

# CIF RISK DASHBOARD

CTF-SCF Joint Meeting  
October 29, 2013

# BACKGROUND

The CTF and SCF Trust Fund Committees approved the revised Tier 1 risks and associated risk mitigation measures for the Clean Technology Fund and the Strategic Climate Fund.

One of the agreed follow-up steps was **the development of a prototype Risk Dashboard** (financial and operational) for review and comment by the joint meeting of the CTF and SCF Trust Fund Committee in October 2013.

# THE CIF PORTFOLIO RISK DASHBOARD

- *Presents CIF Tier 1 risks*
- *Provides a consolidated view of CIF portfolio risk metrics with relevant indicators to help quantify the risks, provide early warnings and trigger risk mitigation responses.*

***“Supports the Trust Fund Committees’ decision making and the development of approaches and strategies to address risks.”***

# RISK METRICS

*To generate the risk metrics the CIF AU must:*

- collect, aggregate and analyze data from its own data repository and from data provided by the Trustee and the MDBs,*
- use outputs from existing sources such as the Trustee's CTF Cash Flow Model*

***“Additionally, during development of the Risk Dashboard, gaps in information may be identified which will help strengthen the analysis function of the ERM”***

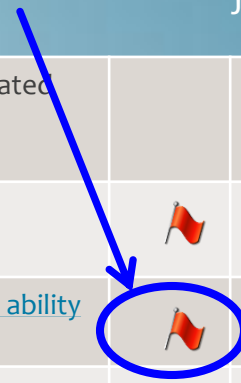
# RISK DASHBOARD EXAMPLE

*Disclaimer: All Data and Indicators in the following slides are illustrative and may not represent actual risk metrics for the CIF Portfolio.*

# CTF RISK DASHBOARD

Illustrative Data

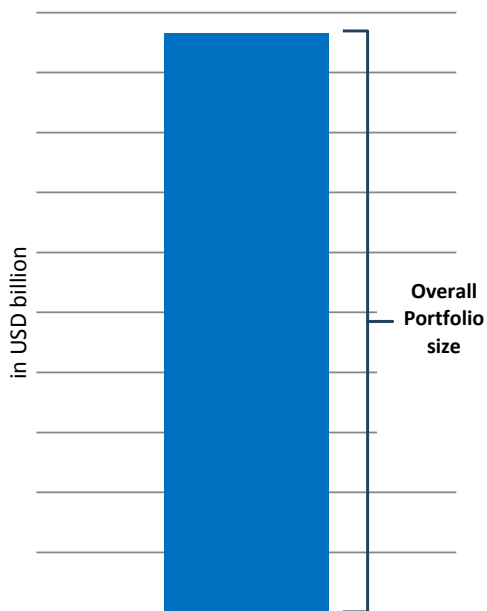
		June 30, 2015	Dec. 31, 2014
<b>Financial Risks</b>	Risk 1: Financial Management Portfolio risk - Lack of integrated financial portfolio and consolidated cash flow management may increase the likelihood of losses and disruption, and diminish effectiveness of decisions and the overall efficiency of the use of funds.		
	Risk 2: Financial model risk - Actual credit default (sovereign/private) as well as other financial indicators may exceed CTF Cash Flow model projections.		
	<u><a href="#">Risk 3: Credit risk - Portfolio loan losses due to defaults or non-payments may exceed the CTF's ability to absorb such losses.</a></u>		
	Risk 4: (a) Market Interest rate and (b) Foreign Exchange risk - CTF interest rate available to borrowers may not have the appropriate level of concessionality; adverse exchange rate movements may create a significant negative impact on CTF's ability to fund project/program portfolio.	a) b)	a) b)
	Risk 5: Asset Liability Management risk - Liquidity may not be sufficient to meet the CTF's obligations to repay loan contributors and/or obligations to MDBs; excessive cash reserves may result in disruptions to pipeline management.		
<b>Strategic / Operational Risks</b>	Risk 6: Pledge risk - Funding pledged by contributors may not materialize in a timely manner.		
	Risk 7: Misuse of funds risk - Recognizing that each MDB has robust procedures in place to mitigate misuse of funds, MDB reporting on actual misuse of funds to the Committee may not be timely. This may result in the Committee's inability to effectively respond to such an event.		
	Risk 8: Impact risk - Inability to deliver the expected programmatic impact as defined by CTF objectives, investment criteria, and the results framework		
<b>Operational Risks</b>	Risk 9: Operational Portfolio risk - Poor or untimely information hinders the Committee's ability to make risk informed decisions.		
	Risk 10: Pipeline management risk - Optimistic forecasts and uncertainties of project forecasting may lead to suboptimal use of CTF funds.		
	Risk 11: Financing Terms risk - Lack of active management and tracking of the financing terms for projects may result in a situation where the level of concessionality is inappropriate and/or the distribution of terms within the portfolio does not comply with the Principles Regarding Contributions to the CTF .		



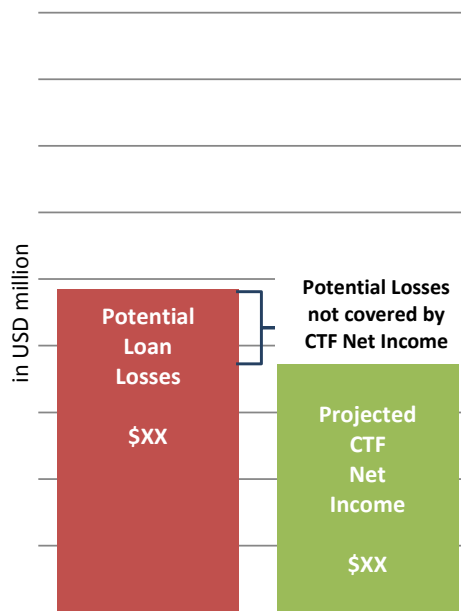
# Risk 3 – Credit Risk

Risk 3: Credit risk - Portfolio loan losses due to defaults or non-payments may exceed the CTF's ability to absorb such losses.

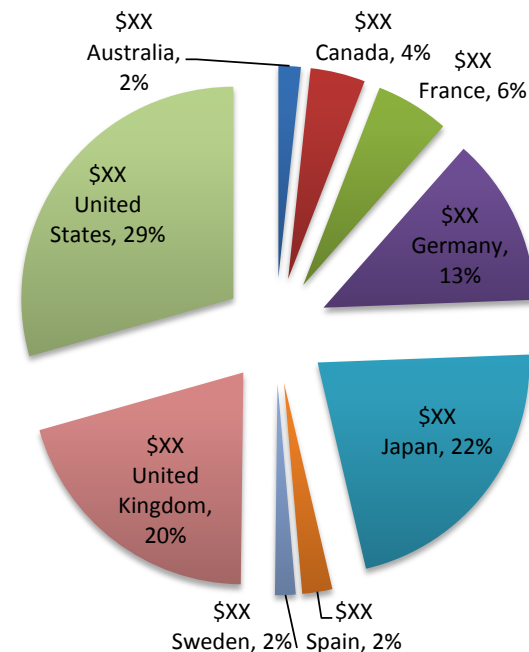
Overall Lending Portfolio



Potential Losses



Illustrative pro-rata sharing of potential losses



Indicator Key (Potential losses not covered by CTF Net Income)

- No losses / losses lower than 90% of CTF Net Income ●
- Between 90% and 100% of CTF Net Income ●
- Greater than 100% of CTF Net Income ●

Yellow or Red indicator (i.e. potential losses are not covered by CTF Net Income as projected by the CTF Cash Flow model) could trigger discussion at the CTF Trust Fund Committee to decide the course of action.

Status: ●

# Risk 3 – Credit Risk

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## Overall Lending Portfolio

## Potential Losses

## Illustrative pro-rata sharing of potential losses



Indicator Key (Potential losses not covered by CTF Net Income)	
No losses / losses lower than 90% of CTF Net Income	Green circle
Between 90% and 100% of CTF Net Income	Yellow circle
Greater than 100% of CTF Net Income	Red circle

Status: ●



# CTF RISK DASHBOARD

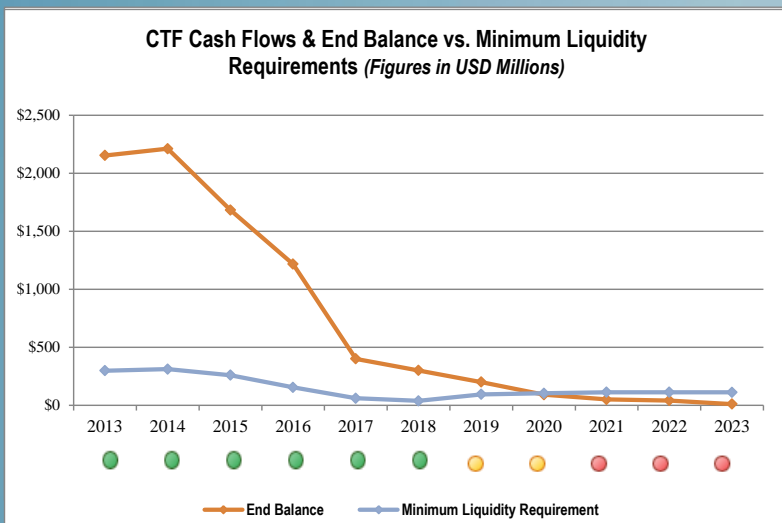
Illustrative Data

June 30, 2015      Dec. 31, 2014

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# Risk 5. View 1 – Asset Liability Management Risk

Risk 5: Asset Liability Management risk - Liquidity may not be sufficient to meet the CTF’s obligations to repay loan contributors and/or obligations to MDBs; excessive cash reserves may result in disruptions to pipeline management.



Indicator Key - End Balance vs. MLR	
Greater than 2% of MLR	Green Circle
2% or equal to MLR	Yellow Circle
Below the MLR	Red Circle

Failure to comply with the minimum liquidity requirement could trigger the Trust Fund Committee to slow down further commitment of funds.

# Risk 5. View 2 – End Balance vs. Minimum Liquidity Requirement

### Minimum Liquidity Policy

100%	of projected next year debt service payment
50%	of projected next year disbursements

### By Fiscal Year, \$US Millions

	1	2	3	4	5	6	7	8	9	10	11
	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
<b>Beginning Balance (from Prior Year)</b>	1,981.7	2,154.3	2,212.1	1,682.9	1,217.0	979.6	1,065.1	1,203.0	1,300.6	1,420.8	1,592.4
Cash Inflows from Contributors	1,174.8	603.1	39.1	-	-	-	-	-	-	-	-
Other Cash Inflows (Reflows)	11.2	19.4	25.9	30.3	49.5	128.1	161.2	175.5	206.0	264.8	260.4
Cash Outflows (Projects, MPIS, Budget)	(1,031.9)	(585.8)	(610.9)	(506.3)	(296.9)	(47.0)	-	-	-	-	-
Cash Outflows (Contributors' Loans Debt Service)	(8.1)	(8.3)	(8.3)	(8.3)	(8.3)	(8.3)	(37.6)	(93.5)	(102.9)	(112.1)	(111.4)
Investment Income	26.7	29.3	25.0	18.4	13.7	12.7	14.2	15.7	17.1	18.9	21.0
<b>End Balance</b>	<b>2,154.3</b>	<b>2,212.1</b>	<b>1,682.9</b>	<b>1,217.0</b>	<b>975.1</b>	<b>1,065.1</b>	<b>1,203.0</b>	<b>1,300.6</b>	<b>1,420.8</b>	<b>1,592.4</b>	<b>1,762.4</b>
<b>Minimum Liquidity Requirement</b>	<b>298.1</b>	<b>310.7</b>	<b>258.5</b>	<b>153.7</b>	<b>60.2</b>	<b>37.6</b>	<b>93.5</b>	<b>102.9</b>	<b>112.1</b>	<b>111.4</b>	<b>110.5</b>
Surplus/Deficit checker	1,856.2	1,901.4	1,424.5	1,063.3	914.9	1,027.6	1,109.5	1,197.7	1,308.7	1,481.0	1,651.9
<b>Risk Indicator (by Year):</b>	Green	Green	Green	Green	Green	Yellow	Yellow	Red	Red	Red	Red

\*Assumption: Minimum Liquidity Requirement = 100% of projected Debt Service Payments + 50% of projected Disbursements for the Next Fiscal Year

# RISK DASHBOARD DEVELOPMENT PROCESS

Design phase  
Ends December 2013

- Develop tangible and measurable risk indicators to trigger risk mitigation measures and help the Committee take risk informed decisions
- Facilitate the identification of any gaps in information that are needed in order to further implement the ERM framework
- Take into account comments made at the joint meeting as well as any written comments submitted by Committee members

IT Development  
and Testing  
phase  
Ends March 2014

- Committee members will be invited to participate in the testing phase to make sure that their views and issues are incorporated in the design.

Operationalize  
CIF Risk  
Dashboard  
April 1