

# CLIMATE INVESTMENT FUNDS

CTF/TFC.5/3  
March 5, 2010

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Meeting of the CTF Trust Fund Committee  
Manila, Philippines  
March 15, 2010

## **TRUSTEE REPORT ON FINANCIAL STATUS OF THE CTF**

### **Proposed Trust Fund Committee Decision**

The Trust Fund Committee welcomes the report of the Trustee on the CTF Trust Fund document, CTF/TFC.5/3) and takes note of the status of pledges, contributions and total receipts to the CTF; the funding availability of the CTF Trust Fund; and the update of activities undertaken by the Trustee to manage the CTF Trust Fund.

The Trust Fund Committee encourages all contributors that have not yet completed a Contribution Agreement with the Trustee to do so expeditiously and to take steps to advance their payments to the Trust Fund.

The Trust Fund Committee welcomes the analysis prepared by the Trustee and the MDBs on the costs of keeping track of investment income to be earned on administrative budgets of the MDBs, and agrees [that given the small projected gain to the Trust Fund (less than USD40/year per MDB), and in the interest of cost effectiveness, the investment income earned on the MDB Administrative budget may be retained by the MDBs] [that the MDBs should be requested to return the investment income earned on the Administrative Budget to the CTF Trust Fund.]

## **Introduction and Portfolio Summary**

1. This report of the Trustee provides the Trust Fund Committee of the Clean Technology Fund (CTF) with information on the financial status of the CTF Trust Fund. The paper is divided into six sections. Following this Section I of introduction and portfolio summary, Section II presents the status of pledges, contributions and total receipts to the CTF; Section III discusses the endorsed CTF Investment Plans; Section IV reports on the total funding decisions made by the CTF Trust Fund Committee; Section V shows funding availability of the CTF Trust Fund; and Section VI reports on the update of activities undertaken by the Trustee to manage the CTF Trust Fund.

2. Table 1 presents an overall portfolio summary of the CTF Trust Fund as of January 31, 2010. The total pledges including contributions effective amount to USD eq. 4.4 billion, as further described in Section II. The funding decisions made by the CTF Trust Fund Committee and funding availability are discussed in detail in Section IV and Section V, respectively.

3. The decrease in the total pledges to the CTF is mainly driven by expectations as to the reallocation of the CTF pledge made by the U.S. to the SCF; it is important to note that the U.S. allocation across programs/fund is indicative and only based on an extrapolation of current U.S. allocation.

**CLEAN TECHNOLOGY FUND**  
**Table 1: Portfolio Summary**  
Updated as of January 31, 2010  
(in USD millions) a/

<b><u>1. Pledges / Contributions Effective</u></b>		<b>4,378</b>
a. Pledges	3,474	
b. Contributions effective	904	
<b><u>2. Resource Envelope</u></b>		<b>4,379</b>
a. Pledges	3,474	
b. Resources received from Contributors	492	
c. Installment receivables	412	
d. Investment income	1	
<b><u>3. Funding Decisions</u></b> b/		<b>449</b>
a. CTF Trust Fund Committee approved funding	449	
of which disbursed	27	
<b><u>4. Funding Availability</u></b>		<b>31</b>
a. Funds held in Trust with no restrictions c/	453	
b. (-) Amounts set aside or committed pending disbursements	422	

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a/ Valued on the basis of exchange rates of January 31, 2010.

b/ Funding Decisions include projects, fees and administrative budgets.

c/ Funds held in Trust with no restrictions represent the balance in the trust fund account, excluding the pledges and receivables.

### **Status of Pledges, Contributions and Total Receipts**

4. Table 2 shows the status of pledges, contributions and total receipts to the CTF Trust Fund. Pledges represent a donor’s expression of intent to make a contribution. The total amount pledged by eight countries<sup>1</sup> to the CTF is USD eq. 4.4 billion as of January 31, 2010. The decrease in the total pledges to the CTF is mainly driven by expectations as to the reallocation of the CTF pledge made by the U.S. to the SCF; it is important to note that the U.S. allocation across programs/fund is indicative and based only on an extrapolation of current U.S. allocation.

5. Effective contributions represent conversion of pledges into commitments by way of countersigned Contribution Agreements/Arrangements. Table 2 shows the amount of contribution specified in the agreement/arrangement (“Total”), the amount of contribution received by the Trustee (“Receipts”) and the amount of the contribution yet to be paid-in (“Outstanding”).

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<sup>1</sup> This includes the amount allocated to the Clean Technology Fund by the United Kingdom through the Strategic Climate Fund.

6. To make a contribution to the CTF, each contributor needs to enter into a Contribution or Loan Agreement/Arrangement with the Trustee. Contributors may make contributions in the form of (i) a Grant Contribution, (ii) a Capital Contribution, or (iii) a Loan Contribution. Grant or Capital Contributions to the Trust Fund may be made by means of payment in cash, or with the agreement of the Trustee, by the delivery to the Trustee of promissory notes payable on demand or similar obligations in a form acceptable to the Trustee. Loan Contributions may be made by means of payment in cash.

7. The Trustee is negotiating with the remaining four contributors to formalize their pledges to the CTF through a Contribution or Loan Agreement<sup>2</sup>. Since last reported, the Trustee received a payment of EUR 20 million from Spain, representing the second installment of its contribution.<sup>3</sup>

<b>CLEAN TECHNOLOGY FUND</b>						
<b>Table 2: Status of Pledges, Contributions and Receipts</b>						
as of January 31, 2010						
(in millions)						
<b>Contributor</b>	<b>Contribution Type</b>	<b>Currency</b>	<b>Pledges</b>		<b>Effective Contribution d/</b>	
			<b>Amount a/</b>	<b>Total</b>	<b>Receipts</b>	<b>Outstanding</b>
Australia	Grant	AUD	100	100	50	50
France	Loan	EUR	203	-	-	-
Germany	Loan	EUR	500	-	-	-
Japan	Grant	USD	1,000	-	-	-
Spain	Capital	EUR	80	80	30	50
Sweden	Grant	SEK	600	600	300	300
United Kingdom	b/ Capital	GBP	385	385	230	155
United States	c/ Grant	USD	1,492	-	-	-

a/ Total value amounts to USD eq. 4.4 billion.  
b/ Amount pledged under the Strategic Climate Fund and allocated to the Clean Technology Fund.  
c/ The total pledge made by the US to the CIFs remains \$2 billion; the allocation across the programs is indicative and based on an extrapolation of current U.S. allocations.  
d/ Represents countersigned contribution agreement/arrangement.

### **CTF Investment Plans endorsed by the CTF Trust Fund Committee**

8. CTF Investment Plans, developed under the leadership of, and agreed with, the relevant government; outline the proposed use of CTF resources in recipient countries in major sectors of the economy through a joint MDB program. Investment Plans are submitted to the CTF Trust Fund Committee to endorse the further development of activities for CTF financing and to facilitate prioritization of the pipeline of projects.

<sup>2</sup> The Contribution Agreement with Japan will be finalized shortly (the Trustee is waiting for countersignature of the Agreement from Japan.)

<sup>3</sup> The Trustee received a second installment from Australia in the amount of AUD 25 million in February 2010.

9. During the Inter-Sessional Meeting of the CTF Trust Fund Committee in December 2009, four Investment Plans were endorsed (Middle East and North Africa Region, Philippines, Thailand and Vietnam), which increased the total amount endorsed to USD 3.3 billion (Table 3). As the CTF Trust Fund Committee may endorse an Investment Plan up to the amount pledged to the CTF (USD eq. 4.4 billion as of January 31, 2010), the balance remaining for Investment Plans is USD 1.1 billion.

<b>CLEAN TECHNOLOGY FUND</b>			
<b>Table 3: Investment Plan Balances</b>			
Inception to January 31, 2010			
(in USD millions)			
Total Pledged Amount (USD mil eq.) a/	4,378		
Investment Plans Endorsed to date	<u>3,250</u>		
<b>Balance for IPs</b>	<b>1,128</b>		
	Amount	Project	
<u>Country</u>	<u>Endorsed</u>	<u>Approved</u>	<u>Balance</u>
<b>Endorsed IPs as of January 2010</b>			
Egypt	300	-	300
Mexico	500	269	231
Turkey	250	165	85
Morocco	150	-	150
South Africa	500	-	500
Middle East and North Africa	750	-	750
Philippines	250	-	250
Thailand	300	-	300
Vietnam	250	-	250
<b>Total</b>	<u>3,250</u>	<u>434</u>	<u>2,816</u>
a/ Valued on the basis of exchange rates of January 31, 2010.			

## Funding Decisions

10. The cumulative funding decisions made by the CTF Trust Fund Committee as of January 31, 2010 amount to USD 449 million, a net increase of USD 297 million since last reported (Table 4). The approved projects since the October meeting include IBRD's Urban Transport Transformation Project – Mexico (USD 200 million), IDB's Public-Private Sector Proposal for Mexico's Renewable Energy CTF Program – Mexico (USD 53 million) and EBRD's Private Sector Sustainable Energy Financing Facility – Turkey (USD 43 million).

11. The project proposal entitled, *South Africa: Eskom Investment Support Project*, submitted by IBRD was circulated to the CTF Trust Fund Committee members for their

review and approval of a CTF allocation of USD 250 million on February 12, 2010. The decision on approval will become effective when the Trustee confirms that sufficient funds are available in the CTF Trust Fund to finance this project.

<b>CLEAN TECHNOLOGY FUND</b>	
<b>Table 4: Cumulative Funding Decisions</b>	
Inception to January 31, 2010	
(in USD millions)	
Projects and Fees	434
Administrative Budget a/	15
<b>Total</b>	<b>449</b>
a/ Represents FY09 and FY10 Administrative Budget for the Trustee, the Administrative Unit and the	

### **Funding Availability**

12. Table 5 shows the Funds held in Trust for the CTF as of January 31, 2010 (USD eq. 466 million), based on the cumulative receipts and disbursements since inception. This amount is brought forward to Table 6 to calculate the Funding Availability for the CTF Trust Fund. Funding availability for the CTF Trust Fund Committee refers to Funds held in Trust with no restrictions less funding decisions pending disbursement. Accordingly, the net funding availability in the CTF Trust Fund as of January 31, 2010 amounts to USD eq. 31 million.

**CLEAN TECHNOLOGY FUND**  
**Table 5: Schedule of Receipts and Disbursements**  
Updated as of January 31, 2010  
(in USD millions)

<b><u>1. Cumulative Receipts</u></b>		<b>493</b>
a. Cash receipts and encashed promissory notes	440	
b. Unencashed promissory notes a/	51	
c. Investment income earned on undisbursed balance	1	
<b><u>2. Cumulative Disbursements</u></b>		<b>27</b>
a. Projects	20	
b. Administrative Budget	6	
<b><u>3. Funds held in Trust ( 3 = 1 - 2 )</u></b>		<b><u>466</u></b>

a/ Valued on the basis of exchange rates of January 31, 2010

**CLEAN TECHNOLOGY FUND**  
**Table 6: Schedule of Funds Available**  
Updated as of January 31, 2010  
(in USD millions)

<b><u>1. Funds held in Trust</u></b>		<b>466</b>
a. Cash and Investments	415	
b. Unencashed Promissory Notes a/	51	
<b><u>2. Financial Reserve</u></b> b/		<b>13</b>
<b><u>3. Funds held in Trust with no restrictions ( 3 = 1 - 2 )</u></b>		<b><u>453</u></b>
<b><u>4. Funding decisions pending disbursement</u></b>		<b>422</b>
a. Projects and Fees	414	
b. Administrative Budget	8	
<b><u>5. Amounts pending CTF Trust Fund Committee funding decisions</u></b>		<b>-</b>
<b><u>6. Funds available to support CTF Trust Fund Committee funding decisions ( 6 = 3 - 4 - 5 )</u></b>		<b><u>31</u></b>

a/ Valued on the basis of exchange rates of January 31, 2010.

b/ Represents amount reserved to cover foreign exchange fluctuations and minimum liquidity requirements.

## Update on Trustee Activities

13. **Investment Management:** Table 7 illustrates the composition of instruments in which the CTF Trust Fund portfolio was invested as of January 31, 2010. Assets held in



trust by the World Bank (as the Trustee) are maintained in a commingled investment portfolio (the “Pool”) for all trust funds administered by the World Bank. The assets in the Pool are managed in accordance with the investment strategy established for all trust funds administered by the World Bank. The Pool is actively managed so that the probability of incurring negative returns is no more than 1% over the applicable investment horizon.

<b>CLEAN TECHNOLOGY FUND</b>	
<b>Table 7. Asset Mix of the Trust Fund Portfolio</b>	
as of January 31, 2010	
<u>Asset Class</u>	<u>Percentage</u>
Govt	16.4%
Mortgage-backed Security	0.0%
Asset-backed Security	7.6%
Agency	4.6%
Sovereign/Govt Gtd	10.9%
Money Markets/Fin. Inst	60.3%
Corporates	0.2%
	<u>100.0%</u>

14. As of January 31, 2010, the CTF Trust Fund has earned investment income of approximately USD 1.2 million on the undisbursed balance of the Trust Fund. The investment income return over the period of June 2009 through January 2010 was approximately 0.75%.

15. **Investment Income Earned on Administrative Budgets:** At its meeting in October 2009, the CTF Trust Fund Committee requested the Trustee and the MDBs to provide additional information on the issue concerning investment income earned on the MDB administrative budgets. The Trustee requested all the MDBs to submit estimated income earned against the MDB administrative budgets not yet expensed and costs associated with keeping track of the income separately from other incomes. Based on the data submitted by the MDBs using their own assumptions on interest rates and annual holding balance for FY10, the average projected income to be earned on the administrative budget is USD 900 and estimated cost associated with keeping track of the investment income separately is USD 861, resulting in a **net gain of USD 39.00** per year to the CTF Trust Fund.

16. The Trustee and the MDBs have agreed that despite the manual efforts and higher expected costs for some MDBs to separate the investment income earned on the administrative budgets from that of their corporate earnings, the MDBs will return all investment income earned on the unspent administrative budget to the Trust Fund if the Trust Fund Committee requests to do so.

17. **Accounting and Reporting:** At the October CTF Trust Fund Committee meeting, the Trustee agreed to provide each Committee member and Contributor with copies of the calendar year 2009 audited cash-based financial statements and auditors' reports for the CTF Trust Fund. The Trustee is currently working with its external auditors to finalize the CY09 audited financial statements, and as soon as it is completed, the Trustee will be sending the audited financial statements, including the auditor's reports, by email and by courier. In addition, the audited financial statements will be posted on the CIF website for public dissemination.

18. **Systems Development:** The Trustee, the CIF Administrative Unit, and the MDBs have begun discussions on development of an automated system platform for sharing of data electronically across the MDBs, CIF Administrative Unit and the Trustee. The Trustee and the CIF Administrative Unit visited each MDB for a meeting with their operational, accounting and Information Technology ("IT") staff to ensure the functional specifications for the system are in line with those of the MDBs. The Trustee's IT team has initiated its work of designing the Trustee system based on the outcome of the meetings.