

CLIMATE INVESTMENT FUNDS

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Meeting of the CTF Trust Fund Committee
Washington D.C.
May 2-3, 2013

REPORT ON THE FINANCIAL STATUS OF THE CTF

(PREPARED BY THE TRUSTEE)



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Introduction

The information contained in this report is prepared based on financial information as of December 31, 2012.

The Clean Technology Fund (CTF) is one of the Climate Investment Funds (CIF) that was established in 2008 to scale-up assistance to developing countries until the framework on climate change is agreed. The CIF's financial architecture is rooted in two trust funds. The Clean Technology Fund (CTF) finances scaled-up demonstration, deployment, and transfer of clean technologies, by piloting investments in countries or regions with potential for significant greenhouse gas (GHG) abatement. The Strategic Climate Fund (SCF) finances three programs that pilot new approaches with the potential for scaling up: the Forest Investment Program (FIP), Pilot Program for Climate Resilience (PPCR), and Program for Scaling Up Renewable Energy in Low-Income Countries (SREP).

This report is produced by the Trustee in accordance with the Trustee's role as set forth in the paper entitled Governance Framework for the CTF Trust Fund which states:

"The Trustee will provide to the CTF Trust Fund Committee regular reports on the financial status of the Trust Fund, as agreed between the Trustee and the CTF Trust Fund Committee."

This report provides (i) a snapshot of the financial situation of the CTF Trust Fund since its inception to December 31, 2012 and some of the recent developments from October 1, 2012 to December 31, 2012; (ii) the status of pledges and contributions, and (iii) the details of financial activities of the CTF Trust Fund.



CTF Trust Fund Financial Summary as of December 31, 2012¹

Pledges and Contributions:

As of December 31, 2012, nine donors pledged USDeq. 4.9 billion to the CTF Trust Fund, of which USDeq. 4.2 billion was confirmed through signed Contribution/Loan Agreements or Contribution Arrangements. Of the total amount of Contribution/Loan Agreements and Contribution Arrangements, the Trustee has received USDeq. 4.1 billion in cash and promissory notes, of which USDeq. 108 million was received between October 1, 2012 and December 31, 2012.

Investment Income:

As of December 31, 2012, the CTF Trust Fund earned investment income of approximately USD 60 million on the undisbursed balance of the Trust Fund. The CTF Trust Fund liquid portfolio has returned 1.04% in the calendar year 2012.

Funding Approvals and Trustee Commitments:

As of December 31, 2012, CTF Trust Fund Committee endorsed 16 Investment Plans for a total amount of proposed CTF funding of USD 5.6 billion.²

As of December 31, 2012, cumulative funding decisions by the CTF Trust Fund Committee amounted to USDeq. 2.3 billion. This represents an increase of USDeq. 232 million since September 30, 2012. Of the total amount approved USDeq. 2.3 billion was for projects and project preparation activities, USD 12.9 million was for MDB costs for project implementation services (MPIS costs), and USD 30.9 million was for administrative expenses of the CTF.

Based on the funding decisions by the CTF Trust Fund Committee, the Trustee has committed a total of USDeq. 2.3 billion to the MDBs.

Cash Transfers:

Cash transfers were made to MDBs on an as-needed basis to meet their projected disbursement requirements. The Trustee has transferred USDeq. 695 million, of which USDeq. 150 million has been transferred between October 1, 2012 and December 31, 2012. As a result, USDeq. 1.7 billion remains payable to MDBs as of December 31, 2012.

Funds Held in Trust and Funds Available for CTF Trust Fund Committee decisions:

Funds Held in Trust reflect financial activities related to donor payments (cash and promissory notes), encashment of promissory notes, investment income, cash transfers, and the revaluation of the balance of promissory notes at month-end. Funds Held in Trust as of December 31, 2012 amounted to USDeq. 3.4 billion.

Funds available to support CTF Trust Fund Committee decisions amounted to USD 1.6 billion as of December 31, 2012.

This represents a decrease of USD 127 million as compared to September 31, 2012. The receipt of new funds from donors between October 1, 2012 and December 31, 2012 was offset by the funding approvals by the CTF Trust Fund Committee during the same period.

¹ Figures may not add due to rounding.

² Investment Plans for Nigeria, Chile, India and Turkey (Stage 2), were endorsed contingent upon the availability of funds beyond what is planned for in the current pipeline.



Update on Trustee Activity

In FY13, work continued on the development of an automated and secure systems platform to support the Clean Technology Fund and Strategic Climate Fund Trust Funds. The system supports Trustee financial operations as well as CIF program operations, specifically pipeline management and related workflow between the MDBs, CIF Administrative Unit, and the Trustee. The system platform will leverage other existing platforms owned by the World Bank and will be available for other Financial Intermediary Funds managed by the World Bank. The objective of this initiative is to create an integrated technology platform, effective tools for communicating and collaborating with partners and clients, and streamlined reporting and analytics.

Development of a database in the World Bank's financial accounting system (SAP) is underway. This database will be used to store and manage project/program information and will be fully integrated with the Trustee database and is the major focus of the technology platform development. The CIF has been a champion and early adopter for this platform and will be the first to move their pipeline management processes to SAP. The development of a shared database contributes to a standardized platform for FIFs in order to ensure data integrity, eliminate costly reconciliations including those required due to audit findings, and provide a single source of data for management and decision making. In addition, since SAP is the World Bank's Enterprise Resource Planning system, all hardware and software licenses and upgrades are supported by the World Bank's technology teams. SAP is secure, supports full audit trails, and benefits from the protection of the World Bank's firewalls. The data is backed up and is protected in the case of server faults or the need for contingency operations.

To date, key project outputs are:

- a) Current state business operations and technology functions of all of the in-house FIF secretariats analyzed and documented, gaps and opportunities identified, and tools created to assist in the development of the business requirements and automated workflow designs for the FIF platform. The CIF Administrative Unit staff participated in these consultations and provided information on their current business operations and future state requirements.
- b) Business and functional requirements developed for the two phases of the IT system (data requirements, customization requirements, screens, workflow design, etc.). The early phases of this project are addressing some of the key issues identified during the consultations with the CIF Administrative Unit such as storage of data on multiple spreadsheets and lack of a single source of data for reporting.
- c) A pilot secure external interface was developed, in collaboration with UNIDO, to exchange project information such as milestone dates, disbursements, cancellations, and financial closures. The data exchange pilot was successful and will be rolled out to other implementing agencies.

Development and testing of the FIF SAP database is targeted for completion at the beginning of Q1 of FY14 (July 2013). The CIF Administrative Unit will be participating in early testing and rollout and will also engage with the Trustee in refining reporting requirements.

1. CTF Trust Fund Summary – Inception through December 31, 2012

In USD millions

	Total	% of Total
<u>Donor Pledges and Contributions</u>		
Contributions	4,159	84%
Pledges	778	16%
Total Pledges and Contributions	4,937	100%
<u>Cumulative Resources</u>		
<u>Resources received</u>		
Cash Receipts	3,360	67%
Unencashed promissory notes	713	14%
Investment Income earned	60	1%
Total Resources Received	4,133	83%
<u>Resources not yet received</u>		
Contributions not yet paid	86	2%
Pledges	778	16%
Total resources not yet received	864	17%
Total Potential Resources (A)	4,997	100%
<u>Cumulative Funding Decisions</u>		
Projects	2,300	98%
MPIS Costs	13	1%
Administrative Budgets	31	1%
Other a/	1	0%
Total Funding Decisions Net of Cancellations (B)	2,345	100%
Principal Repayments and Interest Payments net of Reflows (C)	17	
Total Potential Resources Net of Funding Decisions (A) - (B) - (C)	2,636	
<u>Funds Available</u>		
Funds Held in Trust with no restrictions	3,315	
Amounts Pending Cash Transfers	1,693	
Total Funds Available to Support CTF Trust Fund Committee decisions	1,622	

a/ Represents costs for the preparation related to an independent evaluation of the CIF.

2. Pledges and Contributions

In USD millions

Contributor	Contribution Type	Currency	Pledges Outstanding and Contributions Finalized			Historical Value of Total in USD eq. a/ (1)	Current Value of Total in USD eq. b/ (2)	FX changes (3) = (2) - (1)	Receipts in USD eq. b/
			Pledges Outstanding	Contributions Finalized	Total				
Australia	Grant	AUD	-	100	100	84	86	2	86
Canada	Loan	CAD	-	200	200	193	199	6	199
France	c/ Loan	EUR	-	203	203	300	268	(33)	268
Germany	d/ Loan	EUR	-	500	500	739	615	(124)	615
Japan	e/ Grant	USD	-	1,000	1,000	1,000	1,114	114	1,114
Spain	Capital	EUR	-	80	80	118	109	(9)	70
Sweden	Grant	SEK	-	600	600	92	80	(13)	80
United Kingdom	f/ Capital	GBP	-	610	610	1,135	973	(161)	927
United States	g/ Grant	USD	778	714	1,492	1,492	1,492	-	714
						5,154	4,937	(218)	4,073

a/ Represents pledges valued on the basis of exchange rates as of September 25, 2008, the CIF official pledging date.

b/ Represents realized amounts plus unrealized amounts valued on the basis of exchange rates as of December 31, 2012.

c/ France pledged EUR 500 million, including: 1) concessional loan of USD 300 million and 2) USD 200 million in co-financing from the French Development Agency (ADF). The second commitment was fulfilled with ADF loans to solar power projects of South Africa (USD 144 million in January 2012) and Morocco (USD 124 million in July 2011) under the Clean Technology Fund.

d/ The EUR 500 million pledge was committed in USD in the amount of USD 615 million.

e/ The USD 1 billion pledge was committed in JPY in the amount of JPY 93 billion.

f/ Represents the amount pledged under the Strategic Climate Fund and allocated to the Clean Technology Fund.

g/ The total pledge made by the United States to the CIF is USD 2 billion; the allocation across the programs is indicative.

- The above table shows the total pledges outstanding and contributions finalized to the CTF. Pledges represent a Contributor's expression of intent to make a contribution and form the basis for the endorsement of CTF Investment Plans by the CTF Trust Fund Committee.
- The total pledges to the CTF now amount to USDeq. 5.2 billion, valued at the exchange rates available on the date of the Climate Investment Funds (CIF) pledging meeting. The current value of the pledges amounts to USDeq. 4.9 billion as of December 31, 2012 (a difference of USDeq. 218 million due to exchange rate movements).
- As of December 31, 2012, the Trustee had entered into Contribution/Loan Agreements and Contribution Arrangements with nine donors and received USDeq. 4.1 billion in cash and promissory notes to date from these donors.
- Of the total amount received from donors, USDeq. 2 billion (49%) was received as grant contributions, USDeq. 1.1 billion (27%) as loan contributions and USDeq. 1 billion (24%) as capital contributions.
- Pledges and unpaid donor contributions amount to USD eq. 864 million.

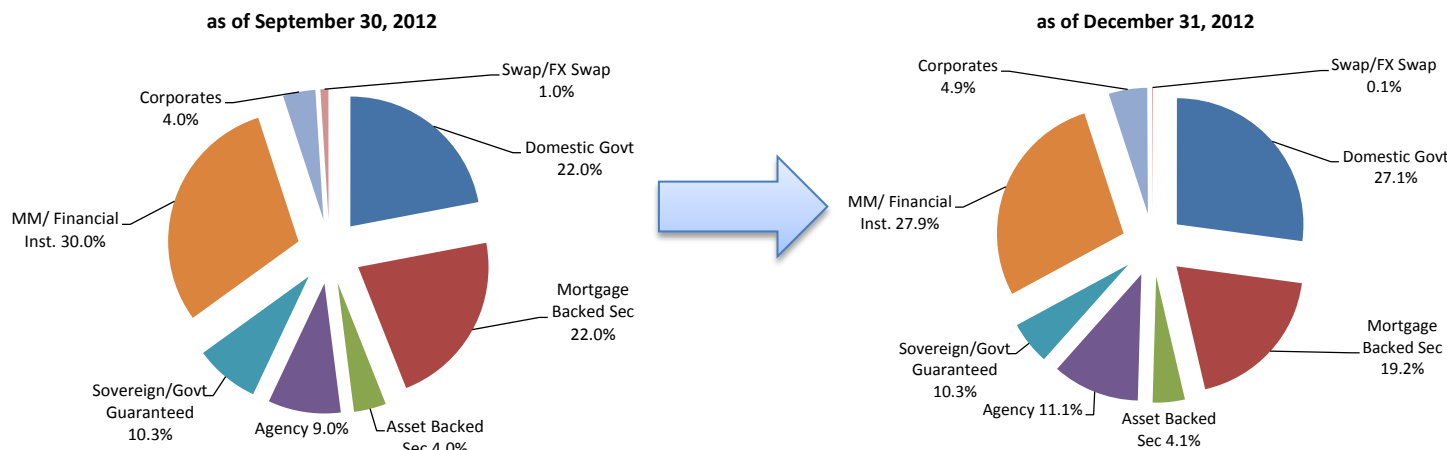


3. Asset Mix and Investment Income

The undisbursed cash balance of the CTF Trust Fund is maintained in a commingled investment portfolio (“Pool”) for all trust funds managed by IBRD and is allocated. The assets in the Pool are invested in accordance with the investment strategy established for all of the trust funds administered by the World Bank. Funds are invested so that the probability of incurring negative returns is no more than approximately 1% over the applicable investment horizon.

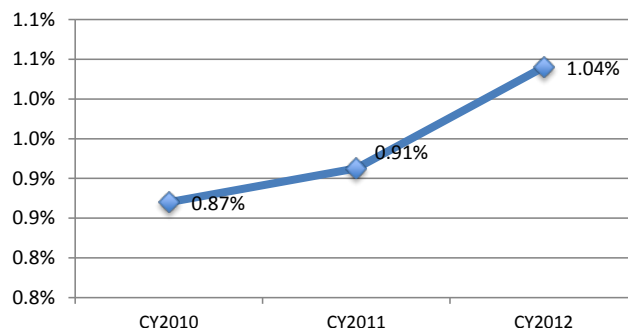
ASSET MIX

The portfolio allocation by asset class is dominated by government securities, mortgage backed securities (MBS) and money-market instruments. Allocations have been relatively stable over time; the largest shift was from MBS into government bonds, enabling the Trust Fund to capture gains from enhanced returns on these securities and to maintain the risk profile noted above.



INVESTMENT RETURNS

The CTF Trust Fund liquid portfolio (which totaled approximately USDeq. 3.4 billion at end-December 2012) earned approximately USD 60 million in investment income since inception. The portfolio’s performance continues to be modest as the level of fixed income yields continued to fall to historically low levels. The prevailing low interest rate environment and risk of upward moves in yields means returns on fixed income assets are likely to remain very low in the near term.

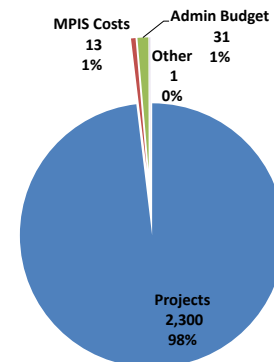


4. Cumulative Funding Decisions

In USD millions

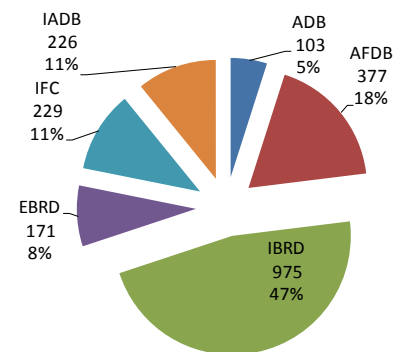
FUNDING DECISIONS BY ACTIVITY

Since inception to December 31, 2012 funding approvals made by the CTF Trust Fund Committee totaled USD eq. 2.4 billion. Projects, including project preparation grants, represent about 98%, MPIS costs 1%, and budgets for the Administrative Unit, Trustee and MDBs 1%.



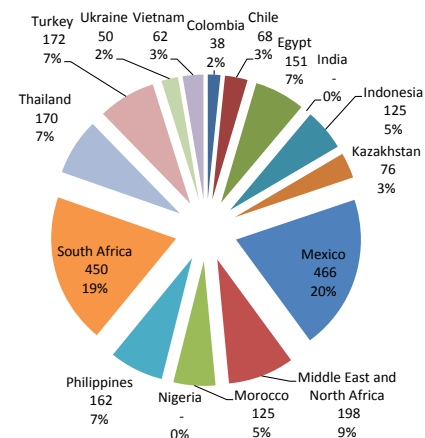
PROJECT AND MPIS FUNDING DECISIONS BY AGENCY

The pie chart shows the projects and fees funding decisions by MDB. Of the total USD 2.4 billion of approved projects and MPIS costs to date, 47 % has been allocated to IBRD, 18 % to AFDB, and 22 % to IDB and IFC.



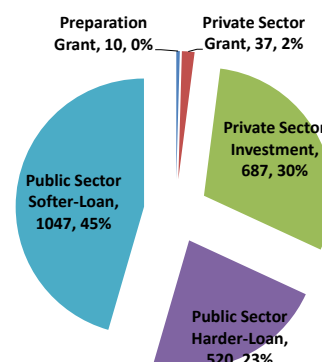
PROJECT FUNDING DECISIONS BY COUNTRY/REGION

The pie chart shows the breakdown of the cumulative project approvals by country/regional programs.



PROJECT FUNDING DECISIONS BY FINANCING PRODUCT

The pie chart shows the breakdown of the cumulative project funding decisions by financing type.³



³ Public sector harder concessional loan has terms of 0.75% interest, 20 years maturity and 10 years grace on principal repayments; public sector softer concessional loan has terms of 0.25% interest, 40 years maturity and 10 years grace on principal repayments. Private sector loan terms are negotiated on a case by case basis.

5. Funds Available

In USD millions

	As of Dec. 31, 2012 (a)	As of Sep. 30, 2012 (b)	Change (c) = (a) - (b)
1. Cumulative Receipts	4,134	4,025	109
a. Cash receipts and encashed promissory notes	3,360	3,252	108
b. Unencashed promissory notes	713	713	(0)
c. Investment income earned on undisbursed balance	60	59	1
d. Reflows	0	0	
2. Cumulative Cash Transfers	695	544	150
a. Projects	638	494	144
b. MPIS Costs	12	11	1
c. Administrative Budget	28	27	1
d. Debt service payments to Loan Contributors	17	12	4
3. Funds held in Trust (3 = 1 - 2)	3,439	3,480	(41)
a. Cash and Investments	2,726	2,767	
b. Unencashed promissory notes	713	713	
4. Restricted Funds	124	124	0
a. Financial Reserve	124	124	
b. Reflows in excess of debt service payments	-	-	
5. Funds held in Trust with no restrictions (5 = 3 - 4)	3,315	3,357	(42)
6. Funding Decisions pending cash transfer	1,693	1,581	111
a. Projects and MPIS Costs	1,690	1,576	114
b. Administrative Budget	3	5	(3)
7. Amounts pending Committee funding decisions	-	26	(26)
8. Funds available to support Committee funding decisions (8 = 5 - 6 - 7)	<u>1,622</u>	<u>1,749</u>	<u>(127)</u>

Highlights for the period October 1, 2012 through December 31, 2012:

- **Funds Held in Trust** represent cumulative receipts less cumulative cash transfers, and amount to USDeq. 3.4 billion as of December 31, 2012. Funds Held in Trust decreased by USD 41 million primarily due to:
 - Cumulative receipts during the period of October 1, 2012 to December 31, 2012 increased by USDeq. 109 million.
 - Cash transfers to recipients increased by USDeq. 150 million
- **Funding Decisions Pending Cash Transfer** arising from the CTF Trust Fund Committee approvals amounting to USD 1.6 billion.
- **Funding Availability** currently amounts to USD 1.6 billion representing a decrease of USD 127 million over the prior reporting period as a result of contribution receipts from donors and new funding decisions made by the CTF Trust Fund Committee during the period.
- The amount of Funds Available includes EUR 134 million available for funding decisions in Euro.