Climate Investment Funds

CTF/TFC.21/5
May 14, 2018

Meeting of the CTF Trust Fund Committee
Washington D.C.
Wednesday, June 6, 2018

Agenda 5

Risk Report of the CTF

I. HIGHLIGHTS

Update on Loans which had Experienced Payment Defaults

1. In January 2018, the EBRD reported that a Borrower associated with the Rokytne Biogas project (CTF loan amount = EUR 2 million) missed a scheduled repayment. The Borrower is now current with all payments and the loan is no longer experiencing a payment default.

2. EBRD restructured the CTF loan associated with the Ivankiv project[1] (EUR 5.6 million) and this loan is no longer experiencing a payment default.

Update on Loans which are Currently Experiencing Payment Defaults

3. As of March 31, 2018, two other CTF loans (EUR 15.5 million, and USD 12 million) were experiencing payment defaults.

Implementation/Credit Risk

4. Eskom Renewable Support Project CSP involves USD 250 million of CTF funds. The project has been effective for 75 months but has not disbursed any funds. In November 2017, the World Bank and five other financial institutions[2] sent a letter to South Africa's Public Enterprises Minister, stating they were extremely concerned about a number of governance and compliance issues, including severe allegations of wrongdoing against members of Eskom management. Eskom developed an alternative proposal to replace the original CSP component that seeks to install battery storage capacity alongside new investments in renewable energy projects. In parallel, IBRD and other financiers have agreed on an action plan with the government to address governance issues at Eskom. IBRD and AfDB intend to restructure the Eskom Renewable Support Project CSP project, through a joint revised proposal which will be submitted to the CTF Trust Fund Committee (TFC) for consideration.

5. Implementation Risk for the CTF remained high as seven projects representing USD 567M of approved funding have been flagged for this risk.

Currency Risk

6. The GBP appreciated against the USD by 4.6%, causing the unrealized decline in the value of CTF's unencashed promissory notes to decrease to USD 66 million from USD 100 million.

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[1] The Ivankiv Biomass project experienced payment defaults beginning in August 2015.
[2] African Development Bank, African Development Fund, the French development agency AFD, European Investment Bank and KfW

Other Updates

7. Since the last TFC Meeting in December, the risk analyst joined the CIFAU.

8. The CIFAU has been working to establish information sharing protocols with the MDBs for receiving information pertaining to fraud and corruption related to CIF projects, and has now established such an arrangement with one of the MDBs.

9. This paper provides an update on assessments of the more significant risk exposures facing the CTF. Data as of December 31, 2017, was used to flag projects for Implementation Risk (however in some cases more updated information is available and it is noted in the report when this info is used). Information pertaining to the other risks is as of March 31, 2018.

10. The table below shows the CTF's summary risk matrix for the key risk exposures as at March 31, 2018.

Summary Risk Matrix as at March 31, 2018			
Risk	**Risk Likelihood**	**Risk Severity**	**Aggregate Risk Score**
Implementation Risk	Very Likely	High	High
Currency Risk	Very Likely	Moderate	High
Credit Risk	Likely	Moderate	High

Definition of Risk: Any threat to the achievement of the CTF's objectives.

11. This definition, along with the definition of the CTF's objectives, establish the context for the ERM Framework.

12. Presently, the following represent the three most material risks to which the CTF is exposed.
    i. Implementation Risk
    ii. Currency Risk via Promissory Notes
    iii. Credit Risk

13. The following section provides an update on these risk exposures.[3]

[3] Severity, in the risk scoring process, is determined (where possible) based on the estimated impact of a risk as a percentage of the program's total pledges and contributions.

- Severe represents an estimated potential impact of > 5% of the program's total pledges and contributions.
- Moderate represents an estimated potential impact of 1% < 5% of total pledges and contributions.
- Minimal represents an estimated potential impact of < 1% of total pledges and contributions.

II. ASSESSMENT OF KEY RISK EXPOSURES – CTF

i. Implementation Risk – the risk that, after a project becomes effective, it is not implemented in a timely manner

14. The CIFAU flags a project for implementation risk if the project meets at least one of the following two criteria.
    I. The project has been effective for 36 months, but has disbursed < 20% of approved funds.
    II. The project is within 15 months of closing (i.e. the date by which all CTF funds are to be disbursed), but has disbursed < 50% of approved funds.
15. The MDBs provide this information semi-annually, and the most recent information available is as of December 31, 2017.

16. Differences exist between the terminology which is used for public vs. private sector projects. This must be clarified before exposure to this risk can be reported for private sector projects. The CIFAU will endeavor to include this information in the risk dashboards on an aggregated basis going forward, however, based on the experience so far private sector projects tend to disburse funds on a more timely basis after they become effective.

17. Table 1 illustrates that, seven projects (vs. four as of June 30, 2017) representing USD 567M (vs. USD 408M as of June 30, 2017) of approved funding have been flagged under the first criterion. Of these seven projects, three had also been flagged as of June 30, 2017, (One Wind Energy Plan, Market Transformation through Introduction of Energy Efficient Electric Vehicles Project and Eskom CSP). A fourth project (Strategic Public Transportation Systems (SETP) Program – Colombia) which had been flagged as of June 30, 2017, has increased disbursements substantially to almost 30% of MDB approved funding and is no longer flagged for implementation risk.

18. The CTF's risk score for implementation risk is High.

Table 1. CTF Public Sector Projects which have been Effective for 36 months, but have Disbursed < 20% of Approved Funds (USD millions)

Project Title	Country	MDB	MDB approved funding	Cumulative disbursement (as of Dec 2017)	% disbursed	Effectiveness date	Months since Effectiveness
Eskom Renewable Support Project - CSP	South Africa	IBRD	200.0	-	0.0%	Jul-12	66
		AFDB	50.0	-	0.0%	Sep-11	75
Market Transformation through Introduction of Energy Efficient Electric Vehicles Project	Philippines	ADB	13.1	0.2	1.8%	Dec-13	49
One Wind Energy Plan	Morocco	AFDB	125.0	20.3	16.2%	Jul-14	43
Geothermal Financing and Risk Transfer Facility	Mexico	IDB	54.3	0.7	1.2%	Oct-14	40
Second Urban Infrastructure Project (UIP-2)	Ukraine	IBRD	50.0	3.0	6.0%	Nov-14	38
District Heating Energy Efficiency Project	Ukraine	IBRD	50.0	2.7	5.5%	Nov-14	38
Cebu Bus Rapid Transit Project	Philippines	IBRD	25.0	-	0.0%	Dec-14	37

19. Eskom Renewable Energy Project CSP – South Africa: Following a finding that the bids for the original CSP proposal did not meet or comply with important commercial and technical requirements, Eskom developed an alternative proposal to replace the original CSP component that seeks to install battery storage capacity alongside new investments in renewable energy projects. The proposal combines investments in battery storage alongside the existing Sere Wind project, the upcoming distributed solar PV to be implemented by Eskom and Renewable Energy Independent Power Producer Procurement Programme projects by private developers that had stalled because the sole off-taker or purchaser of the renewable energy, Eskom, believed that it had sufficient capacity and wished to avoid the incremental cost imposed by the new renewable energy capacity. The development objective of the project remains unchanged and the key result indicators remain in line with those originally proposed. Two requirements to accept Eskom's alternative component – Battery Storage – were approval of the alternative by Eskom's Board, and signing of the REIPP PPAs that had been outstanding for approximately two years. Both requirements have been met.

20. The World Bank and AfDB are reviewing this proposal and intend to submit a revised joint proposal to the CTF TFC. Following CTF TFC approval, the World Bank will restructure the existing Eskom project(s) (Note: See Credit Risk Section regarding additional challenges which may affect this project).

21. Market Transformation through Introduction of Energy Efficient Electric Vehicles Project – Philippines: Higher than expected e-trike costs has affected demand under the original project design, which led to low disbursements. The substantial partial loan cancellation led to additional deviation from disbursement projections. Subsequent revisions to project implementation arrangements were made to address the lower demand, and ADB and the government are working together to ensure sustainable deployment under the new arrangements for the contracted 3,000 units. The Government has indicated its intent to request a loan extension to allow for full deployment and has communicated the expectation that initial distribution will happen in 2018, which will trigger a disbursement to the supplier.

22. One Wind Energy Program – Morocco: Between the end of 2017 and April 17th, 2018, the disbursement rate of the CTF loan increased from 16% to 19% of approved CTF funding. On April 18th borrower sent a disbursement request to AfDB (currently being processed) for USD 20 million. When disbursed, the rate will increase to roughly 36% and the project will no longer be flagged for implementation risk.

23. The delays were primarily due to complexities with the procurement processes (e.g. PPP, a single lot, multi-donor context (AfDB, EIB, UE, KFW)). The time elapsed between the launch of the pre-qualification of the project and the provisional award took 53 months which was well beyond initial expectations. The delay in the start-up of the STEP in Abdelmoumen was also due to the fact that the first pre-qualification process of this project was cancelled, leading to a delay of nearly 48 months in the procurement process. The process is now at its final stage and AfDB expects the contract will now be signed before year end.

24. Geothermal Financing and Risk Transfer Facility – Mexico: The original program's value offer to geothermal developers was too costly and had deterred developers from applying for funding because the financial terms offered by the original CTF operation were not attractive enough to geothermal operators (including CFE Generation). The significantly low prices of solar photovoltaic and wind energy in the long-term energy auctions led to additional pressure to other renewable energy projects. As a result, project execution has been delayed and no disbursements have occurred from the CTF or IDB loan or CRG resources. In addition, the electricity auctions in Mexico benefited from reduced prices of solar and wind projects, which made the original geothermal structure even less attractive. For this purpose, the IDB submitted a request of reformulation of the project to the CTF, which was approved in January 2018. With the modifications being made to the project structure (pending IDB Board approval scheduled for May 2018), CTF resources should be committed in early 2019. CFE (the public utility) and other private geothermal developers have shown interest in the modified facility.

25. The following amendments were approved by the TFC: (a) CTF resources will be used as contingent recovery grants to fund exploration activities; (b) The grace period for the loans, in case of exploratory success, will be increased to 6 years; (c) IDB loan resources will be used for power plants and transmission lines after a geothermal resource has been proven; and (d) one sole drilling contract will be awarded by which drilling services will be made available to all interested developers.

26. Second Urban Infrastructure Project – Ukraine: The project continues to experience delays due to the internal procedures such as approval of design documentation, lengthy bids evaluation and contract awards, registration of foreign contractors and consultants, opening of representative offices by foreign contractors/consultants, lengthy process to acquire construction permits, problems with payments, etc. The IBRD team continues to provide direct support to the client to address these issues. To minimize procurement delays and accelerate implementation progress, the Bank requested that district water utilities and the Ministry of Regional Development, Construction, Housing and Communal

Services which houses the Central Project Management Unit make several changes to coordination and follow up with other government agencies and between stakeholders.

27. District Heating Energy Efficiency Project – Ukraine: The project envisaged the installation of individual heat substations by 10 district heating companies across Ukraine. Due to the unrest on the Eastern part of the country and governance issues related to procurement and taxation, three cities were removed from the scope the project. This resulted in a reduction of the number of participating utilities from ten to seven, and in a cancellation of USD 109.95 million from the IBRD loan (the current balance is USD 222.05 million). In addition, the Bank and the Ukrainian authorities have agreed to formally remove a fourth company (operating in the city of Chernihiv) from the project, due to inadequate collateral provided to the Ministry of Finance by the utility to cover the Ministry of Finance's exposure. The client and the IBRD team will revise the design of the project in an upcoming restructuring which will be submitted to the CTF Trust Fund Committee for consideration.

28. Cebu Bus Rapid Transit Project – Philippines: A group of Cabinet secretaries agreed, on April 25th, to hire technical service consultants to review the project, two weeks after the Transportation Secretary and the Presidential Assistant recommended to cancel it. The Presidential Assistant believes a Light Rail Transit (LRT) is the more viable solution for Cebu's traffic congestion.

29. Table 2 illustrates that two projects (vs. four as of June 30, 2017) representing USD 263M (vs. USD 545M as of June 30, 2017) of approved funding have been flagged under the second criterion. Of these two projects, one had also been flagged as of June 30, 2017, (Eskom CSP).

Table 2. CTF Public Sector Projects within 15 months of Closing, but which have disbursed < 50% of approved funds (USD millions)

Project Title	Country	MDB	MDB approved funding	Cumulative disbursement (as of Jun 2017)	% disbursed	Financial closure date	Months before Financial closure
Market Transformation through Introduction of Energy Efficient Electric Vehicles Project	Philippines	ADB	13.1	0.2	1.8%	Jun-18	6
Eskom Renewable Support Project - CSP	South Africa	IBRD	200.0	-	0.0%	Dec-18	12
		AFDB	50.0	-	0.0%	Dec-18	12

ii. Currency Risk via Promissory Notes – the risk that fluctuations in currency exchange rates will cause the value of the foreign currency in which a promissory note is denominated to decline.

30. The primary source of currency risk exposure for the CTF remains the outstanding (unencashed) foreign currency denominated promissory notes. GBP-denominated promissory note contributions to the CTF total almost GBP 1.130 billion. There have been no further encashments since September 30, 2017, and GBP 517 million of these promissory notes remained outstanding as of March 31, 2018.

31. Since the December Risk Report (which presented exposure information as of September 30, 2017), the value of the GBP has increased by 4.6%.

32. Table 3 illustrates that it is very likely that the CTF will realize a moderate (relative to the size of the program) decline in available resources due to the currency risk exposures via GBP-denominated promissory notes. However, this unrealized decline in the value of the outstanding promissory notes has decreased to USD 66 million from USD 100 million as reported at September 30, 2017 due to the appreciation of the GBP.

Table 3: CTF Currency Risk Exposure Summary

Currency Risk Exposure (Millions) as of March 31, 2018							
Program/ Subprogram	Original Amount Pledged/ Received	Pledged Amount Outstanding/ Unencashed	Realized Currency Gain/ (Loss)	Unrealized Currency Gain/ (Loss)	Risk Likelihood	Risk Severity	Risk Score
CTF	£1,130.00	£517.07	($47.27)	($65.70)	Very Likely	Moderate	**High**

iii. Credit Risk – the risk that a CTF financing recipient will become unwilling or unable to satisfy the terms of an obligation to an MDB in its capacity as an originator and servicer of the CTF's outgoing financing.

33. Exposure to this risk could lead to insufficient available resources in the CTF for the Trustee to repay loan contributors. Additionally, the viability and success of a project can be affected by a recipient's financial solvency.

34. The primary source of credit risk exposure for the CTF is incurred through the funds it commits for public sector (75% of the portfolio) and private sector (25% of the portfolio) loans. Credit risk exposure incurred through other instruments (e.g. guarantees) is minimal.

Update on Loans which had Experienced Payment Defaults

35. In January 2018, the EBRD reported that a borrower (CTF loan amount = EUR 2 million) missed a scheduled repayment of EUR 560k, due 30 November 2017 (EUR394k/EUR166k principal/interest) associated with the Rokytne Biogas project. However, a partial payment was made on 1 December 2017, and a subsequent partial payment was made on 13 February 2018. All remaining outstanding amounts were fully remitted by 20 February 2018 and the borrower is current with all payments at present. This loan is no longer experiencing a payment default.

36. EBRD has extended the grace period for CTF loan (EUR 5.6 million) associated with the Ivankiv project to August 2018, and the maturity to August 2028. The average CTF loan life has increased by 2 years, while the average life of the associated EBRD loan has increased to 2.75 years. EBRD is not writing off any principal at this stage and still expects to recover all principal over time. This loan is no longer experiencing a payment default.

Update on Loans which are Currently Experiencing Payment Defaults

37. As of March 31, 2018, two other private sector CTF loans (EUR 15.5 million, and USD 12 million) were experiencing payment defaults.

Table 4: CTF Loans Experiencing Payment Defaults as of March 31, 2018

Loan Amount	Currency	Missed Interest Payments		Missed Principal Payments		Default Interest
		Date	Amount	Date	Amount	
15,500,000	EUR	03/2015-03/2018	1,909,418		-	143,525
12,065,953	USD	8/1/2017	245,688	8/1/2017	96,528	
		2/1/2018	245,029	2/1/2018	90,495	9,150

Eskom Renewable Energy Project CSP – South Africa

38. In November 2017, amidst concerns about a number of governance and compliance issues, including severe allegations of wrongdoing against members of Eskom management as well as compromised internal controls and procurement processes, the World Bank and five other financial institutions[4] supporting Eskom capital investment expansion program, sent a letter to South Africa's Public Enterprises Minister, requesting the appointment of a complete board ensuring that the members have no conflicts of interest, no allegations of fraud or corruption, and have adequate qualifications and experience for the positions.

39. The World Bank and other financiers have been following up on an action plan for Eskom which includes measures on Audit qualification and Compliance Reporting. Out of nine actions Eskom has addressed eight, and the remaining one is not yet due.

40. On January 20, 2018, South Africa's Deputy President announced a new Board of Directors for Eskom.

41. On January 26, 2018, Moody's downgraded Eskom's credit rating to B1 citing further deterioration in Eskom's financial and liquidity position.

42. On January 29, 2018, the new Eskom chairman informed Eskom stakeholders that Eskom planned to appoint the new CEO and CFO within three months. The World Bank was subsequently informed that both positions would be filled during the month of May 2018.

43. On March 28, 2018, Moody's downgraded Eskom's credit rating further to B2 citing a lack of clarity regarding Eskom's plans to stabilise its finances. Moody's also said that the replacement of the board had decreased the likelihood of imminent near-term default.

[4] African Development Bank, African Development Fund, the French development agency AFD, European Investment Bank and KfW

44. In April 2018, Eskom's acting CFO acknowledged that Eskom would continue to face going-concern challenges in the current year.

45. At this time, the financiers for the project are satisfied with Eskom's progress in addressing their concerns, and continue to monitor the situation closely. Eskom's performance and actions will remain under close scrutiny, given the effect of Eskom's potential failure/ underperformance on the CTF renewable energy portfolio in South Africa.[5]

Public Sector Exposure

46. All CTF public sector loans are extended directly to externally rated sovereigns, or to entities guaranteed by externally rated sovereigns. Presently the CTF is exposed to 11 sovereigns with ratings ranging from triple-C (Ukraine) to Single-A (Mexico).

47. Table 5 summarizes the public sector rating changes which occurred between September 30, 2017 and March 31, 2018.

Table 5: Credit Rating Change Summary for CTF Public Sector Loan Recipients

	9/30/2017				3/31/2018			
Country	S&P	Moody's	Fitch	Weakest Rating	S&P	Moody's	Fitch	Weakest Rating
Colombia	BBB	Baa2	BBB	BBB	BBB-	Baa2(N)	BBB	BBB-
Egypt	B-	B3	B	B-	B-(P)	B3	B(P)	B-
India	BBB-	Baa3(P)	BBB-	BBB-	BBB-	Baa2	BBB-	BBB-
Indonesia	BBB-	Baa3(P)	BBB- (P)	BBB-	BBB-	Baa3(P)	BBB	BBB-
Mexico	BBB+(N)	A3(N)	BBB+	BBB+	BBB+	A3(N)	BBB+	BBB+
Morocco	BBB-	Ba1(P)	BBB-	BB+	BBB-	Ba1(P)	BBB-	BB+
Philippines	BBB	Baa2	BBB-(P)	BBB-	BBB	Baa2	BBB	BBB-
South Africa	BB+(N)	Baa3(N)	BB+	BB+	BB	Baa3	BB+	BB
Turkey	BB (N)	Ba1(N)	BB+	BB	BB(N)	Ba2	BB+	BB
Ukraine	B-	Caa2(P)	B-	Caa2	B-	Caa2(P)	B-	Caa2
Vietnam	BB-	B1(P)	BB-(P)	B+	BB-	B1(P)	BB-(P)	B+

48. The CIFAU uses the five-year probability of default (PD)[6] and loss given default (LGD) associated with each rating to estimate the expected loss rate[7] associated with the public-sector loan portfolio. The CIFAU refined its rating assessment methodology to be based on:

    I. the more recent *Moody's Annual Default Study: Corporate Default and Recovery Rates, 1920-2016*; and

[5] Eskom Renewable Support Project – Wind, Xina, and Ka Xu
[6] As published in *Moody's Annual Default Study: Corporate Default and Recovery Rates, 1920-2016*.
[7] Expected Loss Rate = PD x LGD.

II. more granular individual rating notches (i.e. BBB vs. BBB-) rather than rating categories (i.e. BBB vs BB).

49. These refinements resulted in a decline in expected losses for the public sector loan portfolio to 4.4% from 4.8% as reported at September 30, 2017 (see Table 6), and the weighted average credit rating of the public sector portfolio remains BB.

Table 6: CTF Public Sector Loan Commitments Credit Risk Exposures by Country

Public Sector CTF Loan Portfolio - Credit Risk Exposures as March 31, 2018									
			Credit Rating						Expected Portfolio
Beneficiary Country	Loan Amount	Weakest Rating	S&P	Moody's	Fitch	PD	LGD		Loss Rate
Colombia	89,265,000	BBB-	BBB-	Baa2	BBB	2.3%	56.5%		
Egypt, Arab Republic of	149,750,000	B-	B-	B3	B	28.1%	62.1%		
India	714,000,000	BBB-	BBB-	Baa2	BBB-	2.3%	56.5%		
Indonesia	125,000,000	BBB-	BBB-	Baa3	BBB	2.3%	56.5%		
Mexico	369,514,000	BBB+	BBB+	A3(N)	BBB+	1.2%	56.5%		
Morocco	633,950,000	BB+	BBB-	Ba1	BBB-	5.5%	58.8%		
Philippines	57,201,690	BBB	BBB	Baa2	BBB	1.5%	56.5%		
South Africa	350,000,000	BB	BB	Baa3	BB+	6.3%	58.8%		
Turkey	150,000,000	BB	BB	Ba2	BB+	6.3%	58.8%		
Ukraine	148,425,000	CCC	B-	Caa2	B-	39.0%	62.5%		
Vietnam	177,900,000	B+	BB-	B1	BB-	17.3%	62.1%		
Total Exposure	**2,965,005,690**								
Weighted Average			**BB**			**7.5%**	**58.3%**		**4.4%**

Private Sector Exposure

50. The remaining 25% of the CTF's loan commitments are to private sector entities for which publicly available information is much more limited. The CIFAU therefore uses the MDBs' internal risk assessments[8] of the transactions, which are provided in the form of either S&P-equivalent ratings or estimated PDs, to calculate a weighted average credit rating, PD, LGD and expected loss rate for the private sector portfolio (see Table 7).

[8] Presently EBRD, IDB and IFC provide internal credit ratings or PDs assigned to their respective private sector CTF loans or loan portfolios. The resulting credit rating for the combined portfolio of private sector CTF loans originated and serviced by these three MDBs is then applied to the entire portfolio of private sector CTF loans.

Table 7: CTF Public and Private Sector Loan Commitments Credit Risk Exposure Summary

Loan Portfolio Credit Risk Exposure (as of 3/31/2018)									
Sector	Portfolio Risk Rating	Total Committed Loans (MM USD equivalent)[9]	Estimated Probability of Default (PD)6	Estimated Loss Given Default (LGD)[1]	Expected Loss Rate[2]	Expected Losses (MM USD equivalent)[3]	Notional Amount of Loans Experiencing Payment Defaults[4] (MM USD equivalent)	# of Defaulted or Impaired Loans	Actual Losses and Provisions vs. Total Committed Loans
Public	BB[5]	2,965.0	7.5%	58.3%	4.4%	130.1	0	0	0%
Private	B+[7,8]	985.4	19.5%	52.5%	10.2%	97.6	31.2	2	3.2%

1. LGDs are based on the Portfolio Risk Rating's mapping to the Recovery Rate associated with Moody's credit rating equivalent as published in *Moody's Annual Default Study: Corporate Default and Recovery Rates, 1920-2016 (* i.e. LGD = 1 - Average Sr. Unsecured Bond Recovery Rate from the period of 1983-2016).
2. Expected Loss Rate = PD x LGD, and does not take into account any correlations between the performance of loans within the portfolio
3. Expected Losses are in addition to Actual Losses.
4. See Table 4 for actual amounts of missed payments.
5. Derived based on the mapping of the portfolio's Estimated PD to the corresponding rating agency credit rating as published in *Moody's Annual Default Study: Corporate Default and Recovery Rates, 1920-2016*
6. Represents the weighted average PD (weighted by loan amount) associated with the external rating agency credit rating assigned to each recipient (in the case of split ratings, the PD associated with the lowest of Fitch, Moody's and S&P ratings is used) as of March 31, 2018. 5-year Average Cumulative Issuer-Weighted Global Defalt Rates from the period of 1983-2016 as published in *Moody's Annual Default Study: Corporate Default and Recovery Rates, 1920-2016* are used.
7. Based on internal credit ratings or PDs assigned to their respective private sector CTF loans by reporting MDBs (EBRD, IDB and IFC), weighted by loan amount. The resulting credit rating for the combined portfolio of private sector CTF loans administered by these three MDBs is then applied to the entire portfolio of private sector CTF loans.
8. Methodologies used to calculate credit ratings and PDs may differ between MDBs, as well as between a given MDB and the external rating agencies
9. Information pertaining to Committeed Loans is provided by the Trustee.

III. NEXT STEPS

51. As the CIFAU continues to implement the CIF's ERM Framework, the CIFAU will endeavor to undertake the following actions and initiatives.

    I. Implement a fraud risk reporting framework by Q2 FY 2019.

    II. Circulate a paper for TFC approval, proposing risk tolerance levels for each risk which is identified, assessed, monitored and reported via the risk dashboards by the end of June 2018.

    III. Work with the MDBs to clarify terminology for the private sector equivalent of Effective Date and Financial Closing Date, and explore whether the CIFAU may gather these data points and aggregate private sector projects' exposure to implementation risk by end of FY 2019.

    IV. Assess, monitor and report interest risk exposures (on the risk dashboards) incurred through private sector lending activities (all public sector loans are fixed rate loans) by end of FY 2019.

    V. Stress test expected credit losses associated with the CTF's loan portfolio by Q2 FY 2019.