

# CLIMATE INVESTMENT FUNDS

CTF/TFC.18/Inf.5  
November 23, 2016

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Meeting of the CTF Trust Fund Committee  
Washington D.C.  
Monday, December 5, 2016

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



# Clean Technology Fund (CTF)

Financial Report

Prepared by the Trustee

*As of October 31, 2016*



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## Introduction

The Climate Investment Funds (CIF) were established in 2008 and its financial architecture is rooted in two trust funds. The Clean Technology Fund (CTF) aims to provide scaled-up financing to contribute to the demonstration, deployment, and transfer of low-carbon technologies with a significant potential for long-term greenhouse gas emissions savings. The Strategic Climate Fund (SCF) aims to provide financing to pilot new development approaches or scale-up activities aimed at a specific climate change challenge or sectoral response. The SCF currently finances three such programs: the Forest Investment Program (FIP), Pilot Program for Climate Resilience (PPCR), and Scaling Up Renewable Energy in Low-Income Countries Program (SREP).

The World Bank acts as the Trustee for the CIFs. This report is produced by the Trustee based on financial information as of October 31, 2016, in accordance with the Trustee's role as set forth in the Governance Framework for the CTF 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 status of the CTF Trust Fund as of October 31, 2016; (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 October, 2016<sup>1</sup>

### ***Pledges and Contributions:***

As of October 31, 2016, nine contributors pledged USDeq. 5.4 billion to the CTF Trust Fund, which has been fully finalized through signed Contribution/Loan Agreements/Arrangements. Of the total amount of executed Contribution/Loan Agreements/Arrangements, the Trustee has received USDeq. 5.3 billion in cash and promissory notes.

### ***Investment Income and Return of Other Funds:***

Since inception through October 31, 2016, the CTF Trust Fund earned investment income of approximately USD 135 million on the undisbursed balance of the Trust Fund. In addition the return of other funds amounted to USDeq. 4.8 million.

### ***Trustee Commitments:***

The Trustee makes commitments in the CTF Trust Fund based on based on the funding approvals of the CTF Trust Fund Committee. Cumulative net commitments made by the Trustee amounted to USDeq. 5.03 billion. This represents an increase of USDeq. 0.3 billion since March 31, 2016. Of the total amount approved, USDeq. 4.94 billion was for projects and project preparation activities, USD 33 million was for MDB costs for project implementation and supervision services (MPIS costs), and USD 58 million was for administrative expenses of the CTF.

### ***Cash Transfers:***

Cash transfers are made to MDBs<sup>2</sup> on an as-needed basis to meet their projected disbursement requirements. The Trustee has transferred USDeq. 2.56 billion, of which USDeq. 0.14 billion was transferred between April 1, 2016 and October 31, 2016. As a result, USDeq. 2.47 billion remains payable to MDBs as of October 31, 2016.

Cash transfers related to the debt service payments to loan contributors is USDeq. 43 million as of October 31, 2016.

### ***Funds Held in Trust:***

**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 October 31, 2016 amounted to USDeq. 2.88 billion, out of which USDeq. 129 million is withheld for commitment purposes to mitigate the effects of foreign exchange rate movements on outstanding commitments. In addition, the net balance available for payments to the loan contributors from the net reflows is

<sup>1</sup> Figures may not add up due to rounding.

<sup>2</sup> The CIF are disbursed through the Multilateral Development Banks (MDBs) to support effective and flexible implementation of country-led programs and investments. The MDBs include the African Development Bank (AfDB), the Asian Development Bank (ADB), the European Bank for Reconstruction and Development (EBRD), the Inter-American Development Bank (IADB), the International Bank for Reconstruction and Development (IBRD)/International Development Association (IDA) (the World Bank), and the International Finance Corporation (IFC).



USDeq. 49.4 mil of which 8 million is to pay for the principal and interest payments due to the loan contributors in the next 12 months.

***Funding Availability for Trustee Commitments:***

The funding available for Trustee Commitments is USDeq. 284.54 million, of which USDeq. 82.3 million is the net investment income available for future admin expenses and loan losses. The balance USDeq. 202.24 million is available for Program and Project commitments.

***Potential Available Resources (FY17-21):***

The pipeline of projects and projected admin expenses for CTF as provided by CIFAU amounted USDeq. 828.3 million. The potential future resources of contribution receivables, projected investment income and the release of the reserve amount is USDeq. 249.3 million. The net potential available resources for Project and Program approvals as of FY 21 is USDeq. (408.4) million and the net potential available resources for Admin expenses and loan losses as of FY21 is USDeq. 114 million.

***Realized/Unrealized Exchange rate gain or loss (USDeq.):***

The uncashed promissory notes in non-USD currencies are subjected to the exchange rate risk. Due major changes in the GBP exchange rate from March 31, 2016 to October 31, 2016, the unrealized loss in the value of the uncashed promissory notes amounted to USDeq. 158 million. This resulted in decreasing the funding available for the Trustee commitments and also for the projects/programs in the pipeline.



**CTF TRUST FUND - RESOURCES AVAILABLE for COMMITMENTS**

*Inception through October 31, 2016*

*(USD millions)*

	As of October 31, 2016	% of Total
	<b>Total</b>	<b>% of Total</b>
<b>Donor Pledges and Contributions</b>		
Contributions	5,367.5	100%
Pledges	-	-
<b>Total Pledges and Contributions</b>	<b>5,367.5</b>	<b>100%</b>
<b>Cumulative Funding Received</b>		
<b>Contributions Received</b>		
Cash Contributions	4,446.7	84%
Unencashed promissory notes	a/ 859.4	16%
Total Contributions Received	5,306.1	100%
<b>Other Resources</b>		
Investment Income	135.2	97%
Other income	b/ 4.8	3%
Total Other Resources	140.0	100%
<b>Total Cumulative Funding Received (A)</b>	<b>5,446.05</b>	
<b>Cumulative Funding Commitments</b>		
Projects/Programs	5,089.5	101%
MDB Project Implementation and Supervision services (MPIS) Costs	34.9	1%
Cumulative Administrative Expenses	63.0	1%
<b>Total Cumulative Funding Commitments</b>	5,187.3	
<b>Project/Program, MPIS and Admin Budget Cancellations</b>	c/ (154.7)	-3%
<b>Net Cumulative Funding Commitments (B)</b>	<b>5,032.6</b>	<b>100%</b>
<b>Restricted Fund Balance (A - B)</b>	<b>413.4</b>	
<b>Currency Risk Reserves</b>	d/ (128.9)	
<b>Funding Available for Trustee Commitments ( C)</b>	<b>284.5</b>	
<i>of which the net investment income available for future admin expense commitment and loan losses</i>	82.3	



CTF TRUST FUND - RESOURCES AVAILABLE for COMMITMENTS

Inception through October 31, 2016

(USD millions)

		As of October 31,2016	% of Total
<b>Anticipated Commitments (FY17-FY21)</b>			
Program/Project Funding and Fees ( Pipeline as of Oct 2016)		800.9	97%
Projected Administrative Budget	e/	27.3	3%
<b>Total Anticipated Commitments (D)</b>		<b>828.3</b>	<b>100%</b>
<b>Potential Future Resources (FY17-FY21)</b>			
Contributions not yet paid	f/	61.4	25%
Pledges		-	0%
Release of Currency Risk Reserves	d/	128.9	52%
Projected Investment Income	g/	59.0	24%
<b>Total Potential Future Resources (E)</b>		<b>249.3</b>	<b>100%</b>
<b>Potential Available Resources (C - D + E)</b>			
	h/	<b>(294.4)</b>	
<i>of which Potential available resources for Admin Expenses and Loan Losses</i>	i/	114.0	
<b>Potential Available Resources for Programs and Projects</b>		<b>(408.4)</b>	

a/ This amount represents USD equivalent of GBP 706.6 million.

b/ Return of funds other than reflows due to be returned to the Trust Fund pursuant to the Financial Procedures Agreement consistent with the pertinent CTF funding approved by the CTF Trust Fund Committee.

c/ This refers to cancellation of program and project commitments approved by the committee.

d/ Amounts withheld to mitigate over-commitment risk resulting from the effects of currency exchange rate fluctuations on the value of outstanding non-USD denominated promissory notes.

e/ Projected administrative budget includes resources for administrative services provided by the CIF AU, Trustee and MDBs.

f/ This contribution receivable amount represents USD equivalent of GBP 50.5 million.

g/ Investment income on undisbursed funds as projected by Trustee through the cash flow model assuming a stable investment environment, steady pace of cash transfers and encashment of unencashed promissory notes.

h/ This amount includes the actual Net investment income of USDeq.82.3 million and the potential net investment income of USDeq. 31.7 million from FY17-FY21, which is available for future admin expenses and loan losses.

i/ Losses on outgoing CTF Financial Products will be shared by all contributors on a prorata basis and covered to the extent available from the Net income (net investment income, interest and fuarentee fees received in excess of 0.75%)





**CTF TRUST FUND - REFLows AND PAYMENTS TO THE LOAN CONTRIBUTORS**

*Inception through October 31, 2016*

*As of October 31, 2016*

**Cumulative Debt Service Payments to Loan Contributors**

Principal Repayments		
Interest Payments		43.4
<b>Total Cumulative Debt Service Payments to Loan Contributors</b>		<b>43.4</b>
<b>Reflows received from MDBs</b>	a/	<b>92.8</b>
<b>Net Reflows and Payments to the Loan Contributors</b>		<b>49.3</b>

a/ Any payments of principal, interest, fees or any other reflow of funds from CTF Financial Products , which are due to be returned to the Trust Fund pursuant to the Financial Procedures Agreement consistent with the pertinent CTF funding approved by the CTF Trust Fund Committee



## 1. Pledges and Contributions -Summary

In USD millions

CLEAN TECHNOLOGY FUND										
Table 1: Pledges and Contributions Summary										
as of October 31, 2016										
(in millions)										
in Contribution Currency							in USD eq. a/			
Contributor	Contribution Type	Currency	Contribution Receivable	PNs Outstanding	Cash Receipts g/	Total Contributions	Contribution Receivable	PNs Outstanding	Cash Receipts g/	Total Contributions
Australia	Grant	AUD	-	-	100	100	-	-	86	86
Canada	Loan	CAD	-	-	200	200	-	-	199	199
France	b/ Loan	EUR	-	-	203	203	-	-	222	222
Germany	c/ Loan	EUR	-	-	500	500	-	-	615	615
Japan	d/ Grant	USD	-	-	1,056	1,056	-	-	1,056	1,056
Spain	Capital	EUR	-	-	80	80	-	-	106	106
Sweden	Grant	SEK	-	-	600	600	-	-	80	80
United Kingdom	e/ Capital	GBP	51	707	373	1,130	61 h/	859	590	1,511
United States	f/ Grant	USD	-	-	1,492	1,492	-	-	1,492	1,492
							<b>61</b>	<b>859</b>	<b>4,447</b>	<b>5,367</b>

a/ Represents realized amounts plus unrealized amounts valued on the basis of exchange rates as of October 31, 2016  
b/ France pledged USD 500 million, including: 1) concessional loan of USD 300 million (equivalent to EUR 203 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. The concessional loan is valued on the basis of exchange rates as of August 31, 2016  
c/ The EUR 500 million pledge was committed in USD in the amount of USD 615 million.  
d/ The USD 1 billion pledge was committed in JPY in the amount of JPY 93 billion. The total amount received is USDeq. 1.056 billion  
e/ Represents the amount pledged under the Strategic Climate Fund and allocated to the Clean Technology Fund.  
f/ The total pledge made by the United States to the CIF is USD 2 billion; the allocation across the programs is indicative.  
g/ Includes cash receipts and encashed promissory notes.  
h/ On November 7, 2016 a promissory note was received for the receivable amount from UK.

Note: Totals may not add up due to rounding

- The above table shows the summary of pledges/promissory notes outstanding, contributions finalized, Cash and Promissory Note receipts and promissory notes outstanding 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.
- As of October 31, 2016, total pledges and contributions amounted to USDeq. 5.37 billion based on Contribution/Loan Agreements/Arrangements entered into by the Trustee with nine contributors.
- The Cash and Promissory Notes received amounted to USDeq. 5.3 billion and the receivable amount is USDeq. 61 million as of October 31, 2016. On November 7, 2016 a promissory note was received for the receivable amount.



## 2. Asset Mix and Investment Income

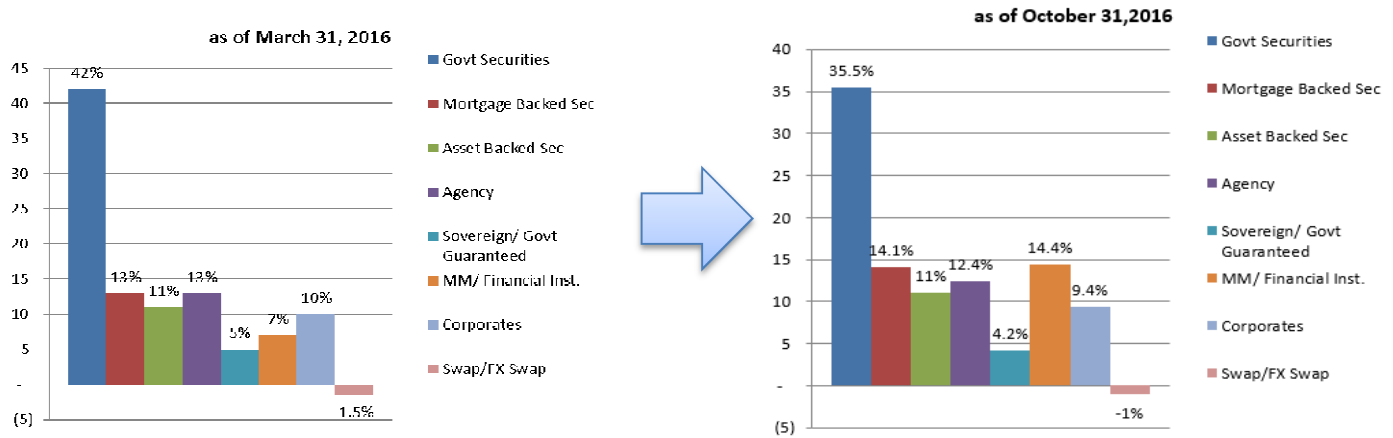
The undisbursed cash balance of the CTF Trust Fund is maintained in a commingled investment portfolio (“Pool”) for all trust funds managed by IBRD. The Pool is managed actively and conservatively with capital preservation as the over-arching objective.

### ASSET MIX

CTF Trust Fund assets are invested across three of the World Bank Trust Fund’s investment model portfolios, (“Tranche 0” for short term working capital needs, “Tranche 1” with an investment horizon of one year, and “Tranche 2” with an investment horizon of three years). The latter two tranches aim to optimize investment returns subject to capital preservation with a high degree of confidence (based on statistical models) over the respective investment horizon. Although actual future returns will depend on market conditions, the Trust Fund Investment Pool portfolio is actively monitored and adjusted to preserve development partner funds over the investment horizons. Over shorter periods however, market volatility may result in negative actual or ‘mark-to-market’<sup>3</sup> returns.

On July 1, 2015, the World Bank formally adopted the Conditional Value-at-Risk (CVaR) measure as the risk constraint in the management of trust funds. Funds are managed such that the expected maximum loss, as measured by the CVaR, at the portfolio’s investment horizon, is not to exceed 1% with 99%.

The portfolio allocation by asset class has the largest allocations to government securities, money market instruments, mortgage backed securities (MBS), agency, asset backed securities and corporate bonds. The allocations have been relatively stable over time.



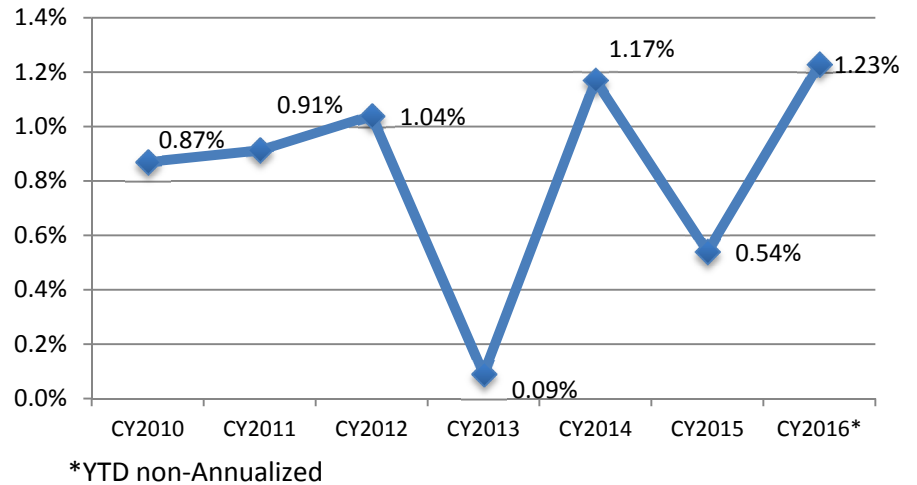
<sup>3</sup> Mark-to-market returns or losses represent returns or losses generated through an accounting entry rather than the actual sale of a security.



*Note: The negative position in swaps is primarily due to changes in foreign currency exchange (FX) rates in cross currency basis swaps. Such swap instruments are used to implement currency hedges on bond positions within the portfolio. These hedges remain in place.*

## INVESTMENT RETURNS

CTF Trust Fund investment returns have been modest for calendar year-to-date 2016 with a cumulative return of 1.23% to date. Overall, the CTF Trust Fund cumulative returns have been driven by its investment in longer term tranches, which may be exposed to higher volatility in returns over shorter periods. Returns are expected to be low going forward as the risk of rising market yields continues to be elevated, with an adverse effect on total portfolio returns due to lower bond prices.



## ADJUSTMENTS FOR CHANGES IN MARKET CONDITIONS

As a gradual move to higher rates in the coming years is expected, the outlook for fixed-income investments continues to be for low returns, as increases in market interest rates could result in unrealized (i.e., mark-to-market) losses for fixed income returns in general. Given the challenging environment for fixed income investments, the Trustee has taken steps to reduce the interest rate sensitivity of the Trust Fund Investment Pool portfolio to limit the impact of potential future interest rate increases (known as “duration”). Additionally, efforts are underway by the Trustee and CIFAU to enable investments in a broader universe of assets in order to achieve greater diversification of portfolio risks and increase returns. Diversification opportunities include emerging market sovereign bonds, covered bonds and new money market instruments.

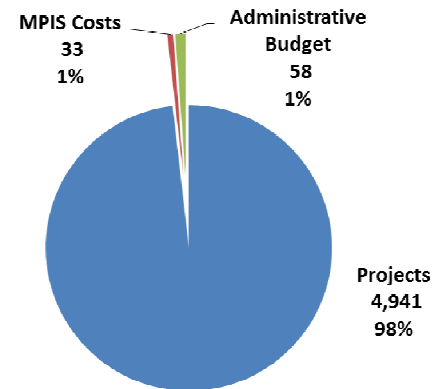


### 3. Cumulative Net Commitments

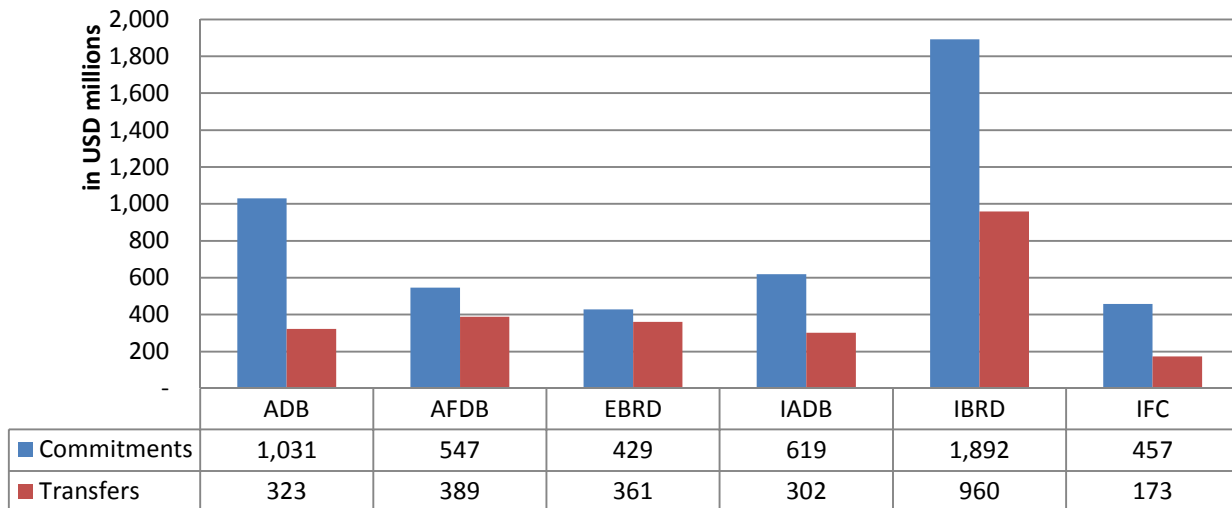
In USD millions

#### Total Net Commitments by the Trustee by Activity

Since inception to October 31, 2016, commitments made by the Trustee based on the funding approvals of CTF Trust Fund Committee totaled USD eq. 5.03 billion. Projects, including project preparation grants, represent about 98%, MPIS costs 1%, administrative budgets for the CIF Administrative Unit, and the Trustee and the MDBs 1%.



#### Net Project and Program Commitments by MDB



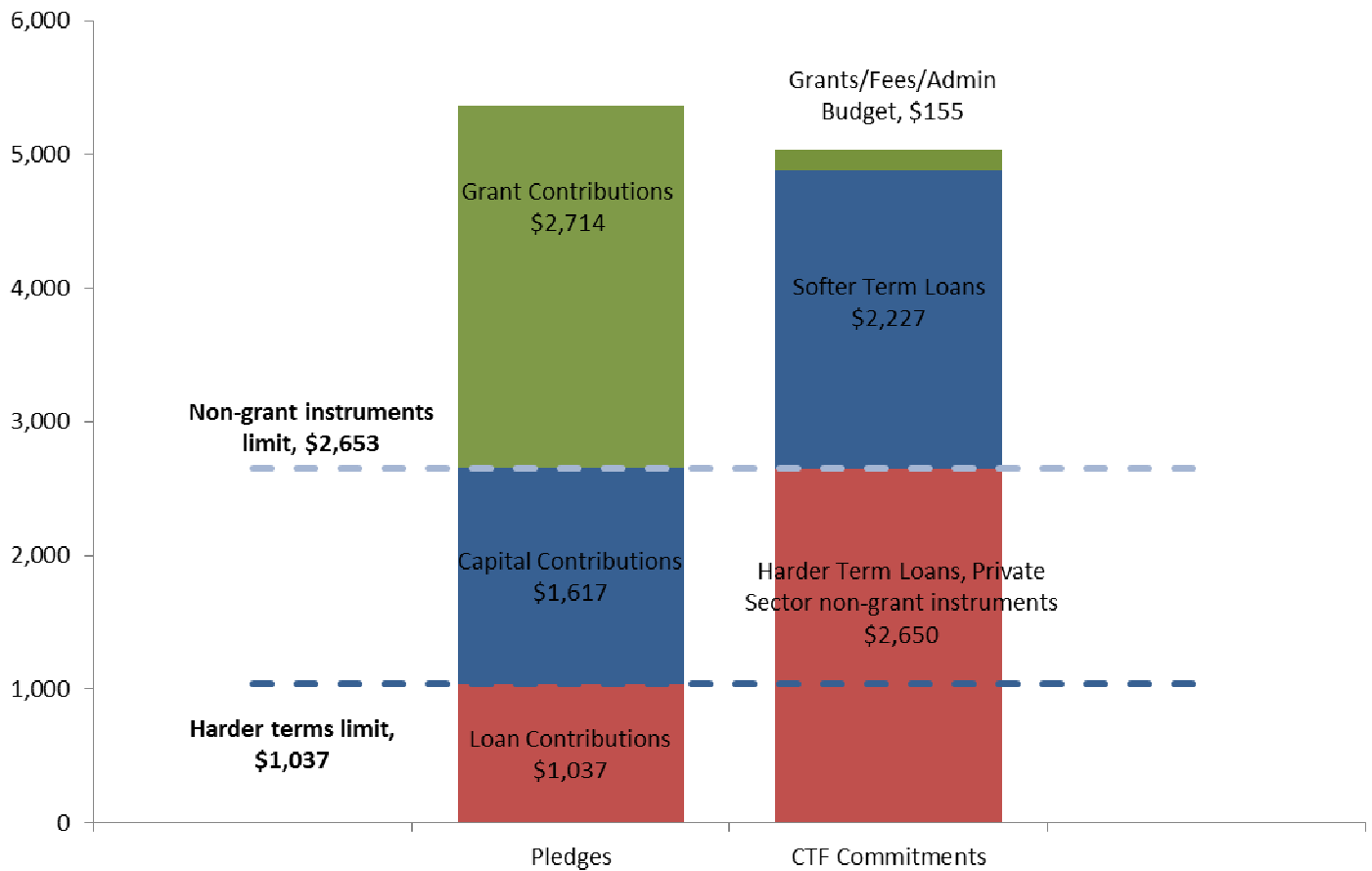


## CTF FUNDING LIMITS

In accordance with the Principles regarding Contributions to the CTF, outgoing financing cannot be more concessional than contributed funds, i.e:

- (a) Grant Contributions may be used to finance grants, concessional loans and other financial products, such as guarantees.
- (b) Capital Contributions may be used to finance concessional loans and other financial products, such as guarantees;
- (c) Loan Contributions may be used to finance loans and other financial products, such as guarantees, on terms no more concessional than the terms of the contributions.

This chart shows pledges by contribution type and CTF funding (excluding projects in the pipeline) by financing product. As shown in the chart, funding decisions made to date adhere to the funding limits set by the incoming funding types from the Contributors.





## 4. Funds Held in Trust with No Restrictions and Commitments Pending Cash Transfer

In USDeq. millions

CLEAN TECHNOLOGY FUND				
Table 5: Schedule of Receipts and Cash Transfers				
Updated as of October 31, 2016				
	As of October 31, 2016		As of March 31, 2016	Change
	(a)		(b)	(c) = (a) - (b)
<b>1. Cumulative Receipts</b>	<b>5,446</b>		<b>5,591</b>	<b>(145)</b>
a. Cash receipts and encashed promissory notes	4,447		4,455	(9)
b. Unencashed promissory notes	859		1,018	(158)
c. Investment income earned on undisbursed balance	140		118	22
<b>2. Cumulative Cash Transfers</b>	<b>2,563</b>		<b>2,423</b>	<b>140</b>
a. Projects	2,477		2,346	131
b. MPIS Costs	30		28	2
c. Administrative Budget	56		49	7
<b>3. Funds held in Trust ( 3 = 1 - 2 )</b>	<b>2,883</b>		<b>3,168</b>	<b>(285)</b>
a. Cash and Investments	2,024		2,150	
b. Unencashed promissory notes	859		1,018	
<b>4. Restricted Funds</b>	<b>129</b>		<b>153</b>	<b>(24)</b>
<b>5. Funds held in Trust with no restrictions ( 5 = 3 - 4 )</b>	<b>2,754</b>		<b>3,015</b>	<b>(261)</b>
<b>6. Trustee Commitments pending cash transfer</b>	<b>2,470</b>		<b>2,304</b>	<b>165</b>
a. Projects and MPIS Costs	2,468		2,303	165
b. Administrative Budget	2		2	0
<b>7. Funds available to support Trustee Commitments</b>	<b>285</b>		<b>711</b>	<b>(426)</b>
<b>8. Net Balance Available for Payments to the loan contributors from Reflows received from MDBs b/</b>	<b>49</b>		<b>0</b>	<b>49</b>
of which the funds restricted for payments to loan contributors in next 12 months	8		8	-

a/ Valued on the basis of exchange rates as of October 31, 2016

b/The net balance of Reflows received from the MDBs and the payments made to the loan contributors. The breakdown of amounts by reflows and payments to loan contributors is shown in the table below

*Note: Totals may not add up due to rounding*

	As of October 31, 2016	As of March 31, 2016	Change
	(a)	(b)	(a)- (b)
<b>1. Reflows and payments to loan contributors</b>			
a. Reflows - Interest and Principal reflows received from MDBs	93	40	53
b. Debt service payments to Loan Contributors	43	40	4
<b>Net Balance of reflows and payments to loan contributors</b>	<b>49</b>	<b>0</b>	<b>49</b>

### Highlights for the period April 1, 2016 through October 31, 2016:

- **Funds Held in Trust** represent cumulative receipts less cumulative cash transfers, and amount to USDeq. 2.9 billion as of October 31, 2016. Funds Held in Trust decreased by USDeq. 285 million since April 1, 2016 primarily due to:
  - cash transfers to MDBs of USDeq. 140 million during the period and decrease in the value of unencashed promissory notes by USD 158 million that arose from the current valuation of uncashed promissory notes.
  - Offset by receipt of additional investment income earned during the period totaling USD 22 million
- **Trustee Commitments Pending Cash Transfer** amount to USDeq. 2.47 billion, representing an increase of USDeq. 165 million since April 1, 2016.
- **Funds available to support Trustee commitments** amount to USDeq. 285 million, representing a decrease of USDeq. 426 million since April 1, 2016. Of the amount USDeq. 285 million, the amount available for admin expenses and loan losses is USDeq. 82.3 million. The amount available for program/project commitments is USDeq. 202.2 million
- **Funds available to support payments to loan contributors** amount to USDeq. 49 million. of which the amount restricted to cover the payments in the next 12 months is USDeq. 8 million.
- *The funds restricted to cover the impact of foreign exchange fluctuations on commitments made by the Trustee amounted to USDeq. 129 million.*

## 5. Overall realized and unrealized gains or losses for the Promissory Notes held in Non-USD currencies.

In millions

Donor/Program	Currency	Amount in Currency			Amount in USD eq.			Currency Exchange rate changes in USD eq.		
		Promissory Note (PN) received	PN Encashment	PN Unencashed	Promissory Note (PN) @Receipt date	PN Encashment (FXR)	PN Unencashed @October 31 2016	Realized - PN Encashments	Unrealized- PN Unencashed	Promissory Note vs (Encashments-unencashed)
Japan		92,655	92,655	0	1,129	1,056	0	(73)	0	(73)
CTF	JPY	92,655	92,655	0	1,129	1,056	0	(73)	0	(73)
United Kingdom		1,079	373	707	1,677	590	859	24	(252)	(228)
CTF	GBP	1,079	373	707	1,677	590	859	24	(252)	(228)
<b>Grand Total</b>					<b>2,806</b>	<b>1,646</b>	<b>859</b>	<b>(48)</b>	<b>(252)</b>	<b>(300)</b>