of debt relief delivered	<u>(268)</u>	<u>(192)</u>
Balance, end of the fiscal year	<u>\$10,395</u>	<u>\$10,270</u>

Fifth Dimension Program

Under the Fifth Dimension program established in September 1988, a portion of principal repayments to IDA is allocated on an annual basis to provide supplementary IDA development credits to IDA-eligible countries that are no longer able to borrow on IBRD terms, but have outstanding IBRD loans approved prior to September 1988 and have in place an IDA-supported structural adjustment program. Such supplementary IDA development credits are allocated to countries that meet specified conditions in proportion to each country's interest payments due that year on its pre-September 1988 IBRD loans. To be eligible for such IDA supplemental credits, a member country must meet IDA's eligibility criteria for lending, must be ineligible for IBRD lending and must

not have had an IBRD loan approved within the last twelve months. To receive a supplemental development credit from the program, a member country cannot be more than 60 days overdue on its debt-service payments to IBRD or IDA.

A summary of cumulative IDA credits committed and disbursed under this program from inception, at June 30, 2003 and June 30, 2002 is given below:

In millions of U.S. dollars equivalent

	2003	2002
Commitments	\$1,711	\$1,706
Less undisbursed	<u>12</u>	<u>16</u>
Disbursed and Outstanding	<u>\$1,699</u>	<u>\$1,690</u>

Guarantees

Guarantees of \$119 million at June 30, 2003 (\$86 million - June 30, 2002) were not included in IDA's Statement of Sources and Applications of Development Resources. These outstanding amounts represent the maximum potential undiscounted future payments that IDA could be required to make under these guarantees.

The three existing guarantees issued by IDA expire in 2011, 2015 and 2019.

Segment Reporting

Based on an evaluation of its operations, management has determined that IDA has only one reportable segment since IDA does not manage its operations by allocating its resources based on the contribution to net income from individual borrowers. In addition, the risk and return profiles are sufficiently similar among its borrowers so that IDA does not differentiate in terms of the nature of products or services provided, the preparation process, or the method of providing services to its borrowers.

For the year ended June 30, 2003, development credits to two countries generated in excess of ten percent of total income from these credits. Income from development credits for these two countries was \$157 million and \$96 million, respectively.

NOTE F-FAIR VALUE OF FINANCIAL INSTRUMENTS

Investments: IDA carries its investments at the fair value of the portfolio. These 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. The fair value of short-term financial instruments approximates their carrying value.

Development Credits: IDA's development credits have a significant grant element because of the concessional nature of IDA's terms. Discounting the future cash flows from IDA's development credits using government reference rates represented by interest rates of government securities having similar maturity to the portfolio of development credits, provides an estimate for the grant element. Under the HIPC Debt Initiative, development credits identified for sale to the HIPC Debt Initiative Trust Fund are written down to their estimated net present value using currency specific Commercial Interest Reference Rates (CIRRs) published monthly by the Organization for Economic Cooperation and Development (OECD). Using the six months average CIRR as a discount rate provides an alternative estimate for the grant element.

Since IDA's development credits are denominated either in U.S. dollars or SDRs, currency specific rates have been used to discount the corresponding future cash flows for each currency component of the development credits before being aggregated to provide the composite results.

The grant element calculations consider interest rates, maturity structures and grace periods for the credits. They do not consider credit risk, portfolio seasoning, multilateral and sovereign credit preferences and other risks or indicators that would be relevant in calculating fair value. Estimating the impact of these factors is not practicable.

However, under either alternative, the estimated fair values of development credits outstanding are substantially lower than the \$106,877 million reflected on the Statement of Sources and Applications of Development Resources at June 30, 2003 (\$96,372 million—June 30, 2002), as shown in the following table.

In millions of U.S. dollars equivalent

	<i>June 30, 2003</i>		<i>June 30, 2002</i>	
	<i>Government reference rate-based fair value</i>	<i>CIRR-based fair value</i>	<i>Government reference rate-based fair value</i>	<i>CIRR-based fair value</i>
Development credits outstanding	\$106,877	\$106,877	\$96,372	\$96,372
Less grant equivalent	34,940	40,244	39,382	44,513
Estimated value of development credits outstanding	<u>\$ 71,937</u>	<u>\$ 66,633</u>	<u>\$56,990</u>	<u>\$51,859</u>
Estimated grant element	33%	38%	41%	46%
	<i>Discount Rates Used</i>		<i>Discount Rates Used</i>	
Government reference rates				
- US dollar	3.58%		4.86%	
- SDR ^a	3.66%		4.63%	
CIRRs: Average of six months to June 30				
- U.S. dollar		4.43%		5.90%
- SDR		4.25%		5.39%

a. *Implies weighted average government reference rates of the component currencies contained in the SDR.*

Discounting the future cash flows from IDA's development credits using the standard 10 percent discount rate of the Development Assistance Committee (DAC) of the OECD, provides another alternative for the grant element. The estimated grant element based on this standard DAC rate for IDA's development credits is 66 percent as of June 30, 2003 (66 percent—June 30, 2002).

NOTE G—ADMINISTRATIVE EXPENSES

The following table shows IDA's allocated share of the administrative expenses shared jointly by IBRD and IDA as well as IDA's share of income from pension and post retirement benefit plans:

In millions of U.S. dollars

	2003	2002	2001
IDA's allocated share of administrative expenses incurred jointly by IBRD and IDA	\$846	\$654	\$551
Less IDA's share of income from pension plan and other postretirement benefits plans	—	86	120
Total	<u>\$846</u>	<u>\$568</u>	<u>\$431</u>

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.

NOTE H—TRUST FUNDS ADMINISTRATION

IDA, alone or jointly with IBRD, administers on behalf of donors, including members, their agencies and other entities, funds restricted for specific uses which include the cofinancing 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 placed in trust with IDA and/or IBRD, and are held in a separate investment portfolio which is not comingled with IDA and/or IBRD funds, nor are they included in the development resources of IDA.

At June 30, 2003 and June 30, 2002, the allocation of trust fund assets by executing agent were as follows:

	2003		2002	
	Total fiduciary assets (In millions)	Number of trust fund accounts (Unaudited)	Total fiduciary assets (In millions)	Number of trust fund accounts (Unaudited)
IDA executed	\$2,147	1,538	\$1,464	1,270
Recipient executed	<u>2,880</u>	<u>859</u>	<u>2,051</u>	<u>904</u>
Total	<u>\$5,027</u>	<u>2,397</u>	<u>\$3,515</u>	<u>2,174</u>

The responsibilities of IDA under these arrangements vary and range from services normally provided under its own lending projects to full project implementation including procurement of goods and services. IDA receives fees for administering trust funds as a reduction of the administrative expenses charged by IBRD. During the fiscal year ended June 30, 2003, IDA received \$17 million (\$10 million—June 30, 2002, \$11 million—June 30, 2001) as fees for administering trust funds.

NOTE I—IMPACT FROM HEAVILY INDEBTED POOR COUNTRIES DEBT INITIATIVE

Debt Service Relief

As of June 30, 2003, total debt service relief of \$711 million has been provided by IDA consisting of \$576 million in principal repayments and \$135 million in service charges. These amounts have been reimbursed by the HIPC Debt Initiative Trust Fund.

HIPC Grants

As of June 30, 2003, HIPC grants of \$101 million have been disbursed. The HIPC Debt Initiative Trust Fund has reimbursed \$19 million of the disbursed grants.

Receivable from the HIPC Debt Initiative Trust Fund

A summary of changes to the receivable from the HIPC Debt Initiative Trust Fund is presented below:

	2003	2002
Balance, beginning of the fiscal year	\$ 559	\$ 647
Contribution from the HIPC Debt Initiative Trust Fund	207	108
Reimbursement received for principal repayments forgiven	(268)	(192)
Reimbursement received for HIPC grants disbursed	—	(4)
Balance, end of the fiscal year	<u>\$ 498</u>	<u>\$ 559</u>

A summary of the debt relief provided under the HIPC Debt Initiative is included in the Supplementary Information appended to these financial statements.

NOTE J-DEVELOPMENT GRANTS

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

In millions of U.S. dollars

	2003	2002
Balance, beginning of the fiscal year	\$ 148	\$ —
Commitments charged to expense	1,016	154
Disbursements	(121)	(11)
Translation adjustment	20	5
Balance, end of the period	<u>\$1,063</u>	<u>\$148</u>

At June 30, 2003, \$252 million (\$nil million - June 30, 2002) of development grants had been approved by IDA's Executive Directors but had not been charged to expense pending the signing of agreements with recipients.

NOTE K-COMPREHENSIVE INCOME

Comprehensive income consists of net income and other gains and losses affecting sources of development resources that, under generally accepted accounting principles, are excluded from net income. For IDA, comprehensive income comprises income or loss after HIPC Debt Initiative and currency translation adjustments on development credits and development grants. These items are presented in the Statement of Comprehensive Income. The total accumulated other comprehensive income represents the cumulative translation adjustment on development credits and development grants. The following table presents the changes in Accumulated Other Comprehensive Income balances for the years ended June 30, 2003, 2002 and 2001:

In millions of U.S. dollars equivalent

	<i>Accumulated Other Comprehensive Income</i>		
	2003	2002	2001
Balance, beginning of the fiscal year	\$ (514)	\$(4,968)	\$ (738)
Changes from period activity	<u>5,222</u>	<u>4,454</u>	<u>(4,230)</u>
Balance, end of the fiscal year	<u>\$4,708</u>	<u>\$ (514)</u>	<u>\$(4,968)</u>

SUPPLEMENTARY INFORMATION ON THE HEAVILY INDEBTED POOR COUNTRIES DEBT INITIATIVE

The summary table below shows debt relief for countries that have reached their decision or completion points as of June 30, 2003, and estimated amounts to be provided to other eligible countries (with the exception of those countries for which cost estimates are not currently available), under the Heavily Indebted Poor Countries (HIPC) Debt Initiative. In addition to the total debt relief of \$13,212 million, IDA is expected to extend new credits estimated at \$232 million to certain IDA-eligible countries no longer able to borrow on IBRD terms, but with outstanding IBRD debt. These credits will be funded by IDA resources other than transfers from IBRD.

The debt relief shown under the HIPC Trust Fund in the table below relates only to the IBRD/IDA component, and includes amounts approved up to June 30, 2003 by the Executive Directors of IDA.

As of June 30, 2003, the 26 countries that have reached their decision or completion points are Benin, Bolivia, Burkina Faso, Cameroon, Chad, Ethiopia, The Gambia, Ghana, Guinea, Guinea-Bissau, Guyana, Honduras, Madagascar, Malawi, Mali, Mauritania, Mozambique, Nicaragua, Niger, Rwanda, São Tomé and Príncipe, Senegal, Sierra Leone, Tanzania, Uganda, and Zambia.

In millions of U.S. dollars equivalent

	IDA	HIPC Trust Fund	Total
Countries that have reached their decision or completion points			
Provided to date			
Principal	\$ 576	\$ —	\$ 576
Service charges	135	7	142
Grants	101	—	101
Write down of development credits	572	571	1,143
Development grants	229	—	229
Debt service	—	120	120
<i>Total debt relief provided to date</i>	1,613	698	2,311
Remainder to be provided			
Principal	8,277	—	8,277
Service charges	261	—	261
Debt service	—	1	1
<i>Total debt relief to be provided</i>	8,538	1	8,539
Other eligible countries that have not reached their decision points			
Estimated amount to be provided			
Principal	2,118	—	2,118
Service charges	244	—	244
<i>Total estimated debt relief to other eligible countries</i>	2,362	—	2,362
Total Debt Relief	\$12,513	\$699	\$13,212

Reconciliation to IDA's Financial Statements

Reconciliation of the principal component of HIPC debt relief as reported in the Supplementary Information on the HIPC Debt Initiative to IDA's financial statements at June 30, 2003 is as follows:

<i>In millions of U.S. dollars equivalent</i>	<i>June 30, 2003</i>
"Principal" component under "Remainder to be provided" as shown below "Countries that have reached their decision or completion points"	\$ 8,277
"Principal" component under "Estimated amount to be provided" as shown below "Other eligible countries that have not reached their decision points"	<u>2,118</u>
Allowance for HIPC Debt Initiative (IDA's Statement of Sources and Application of Development Resources)	10,395
"Principal" component under "Provided to date" as shown below "Countries that have reached their decision or completion points"	<u>576</u>
"Allowance for principal component of debt relief" — Balance at the end of the fiscal year (IDA's Statement of Changes in Retained Earnings)	<u><u>\$10,971</u></u>

Contributions from the HIPC Debt Initiative Trust Fund

An analysis of the different components of contribution for HIPC from the HIPC Debt Initiative Trust Fund is as follows:

<i>In millions of U.S. dollars equivalent</i>	<i>June 30, 2003</i>
Reimbursement of the principal component of debt relief by the HIPC Debt Initiative Trust Fund	\$ 576
Reimbursement of grants by HIPC Debt Initiative Trust Fund to IDA	19
Receivable from HIPC Debt Initiative Trust Fund (IDA's Statement of Sources and Application of Development Resources)	<u>498</u>
Contribution from the HIPC Debt Initiative Trust Fund (IDA's Statement of Changes in Retained Earnings)	<u><u>\$1,093</u></u>