Meeting of the CTF Trust Fund Committee

Washington D.C. (Virtual)

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CTF RISK REPORT

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CTF/TFC.26/4
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PROPOSED DECISION

The CTF Trust Fund Committee reviewed the document, CTF/TFC.26/4, *CTF Risk Report*, and welcomes the progress that has been made in advancing the work of CTF.

The Trust Fund Committee requests the CIF Administrative Unit to continue to identify, assess, monitor and report the key risk exposures to the program.

Contents

1 Introduction

1. Inherent risks in the global economy remain high as the COVID-19 pandemic (the pandemic) continues to evolve, albeit the outlook is more benign compared to six months ago. The positive outlook is on the back of multiple COVID-19 vaccines that have been noted to be effective, and this provides a path for the global economy to begin to recover and rebuild.
2. All CIF programs continue to face heightened credit, market and operational risks due to the impacts of the pandemic. More specifically, the CIF Administrative Unit has observed numerous impacts of the pandemic on project implementation and financial strength CIF recipients. The outlook on operational risks impacting projects remains negative in the short-term as travel restrictions and supply chain disruptions continue to hamper the progress of some projects. These, however, are expected to abate over the next 24 months.
3. The consensus among credit rating agencies now is that the credit cycle may have bottomed, and defaults are expected to decrease in 2021. The view reflects the anticipated re-opening of the global economy as vaccine rollouts accelerate across the world. However, although the CIF Administrative Unit does not believe that the current heightened levels of expected defaults and losses which have resulted from the pandemic will increase further, they will likely persist for several years into the medium term and, in some cases, long term.
4. This report presents assessments of the more significant risk exposures facing the Clean Technology Fund (CTF).

1.1 Risk Exposure Summary

5. Data as of June 30, 2020, was used to flag projects for implementation risk and compare them with projects flagged in the previous CTF Risk Report (which used data as of December 31, 2019 for implementation risk). Certain projects use more updated information, as indicated in the report. Data as of March 31, 2021 was used to assess other risks and compare them with risk assessments in the previous CTF Risk Report (which used data as of September 30, 2020 for those risk assessments).
6. The following matrix summarizes CTF's key risk exposures.

Summary Risk Matrix - CTF			
Risk	**Likelihood**	**Severity**	**Risk Score**
Implementation Risk	Likely	Moderate	High
Currency Risk	Possible	Minimal	Low
Credit Risk	Likely	Moderate	High
Resource Availability Risk	Possible	Severe	High

7. Implementation risk for CTF remains **High** largely due to the outlook on operational risks associated with the impacts of the pandemic. As of June 30, 2020, five out of 113 projects representing USD 224 million (four percent) of program funding have been flagged for implementation risk. The program's implementation risk score has been **High** for the past six reporting cycles. The pandemic has affected three of the projects which are flagged for

this risk.

8. During the reporting period the GBP appreciated against the USD by seven percent, causing the value of CTF's GBP 200 million promissory notes to increase in value by USD 18 million resulting in an unrealized gain of USD 14 million associated with these notes. Thus, the program's exposure to this risk remains **Low**. It should be noted, however, that if these notes remain unencashed for a prolonged period, they will be exposed to greater fluctuations in foreign exchange rates. The program's currency risk score has been **Low** for the current and prior two reporting cycles but had been **High** for the preceding four reporting cycles.

9. Credit risk exposure for CTF has increased and remains **High**. The impacts of the pandemic, have increased expected losses associated with CTF. However, the number of loans experiencing payment defaults decreased significantly during the reporting period as one defaulting loan representing USD 16 million, and another representing USD 15 million which had been in deferral, being cured with all interest payments and principal repayments now current. As of March 31, 2021, three loans were reported to be experiencing payment defaults (two representing EUR 8 million and one representing USD 12 million). Additionally, a EUR 16 million defaulted loan was sold in 2019. Three additional loans, although not yet experiencing payment defaults, are experiencing significant challenges and are highly likely to experience payment defaults imminently. The program's credit risk score has been **High** for the last six reporting cycles.

   Resource availability risk remains **High**, however, the shortfall in available resources decreased from USD 703 million to USD 434 million.

2 Update on the Impacts of the COVID-19 Pandemic

10. CIF recipient countries continue to struggle due to the ongoing global and local economic challenges posed by the pandemic, and this is also impacting projects currently under implementation as well as projects in the CIF's programs' pipelines.

11. Developing countries including some CIF recipients, were already heavily indebted coming into the pandemic and face acute fiscal and monetary constraints to buffering their real economies from the adverse effects of travel restrictions, lock downs and social distancing measures put in place to limit the pandemic. Additionally, the risk of governments in developing countries recalibrating their budgetary priorities away from funding climate-related projects as they focus on addressing the effects of the pandemic on their economies and fiscal sustainability remains high.

12. All CIF programs continue to face heightened credit, market and operational risks due to the impacts of the pandemic. More specifically, the CIF Administrative Unit has observed numerous impacts of the pandemic on CIF projects' implementation, and CIF recipients' financial strength.

    - **Delays in project implementation:** Travel restrictions and lockdowns continue to impede the ability of consultants to get to project locations, workers to perform the necessary works to implement projects, and stakeholders to engage. Supply chain disruptions are delaying or preventing the procurement of essential equipment and supplies. Much of the time, only certain aspects of a project are delayed without causing an extension in the overall implementation timeline, however, in many cases, extensions of up to 24 months and/or project restructurings are required. In rare cases (so far) projects have been cancelled altogether. Target dates for funding approvals have also been extended. For reflow-generating projects, these factors in turn delay disbursements and the timing within which reflows from these projects will be realized.

- **Economic impacts:** The pandemic has depressed economic activity in most countries globally, with magnified effects in certain countries which are dependent on more vulnerable industries (e.g. travel and tourism). This has substantially weakened the fiscal strength of many countries, damaged the financial strength of many of CIF private sector recipients and industries, and created great financial uncertainty.

  Credit rating agencies have downgraded many of CIF's publicly rated recipients, citing the pandemic as a contributing factor. Consequently, for CIF public sector loan recipients, the expected losses implied by their credit ratings has increased. However, given CIF's experience to date with public sector borrowers (i.e. no defaults have been reported on CIF's public sector loans despite the fact that several of CIF's borrowers have defaulted on obligations to various bondholders) the CIF Administrative Unit believes that these credit rating downgrades are less of a concern than the risk of public sector funding recipients focusing their resources and efforts away from climate-related priorities in order to deal with the fallout from the pandemic in other areas.

  Additionally, the economic uncertainty resulting from the pandemic has had a chilling effect on the appetite for green finance in the private sector. Financial Intermediaries are reporting sharp declines or even a complete cessation of green finance lending for mitigation finance, including renewable energy and energy efficiency due to the current economic uncertainties attributed to the pandemic. Some projects involving power purchase agreements (PPA) with privates from retail or tourism sectors or public utilities are suffering from delays in construction, with various private investors deciding to retain cash rather than approve investments. Such projects are also experiencing payment delays via PPAs due to the economic slowdowns.

13. Additional potential impacts include:

    i. Increased demand for more concessionality by MDBs and funding recipients for pipeline projects, including requests to convert non-grant financing instruments into grants; and

    ii. Altered timing of repayments from loan recipients due to loan restructurings to allow for longer grace periods and maturities.

14. On the brighter side, vaccines have now been developed and are being distributed and administered to combat the pandemic. The CIF Administrative Unit anticipates that some of the impacts on project implementation will abate as COVID-19 vaccines become more widely available. Implementation delays due to travel restrictions, lockdowns and supply chain disruptions should decline. However, the rollout of vaccine distribution and

administration has been very slow in most developing countries, and, for this reason, although the CIF Administrative Unit expects these implementation delays to improve, they will likely persist for at least the next 24 months.

15. In the meantime, improvements will depend on the frequency, duration and severity of pandemic surges in recipient countries, as well as vaccines' efficacy against newer strains of the virus as these strains continue to evolve.

16. The CIF Administrative Unit expects the economic impacts and impacts on the credit quality and financial strength of funding recipients to persist for longer. In the past, individual public sector recipients have had to refocus their budgetary priorities away from climate-related initiatives in response to more localized natural disasters. The pandemic has been global in nature, and the CIF Administrative Unit believes there is a risk of more widespread budgetary recalibrations to address the impacts. The decline in private sector appetite for green finance is likely to persist well beyond the next 24 months.

3 Assessment of key risk exposures[1]

17. For CTF, the definition of risk is any threat to the achievement of CTF's objectives. This definition, along with the definition of CTF's objectives, establishes the context for appraising CTF's risk exposures.

3.1 Implementation risk

18. Implementation risk is the risk that a project, once effective, is not implemented in a timely manner. The CIF Administrative Unit now flags a project for implementation risk if the project meets at least one of the following three criteria.
    I. The project has been effective for 36 months but has disbursed less than 20 percent of program funds.
    II. The project is within 15 months of the anticipated date of final disbursement but has disbursed less than 50 percent of program funds.
    III. The anticipated date of final disbursement for the project has been extended, and less than 50 percent of program funds have been disbursed.

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

However, because the impact on funds exposed to implementation risk may simply be delays in the implementation of projects which are ultimately successful (vs. a complete loss of funding for projects as is the case with currency risk), the following ranges are used to classify implementation risk severity.

- Severe represents an estimated potential impact > 10% of the program's total pledges and contributions.
- Moderate represents an estimated potential impact 5% - 10% of total pledges and contributions.
- Minimal represents an estimated potential impact < 5% of total pledges and contributions.

19. The CIF Administrative Unit expects the pandemic to delay 50 percent of projects by six to 24 months. Some projects already flagged for implementation risk are experiencing further delays due to the pandemic. Specific pandemic-related causes include lock downs, mandated quarantines, social distancing measures, travel restrictions (domestic and international), and project restructurings. In some cases, public sector funding recipients and MDBs are contemplating longer implementation period extensions than they would otherwise.

20. The MDBs provide this information semi-annually, and the most recent information available is as of June 30, 2020. It is compared with projects flagged in the previous CTF Risk Report (which used data as of June 30, 2019).

21. CTF's risk score for implementation risk is **High** as five out of 113 projects representing USD 224 million (four percent) of program funding have been flagged for this risk, and the CIF Administrative Unit expects the program's exposure to this risk to increase due to the existing and anticipated impacts of the pandemic. The World Bank cited the pandemic as a contributing factor to the implementation challenges faced with following three CTF projects.

    i. **Cebu Bus Rapid Transit Project – Philippines**

    ii. **District Heating Energy Efficiency Project – Ukraine**

    iii. **Second Urban Infrastructure Project (UIP-2) – Ukraine**

22. Table 1 illustrates the four projects representing USD 174 million of program funding that have been flagged under the first criterion (vs. five projects totaling USD 221 million as of December 31, 2019). Three of the projects which were flagged in the last CTF Risk Report are highlighted in orange. *Second Power Transmission Project* is no longer flagged as disbursements have increased to 100 percent, and *Sustainable Urban Transport for Ho Chi Minh City Mass Rapid Transit Line 2* has been closed.

Table 1: Projects effective for 36 months with less than 20 percent of approved funds disbursed

COUNTRY	PROJECT TITLE	MDB	Funding (USD million)	Cumulative Disb. As of June 30, 2020	Disbursement Ratio	Effectiveness Date	Months After Effectiveness Date	MDB Co-Financing (USD millions)
Philippines	Cebu Bus Rapid Transit Project	IBRD	25.00	-	0%	12/3/2014	68	116
Ukraine	District Heating Energy Efficiency Project	IBRD	50.0	8.2	16%	11/21/2014	68	332
Vietnam	Ha Noi Sustainable Urban Transport Program - Project 2: Strengthening Sustainable Urban Transport for Hanoi Metro Line 3	ADB	49.0	0.6	1%	7/9/2015	61	4
Vietnam	Ha Noi Sustainable Urban Transport Program - Project 1: Ha Noi Metro System Line 3	ADB	50.0	0.3	1%	5/5/2017	38	

23. **Cebu Bus Rapid Transit Project – Philippines (World Bank):** All CTF funds remain undisbursed. This project has been flagged in each of the last five reporting cycles.

    a. *Reason(s) for delay:* The project is in its sixth year of implementation. In January 2018, the implementing agency put the project on hold to reevaluate it while reconsidering its urban transportation development strategy. In July 2018, the government confirmed its commitment to implementing the project as part of the integrated inter-modal transport system planned for the metropolitan area.

    Additionally, **since March 2020, enforcement of the Enhanced Community Quarantine**

(ECQ) by the National Government to contain the impact of the pandemic has slowed down the implementation of critical project activities including mobilizing international consultants to support project implementation.

b. *Measures underway to accelerate implementation:* The bidding package 1 (for four bus stations and 2.6 km of trunk bus corridor) for partial operability of BRT system was advertised in the week of February 09, 2021. The procurement process will take about 2-3 months. The civil works will be completed, and the commencement of the partial operation is expected to be enabled in calendar year 2021. The project closing date will be extended to ensure that all planned activities are completed and funds fully disbursed. The Government will request a two-year extension of project closing date to June 30, 2023.

c. *Estimated timeframe within which the project will have disbursed ≥ 20 percent of CTF funds*: It is estimated that CTF disbursement will reach 10 percent by the end of calendar year 2021 and will reach 20 percent during 2022.

d. *Expected disbursement of CTF funds over the next 12 and 24 months*: CTF disbursements are projected to reach USD 3 million by the end of 2021 and USD 15 million by the end of 2022.

24. **District Heating Energy Efficiency Project – Ukraine (World Bank):** Disbursements increased by USD 1.6 million during the period. This project has been flagged in each of the last six reporting cycles. It is also flagged under the second criterion.

a. *Reason(s) for delay:* During the first years of implementation, most district heating companies have made insufficient progress in preparing their investment plans and feasibility studies and in tendering. Additionally, **the COVID -19 crisis has had significant and multifaceted implications for project implementation, including major delays in the supply of equipment by foreign companies (mostly West European suppliers and limitations in the ability of local teams to carry out planned activities). The COVID-19 crisis will delay implementation of certain activities that were supposed to be completed by the beginning of the heating season** (e.g., boiler house reconstructions). Finally, project disbursements have also been disrupted by multiple changes in the government between January and May 2020 and Ukraine-specific technical requirements that have demanded specific design documentation and State expertise applicable to each individual facility. The complicated procedures to authorize payments involving two ministries have resulted in payment delays to contractors.

b. *Measures underway to accelerate implementation:* The World Bank team and the government have extended the project closing date to October 2021 to complete ongoing project activities. **Given the impact of COVID-19 on project implementation, the possibility of a closing date extension to December 31, 2022 is now being discussed**.

c. *Estimated timeframe within which the project will have disbursed ≥ 20 percent of CTF funds:* As of February 2021, the disbursement has reached 20%, however the project remains flagged under the second criterion as it has not yet disbursed 50% of CTF funds and is within

25 months of closing.

d. *Expected disbursement of CTF funds over the next 12 and 24 months*: It is expected that the disbursement will reach about USD 35 million by end of FY2021 and about USD 45 million by end of FY 2022.

25. **Ha Noi Sustainable Urban Transport Program - Project 2: Strengthening Sustainable Urban Transport for Hanoi Metro Line 3 (ADB):** For the past four years, approximately USD 0.09 million of CTF funds have been disbursed annually. No funds were disbursed during the current reporting period. This project has been flagged in each of the last four reporting cycles for low financial performance with only one contract – Design – awarded in 2018 since loan effectiveness.

a. *Reason(s) for delay:* This project is heavily dependent on the parent Ha Noi Metro System Line 3 Project (Project 1), which was delayed for five years due to a prolonged procurement process, land acquisition and resettlement, and a contractor's performance. Delays have also been due to the change in implementing agency (IA) and its poor capacity as well as the government's prolonged project adjustment and loan extension processing. The adjustments of the project scope remain under processing and ADB expects the Government to approve them by the in Q1 2021.

b. *Measures underway to accelerate implementation:* To expedite Project 2, the following actions have been/are being taken:

- At the government's request, ADB (ADF) loan 3235 was closed in May 2020[2] and (CTF) loan 8291[3] was approved for extension until June 2023;
- Close follow up and discussions with the IA on final project scope adjustments; and
- Close coordination with the IA to advance the recruitment of the remaining consulting services. Progress was expected to improve from Q4 2019, but this did not occur. As of the previous reporting cycle ADB had expected the next consulting service contract to start recruitment in October 2020, however this did not occur. ADB has now revised this expectation to Q1 2021.

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[2] The reasons of the ADF loan closure were: (i) non-performance since the loan effectiveness, and (ii) the government's new policy of not using ODA fund for capacity building and recurrent expenditure (e.g., project management support consultant).

[3] The government and IA requested ADB to retain the CTF loan to cover the remaining project's scope as it is sufficient after some minor changes. The CTF loan will finance the following:

Output 1: Metro line 3 station access improved

- 03 CS for: design (CS4.1); procurement, supervision and implementation support (CS4.2); and bus restructure, procurement and implementation support (CS2);
- Civil works: 02 CW contract packages for improvement of accessibility to the metro line 3 stations, including 2 foot bridges, intersection improvements, pavement/ road surface along line 3 corridor improvement; lighting, security;
- Equipment: CCTV cameras within 100 m catchment area from metro line 3 station;

Output 2: Public transport system improved

- Provision of a clean technology feeder bus feet (approximately 52 buses) to link with main bus control center in Ha Noi

Output 3: Public transport policy developed

- 01 CS package (Station area development program)

(see also CTF loan agreement, Schedule 2)

c. *Estimated timeframe within which the project will have disbursed ≥ 20 percent of CTF funds:* The government was expected to submit a request in May 2019 to extend the project until mid-2023 to align with the schedule of the parent project. However, due to the prolonged loan extension process, ADB did not received a request and thus the CTF loan expired in June 2019. A retroactive extension until June 2023 was since approved, and, based on the updated interface schedule with the parent project and this project, ADB had anticipated that by 2022, 20 percent of the CTF loan amount will be disbursed, however ADB has now revised this expectation to Q1 2023.

d. *Expected disbursement of CTF funds over the next 12 and 24 months*:

- 12-month projection: USD 2.2 million
- 24-month projection: USD 7.7 million

26. **Ha Noi Sustainable Urban Transport Program - Project 1: Ha Noi Metro System Line 3 – Vietnam (ADB):**

a. *Reason(s) for delay:*

- Slow progress in land acquisition and resettlement (LAR) activities for underground stations;
- Delay in partial handover of the tunnel boring machine (TBM) working sites as well as the sites of main stations' boxes and their auxiliary structures and relocation of existing utilities lines;
- Stations' design changes;
- CP03 contractor's performance and prolonged grievances at depot and access line related to civil works for subway stations and accessibility; and
- lengthy government approval process for land acquisitions caused significant delays.

ADB expects that an extension of loan closing date to June 30, 2023 would allow completion of underground stations.

b. *Measures underway to accelerate implementation:*

- MRB (the Implementing Agency) is working towards speeding up the remaining land acquisition and hand-over of 100 percent of the site to the contractor for construction.
- ADB is coordinating with the government of Vietnam and the implementing agency to expedite tunneling works which have been delayed due to technical challenges.
- ADB is attempting to ensure resolution (closing) of grievances in the depot and access line as soon as possible.

c. *Estimated timeframe within which the project will have disbursed ≥ 20 percent of CTF funds:* ADB anticipates that by Q1/2023, 20 percent of the CTF loan amount will be disbursed.

<u>*Expected disbursement of CTF funds over the next 12 and 24 months*</u>*:* No CTF funds are projected to be disbursed over the next 24 months.

The original loan proceeds under the ADB OCR loan (L2741) will be disbursed first prior to the disbursement of the CTF loan (L8302) proceeds. Disbursement of CTF loan proceeds will be front-loaded prior to the disbursement of the loan proceeds from ADB's OCR (L3363 and L3364). As of 31 December 2020, a total of USD 33.19 million of the loan 2741-VIE proceeds, covering the advance payment for contract CP03 and loan commitment charges, has been disbursed.

27. Table 2 illustrates the project representing USD 50 million of program funding which has been flagged under the second criterion (vs. three projects totaling USD 148 million as of December 31). *Second Power Transmission Project – Ukraine (World Bank)* is no longer flagged as the World Bank reports that CTF funds are now fully disbursed. *Second Urban Infrastructure Project (UIP-2) – Ukraine (World Bank)* is now flagged under the third criterion.

Table 2: Projects within 15 months of closing and less than 50 percent of approved funds disbursed

COUNTRY	PROJECT TITLE	MDB	Funding (USD million)	MDB Board Approval Date	Cumulative Disb. As of June 30, 2020 (USD Millions)	Disbursement Ratio	Anticipated Date of Financial Closure	Months Before Anticipated Date of Financial Closure
Ukraine	District Heating Energy Efficiency Project	IBRD	50.0	5/22/2014	8.2	16%	2/1/2021	7

28. **District Heating Energy Efficiency Project – Ukraine (World Bank):** This project was also flagged under the first criterion. Please see previous section for the description.

29. Table 3 illustrates the two projects which have been flagged under the third criterion.

Table 3: CTF projects with extensions and less than 50 percent of approved funds disbursed

COUNTRY	PROJECT TITLE	MDB	Funding (USD million)	Cumulative Disb. As of June 30, 2020	Disbursement Ratio	Effectiveness Date	Months After Effectiveness Date	Initial Anticipated Date of Final Disbursement	Extended Anticipated Date of Final Disbursement	MDB Co-Financing (USD millions)
Vietnam	Ha Noi Sustainable Urban Transport Program - Project 2: Strengthening Sustainable Urban Transport for Hanoi Metro Line 3	ADB	49.0	0.6	1%	7/5/2015	61	6/1/2019	12/1/2022	4
Ukraine	Second Urban Infrastructure Project (UIP-2)	IBRD	49.5	15.3	31%	11/21/2014	68	2/1/2021	4/30/2023	300

30. **Ha Noi Sustainable Urban Transport Program - Project 2: Strengthening Sustainable Urban Transport for Hanoi Metro Line 3 (ADB):** This project was also flagged under the first criterion. Please see the corresponding section above for the description.

31. **Second Urban Infrastructure Project (UIP-2) – Ukraine (World Bank):** In the May 2019 Risk Report this project was flagged under the first criterion, and it the November 2020 Risk Report it was flagged under the second criterion. This project is now flagged because it has disbursed less than 50% of CTF funds and has extended its anticipated date of final

disbursement. USD 0.5 million of CTF funds were disbursed during the reporting period.

a. *Reason(s) for delay:* The political situation in Ukraine caused delays at the initial stage of the project. Additionally, there has been significant turnover of project coordinators (i.e., the project has had over six project coordinators who are Deputy Ministers of Regional Development, Construction, Housing and Communal Services). Implementation progress is rated Moderately Satisfactory.

b. *Measures underway to accelerate implementation:* The World Bank team strongly encouraged the two relevant line ministries to provide signing rights to more than one person from the institution so that current signatories have backups to improve implementation and disbursement process under the project. The relevant ministry is assessing the option of expanding the signatories.

   The World Bank continues to work with utilities to overcome implications of the COVID-19 pandemic on subproject delivery, and with the central government to develop a Water Supply and Sanitation Strategy for improvement of services. The project was restructure with a USD 0.5 million partial cancellation of the CTF loan and an extension of 24 months to October 31, 2022. The World Bank team assessed that the project objective will be achieved despite ongoing pandemic challenges.

c. *Estimated timeframe within which the project will have disbursed ≥ 50 percent of CTF funds:* The project expects 50 percent disbursements during 2021.

d. *Expected disbursement of CTF funds over the next 12 and 24 months:* By the beginning of 2022, the World Bank expects disbursements to reach 75%, and should reach 100% by the current closing date of October 31, 2022.

3.1.1 MDB cancellation guidelines and criteria

32. During the December 2017 CIF Trust Fund Committees' and Sub-Committees' meetings, members expressed interest in receiving information pertaining to MDBs' potential decisions to cancel projects. Some MDBs have provided the following links to their guidelines.

- ADB – Project Administration Instructions: Suspension and Cancellation of Loans
- ADB – Externally Financed Grant Regulations Applicable to Grants Financed from a Trust Fund or Other External Sources and Administered by ADB
- AfDB – Revised Guidelines on Cancellation of Approved Loans, Grants and Guarantees
- IBRD - Trust Fund Handbook (see Section 5.9)

3.2 Currency risk via promissory notes

33. Currency risk via promissory notes is 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.

34. During the reporting period the GBP appreciated against the USD by seven percent, causing the value of CTF's GBP 200 million promissory notes to increase in value by USD 18 million. There is now an unrealized gain of USD 14 million associated with these notes (see Table 4). CTF's exposure to this risk therefore remains **Low**. It should be noted, however, that if these notes remain unencashed for a prolonged period, they could be exposed to greater fluctuations in foreign exchange rates. The program's currency risk has been **Low** in the last three reporting cycles, and **High** for the preceding four reporting cycles.

Table 4: CTF currency risk exposure summary

Currency Risk Exposure (Millions) as of March 31, 2021							
Program	Original Amount Pledged/ Received	Pledged Amount Outstanding/ Unencashed	Realized Currency Gain/ (Loss)	Unrealized Currency Gain/ (Loss)	Risk Likelihood	Risk Severity	Risk Score
CTF	£1,330.0	£200.0	($191.5)	**$14.4**	Possible	Minimal	**Low**

3.3 Resource availability

35. Resource availability risk is the risk that the Trustee will not have sufficient resources, under a respective CIF program, to commit to fund all projects in the program's pipeline. The CTF Trust Fund Committee agreed to accept a certain level of this risk, and to permit over-programming by 30 percent of the program's pledged resources in order to accelerate the implementation of viable projects rather than wait until after unviable projects had been identified and removed from the pipeline. This has proven to be a successful strategy, enabling accelerated project implementation. However, this policy also necessitates that some resource availability risk be incurred. As of March 31, 2021, CTF's deficit in available resources had decreased to USD 434 million from USD 703 million as reported during the last reporting cycle (see Annex A). The risk that CTF will be unable to fund all projects in its pipeline remains **High**.

36. To mitigate this risk, the CTF Trust Fund Committee, MDBs, and CIF Administrative Unit have all consistently conveyed the message that resource allocations in CTF are not guaranteed during the initial project preparatory stages and that CTF has adopted an over-programming approach in developing the CTF pipeline for planning purposes. It is not until the CTF Trust Fund Committee approves project funding, that CTF funds are committed for a specific project.

37. As of March 31, 2021, USD 215 million of the current shortfall in available resources can be attributed to realized and unrealized gains/declines in the value of CTF's GBP-denominated promissory notes (see Section 2.2), as well as the currency reserve which the Trustee maintains to mitigate the FX risk associated with the outstanding promissory notes.

3.4 Credit risk

38. Credit risk is the risk that a CTF financing recipient will become unwilling or unable to satisfy the terms of an obligation to an MDB in the MDB's capacity as an originator and servicer of CTF's outgoing financing.
39. Exposure to this risk could lead to insufficient available resources for the Trustee to repay loan contributors. Additionally, the viability and success of a project can be affected by a recipient's financial solvency.
40. CTF's primary source of credit risk exposure is incurred through the funds it commits as loans, (approximately 75 percent public sector and 25 percent private sector). Credit risk exposure incurred through other instruments (e.g., guarantees) is minimal.
41. The pandemic has elevated default conditions as most countries pursue measures to contain the pandemic, such as lockdowns, travel restrictions and social distancing measures. External credit rating agencies have downgraded numerous CTF countries, citing the pandemic as contributing to a deterioration in creditworthiness. To better track this movement, the CIF Administrative Unit reviewed pandemic-related actions taken by external credit rating agencies on CTF countries between March 1, 2020, and March 31, 2021. Please see Annex B for the results of the review.
42. The consensus among credit rating agencies now is that the credit cycle may have bottomed, and defaults are expected to decrease in 2021. The view reflects the anticipated re-opening of the global economy as vaccine rollouts accelerate across the world.
43. For this reason, the CIF Administrative Unit does not anticipate that expected losses will increase significantly beyond the levels they have now reached. However, the CIF Administrative Unit believes that the current heightened levels of expected defaults and expected losses which have resulted from the pandemic will likely persist for several years into the medium term and, in some cases, long term.

3.4.1 Public sector exposure

44. All CTF public sector loans are extended directly to externally rated sovereigns or to entities guaranteed by externally rated sovereigns. Presently CTF is exposed to 17 sovereigns with ratings ranging from CCC- (Ecuador) to A- (Peru).
45. Table 5 illustrates that, between September 30, 2020, and March 31, 2021, rating agencies took eight negative rating actions and 3 positive rating actions on CTF's public sector loan recipients' credit ratings.

Table 5: Credit rating change summary for CTF public sector loan recipients

	3/31/2021				9/30/2020			
Country	**S&P**	**Moody's**	**Fitch**	**Lowest Rating**	**S&P**	**Moody's**	**Fitch**	**Lowest Rating**
Burkina Faso	B	NR	NR	B	B	NR	NR	B
Colombia	BBB-(N)	Baa2(N)	BBB-(N)	BBB-	BBB-(N)	Baa2	BBB-(N)	BBB-
Ecuador	B-	Caa3	B-	CCC-	B-	Caa3(N)	B-	CCC-
Egypt	B	B2	B+	B	B	B2	B+	B
India	BBB-	Baa3(N)	BBB-(N)	BBB-	BBB-	Baa3(N)	BBB-(N)	BBB-
Indonesia	BBB(N)	Baa2	BBB	BBB	BBB(N)	Baa2	BBB	BBB
Honduras	BB-	B1	NR	B+	BB-	B1	NR	B+
Maldives	NR	B3(N)	CCC	CCC	NR	B3(N)	B(N)	B-
Mexico	BBB+(N)	Baa1(N)	BBB-	BBB-	BBB+(N)	Baa1(N)	BBB-	BBB-
Morocco	BBB-(N)	Ba1(N)	BB+	BB+	BBB-	Ba1	BBB-(N)	BB+
Peru	BBB+	A3	BBB+(N)	BBB+	BBB+	A3	BBB+	BBB+
Philippines	BBB+	Baa2	BBB	BBB	BBB+	Baa2	BBB	BBB
South Africa	BB-	Ba2(N)	BB-(N)	BB-	BB-	Ba1(N)	BB(N)	BB-
Tanzania	NR	B2	NR	B	NR	B2	NR	B
Turkey	B+	B2(N)	BB-	B	B+	B2(N)	BB-(N)	B
Ukraine	B	B3	B	B-	B	B3	B	B-
Vietnam	BB	Ba3(P)	BB	BB-	BB	Ba3(N)	BB	BB-

46. The CIF Administrative Unit uses the five-year probability of default (PD) and loss given default (LGD) metrics associated with each rating, as defined in *Moody's Annual Default Study: Following a sharp rise in 2020, corporate defaults will drop in 2021*, to estimate the expected loss rate[4] associated with the public-sector loan portfolio (see Tables 6 and 7).

[4] Expected Loss Rate = PD x LGD.

Table 6: CTF public sector loan commitments credit risk exposures by country

Public Sector CTF Loan Portfolio - Credit Risk Exposures as of March 31, 2021								
			Credit Rating					Expected Portfolio
Beneficiary Country	Loan Amount	Least Rating	S&P	Moody's	Fitch	PD	LGD	Loss Rate
Burkina Faso	91,000,000	B	B	NR	NR	20.5%	62.0%	
Colombia	70,268,819	BBB-	BBB-(N)	Baa2(N)	BBB-(N)	2.1%	56.1%	
Ecuador	23,000,000	CCC-	B-	Caa3	B-	64.7%	62.1%	
Egypt, Arab Republic of	149,750,000	B	B	B2	B+	20.5%	62.0%	
Honduras	730,000,000	B+	BB-	B1	NR	15.6%	62.0%	
India	200,000,000	BBB-	BBB-	Baa3(N)	BBB-(N)	2.1%	56.1%	
Indonesia	16,400,000	BBB	BBB(N)	Baa2	BBB	1.3%	56.1%	
Maldives	23,000,000	CCC	NA	B3(N)	CCC	64.7%	62.1%	
Mexico	240,529,668	BBB-	BBB+(N)	Baa1(N)	BBB-	2.1%	56.1%	
Morocco	633,950,000	BB+	BBB-(N)	Ba1(N)	BB+	4.7%	59.0%	
Peru	9,500,000	BBB+	BBB+	A3	BBB+(N)	0.9%	56.1%	
Philippines	57,201,690	BBB	BBB+	Baa2	BBB	1.3%	56.1%	
South Africa	349,932,473	BB-	BB-	Ba2(N)	BB-(N)	12.0%	59.0%	
Tanzania	22,000,000	B	NR	B2	NR	20.5%	62.0%	
Turkey	196,200,000	B	B+	B2(N)	BB-	20.5%	62.0%	
Ukraine	147,896,665	B-	B	B3	B	25.9%	62.0%	
Vietnam	129,431,233	BB-	BB	Ba3(N)	BB	12.0%	59.0%	
Total Exposure	**3,090,060,548**							
Expected Loss Rate Implied by Credit Ratings		**BB**				**12.1%**	**59.8%**	**7.3%**

3.4.2 Private sector exposure

47. The remaining 25 percent of CTF's loan commitments are to private sector entities for which publicly available information is much more limited. The CIF Administrative Unit uses the MDBs' internal risk assessments[5] of the transactions, which are provided in the form of either S&P-equivalent ratings or estimated PDs and LGDs to calculate a weighted average credit rating, PD, LGD, and expected loss rate for the private sector portfolio (see Table 7).

[5] Presently EBRD, IDB Group, 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

Committed Loan Portfolio Credit Risk Exposure (as of 3/31/2021)									
Sector	Portfolio Risk Rating[5]	Total Committed Loans (MM USD equivalent)[1]	Estimated Probability of Default (PD)	Estimated Loss Given Default (LGD)[6]	Expected Loss Rate[3]	Expected Losses (MM USD equivalent)[2]	Principal Outstanding in Default[5] (MM USD equivalent)	# of Loans Experiencing Payment Default	Outstanding Principal in Default vs. Portfolio's Total Principal Amount Originated
Public	BB-[8]	3,090.1	12.1%	59.8%	7.3%	224.4	0	0	0%
Private	B-[7,4]	913.4	27.5%	45.7%	12.6%	109.9	38.8	4	4.2%
Portfolio	**B+**	**4,003.5**	**15.6%**	**56.6%**	**8.9%**	**351.0**	**38.8**	**4**	**1.0%**

1. Committed loan amounts are provided by the Trustee.

2. Expected losses are in addition to total loan principal reported to be in default.

3. Expected Loss Rate = (PD x LGD), and does not take into account any correlations between the performance of loans within the portfolio.

4. Methodologies used to calculate credit ratings and PDs may differ amongst MDBs, as well as between a given MDB and external rating agencies.

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: Following a sharp rise in 2020, corporate defaults will drop in 2021* .

6. LGDs are based on the Portfolio Risk Rating's mapping to the LGD associated with Moody's credit rating equivalent as published in *Moody's Annual Default Study: Following a sharp rise in 2020, corporate defaults will drop in 2021* (i.e. LGD = 1 - Average Sr. Unsecured Bond Recovery Rate from the period of 1983-2020).

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. Based on weighted average PD (weighted by loan amount) associated with the external rating agency credit rating assigned to each recipient (in the

3.4.3 Update on loans currently experiencing payment defaults

48. During the reporting period, the USD 15 million loan in default and the USD 16 million loan in deferral were both cured, and all interest payments and principal repayments for these loans are now current.

49. As of March 31, 2021, three private sector CTF loans (EUR 2.0 million, EUR 5.6 million, and USD 12.1 million) were experiencing payment defaults. Additionally, a defaulted EUR 15.5 million loan was sold to investors during the first half of FY 2019 (see Table 8).

Table 8: CTF loans experiencing payment defaults

Loan Amount	Amount Outstanding at time of default	Total interest payments prior to default	Currency	Missed Interest Payments Date	Missed Interest Payments Amount	Repaid Delinquent Interest Date	Repaid Delinquent Interest Amount	Missed Principal Repayments Date	Missed Principal Repayments Amount	Repaid Delinquent Principal Date	Repaid Delinquent Principal Amount	Default Interest	Paid Default Inerest Date	Paid Default Inerest Amount	Total Amt Past Due
2,030,000	1,873,846	171,908	EUR					5/30/2018	78,077		(38,349)				1,867,699
								11/30/2018	78,077						
				4/10/2019	11,933		(11,933)	4/10/2019*	1,639,615			2,038		(2,038)	
				5/30/2019	-			5/30/2019	-			9,960		(9,960)	
				11/29/2019	-			11/29/2019	-			36,385			
				5/29/2020	-			5/29/2020	-			36,275			
				11/30/2020				11/30/2020				37,618			
				TOTAL	**11,933**		**(11,933)**		**1,795,769**		**(38,349)**	**122,276**		**(11,998)**	
15,500,000	15,500,000	357,000	EUR	This loan was sold to a syndicate of distressed debt investors in 2018. There is little likelihood of recovering CTF funds.					**15,500,000**						**15,500,000**
5,600,000	5,540,195	98,958	EUR					8/15/2018	107,692						**1,478,497**
								11/10/2018	107,692						
								2/13/2019	107,692						
				5/13/2019	26,091			5/13/2019	107,692			3,663			
				8/13/2019	49,368			8/13/2019	107,692			5,158			
				11/13/2019	25,870			11/13/2019	107,692			6,816			
				2/13/2020	25,320			2/13/2020	107,692			8,251			
				5/13/2020	24,231			5/13/2020	107,692			9,484			
				8/13/2020	24,219			8/13/2020	107,692			11,141			
				11/13/2020	23,668			11/13/2020	107,692			12,603			
				2/15/2021	23,621			2/15/2021	107,692			14,380			
				TOTAL	**222,388**		**-**		**1,184,614**		**-**	**71,496**		**-**	
12,065,953	11,872,898	1,660,206	USD	8/1/2017	245,688			8/1/2017	96,528						**3,604,438**
				2/1/2018	245,029			2/1/2018	90,495			30,961			
				8/1/2018	241,818			8/1/2018	132,725			21,733			
				2/1/2019	244,325			2/1/2019	90,495			34,567			
				8/1/2019	237,198			8/1/2019	211,154			45,212			
				2/1/2020	232,829			2/1/2020	180,989			60,348			
				8/1/2020	227,825			8/1/2019	271,484			74,477			
				2/1/2021	224,694			2/1/2021	271,484			92,381			
				TOTAL	**1,899,406**		**-**		**1,345,354**		**-**	**359,678**		**-**	

* Loan acceleration

50. Although they have not yet missed any interest payments or principal repayments, during the reporting period MDBs reported that the following three loans will experience payment defaults imminently.

   i. **(USD 1.5 million)** – This project is being wound down and material recovery of the CTF loan is unlikely.
   ii. **(USD 3.0 million)** – Maximum recovery of the CTF loan is being pursued.
   iii. **(USD 13.2 million)** – A sale of the CTF loan and its prepayment are being pursued. A modest recovery may be realized.

3.5 Fraud and sexual exploitation and abuse

51. At the January 2019 meeting, the CTF Trust Fund Committee requested that the MDBs provide the CIF Administrative Unit information regarding fraud and sexual exploitation and abuse in CTF projects implemented by them, to the extent that such information is provided to their own MDB boards and subject to any necessary legal/confidentiality arrangements prior to disclosure.

52. The MDBs did not report any allegations or instances of fraud or sexual exploitation and abuse to the CIF Administrative Unit during the period; however, MDBs issue the following annual reports on fraud and corruption highlighting statistics related to their anti-corruption efforts.

- ADB – Office of Anti-Corruption and Integrity Annual Report
- AfDB – Office of Integrity and Anti-Corruption Annual Report

- [EBRD – Integrity and Anti-Corruption Annual Report]
- [IDB Group – Office of Institutional Integrity Annual Report]
- [World Bank Group – Integrity Vice Presidency Annual Report]

3.5.1 Ukraine[6]

53. On September 17, 2020 Ukraine's constitutional court ruled that elements of the legislation setting up the National Anti-Corruption Bureau (NABU) were unconstitutional. The ruling followed a similar decision on August 27, 2020 that the appointment of Artem Sytnyk as head of the NABU by former President Poroshenko in 2015 was also unconstitutional. The ruling is regarded by some as being politically motivated.
54. The IMF, upon whose funding Ukraine is reliant to service its existing debts, has become increasingly concerned with the government's lack of progress in tackling the country's persistent corruption. The IMF has already made the release of further loan tranches to Ukraine conditional on tackling corruption and maintaining NABU's independence and integrity. The NABU ruling increases the likelihood that future IMF loan tranches might be delayed, imperiling Ukraine's macro-economic stability. Without IMF assistance Ukraine is unlikely to be able to service its external debt, and to face the risk of a sovereign default. Coupled with the impact of the pandemic, this could have major economic implications for Ukraine.
55. Ukraine's parliament is on track to pass legislation by June 1, 2021, to address the supreme court ruling that the county's corruption watchdog (NABU) was unconstitutional. On April 23, 2021, the IMF released its Article IV mission report that highlighted corruption in Ukraine as a fundamental hinderance to economic progress.

[6] This section is based on a report published by Maplecroft, *Ukraine: Fresh blow to NABU imperils funding*

Annex A: CTF resources available

CTF TRUST FUND - RESOURCES AVAILABLE for COMMITMENTS *Inception through March 31, 2021* *(USDeq. millions)*		
Cumulative Funding Received		
Contributions Received		
Cash Contributions		5,517.61
Unencashed promissory notes	k/	275.25
Total Contributions Received		5,792.86
Investment Income and Other Resources		
Investment Income		341.57
Other income	a/	30.64
Total Other Resources		372.21
Total Cumulative Funding Received (A)		**6,165.07**
Cumulative Funding Commitments		
Projects/Programs		6,889.06
MDB Project Implementation and Supervision services (MPIS) Costs		56.38
Cumulative Administrative Expenses		105.06
Total Cumulative Funding Commitments		7,050.50
Administrative Expense Cancellations	b/	(6.36)
Projects/Programs, MPIS Cancellations	c/	(1,639.57)
Net Cumulative Funding Commitments (B)		**5,404.57**
Funding Availability(A - B)		**760.50**
Country Engagement Budget reserve FY21-23	d/	**(0.89)**
Learning and Knowledge Exchange & Special Initiative Budget (Multi-Year)	e/	**(2.29)**
Currency Risk Reserves	f/	**(41.29)**
Unrestricted Fund Balance for Trustee Commitments -Projects/Programs and Admin (C)		**716.03**
Net investment income available for Admin Budget commitments and the loan losses (D)		**270.32**
Unrestricted Funding Available for Projects/Programs commitments (E = C - D)	g/	**445.70**
Unrestricted Funding Available for Projects/Programs commitments	g/	144.94
Unrestricted Funding Available for Projects/Programs commitments -DPSP IV and other new Programs	g/	300.76
Anticipated Commitments for Projects/Programs		
Projects/Programs Funding and Fees- CTF Dedicated Private Sector Programs (DPSP)- Phase IV		879.37
Total Anticipated Commitments (F)	l/	**879.37**
Available Resources for Projects/Programs (G = E -F)		**(433.66)**
Potential Future Resources (FY21)		
Contribution Receivable	l/	-
Pledges		-
Release of Currency Risk Reserves	f/	41.29
Total Potential Future Resources (H)		**41.29**
Potential Available Resources for Projects/Programs (G+H)		**(392.38)**
Potential Net Future Resources for Admin Expenses and Loan Losses		
Projected Investment Income from Apr 2021 to FY26 (I)	h/	120.70
Projected Administrative Budget (FY22-26) (J)	i/	45.90
Potential Net investment income available for Admin Expenses and Loan losses (K = I - J)		**74.81**
Potential Available Resources for Admin Expenses and Loan Losses (D + K)	j/	**345.13**

a/ Return of funds other than reflows due to be returned to the Trust Fund pursuant to the Financial Procedures Agreements consistent with the pertinent CTF funding approved by the CTF Trust Fund Committee. Includes Investment income, commitment fee, front end fee and late payment fee from MDB's.

b/ The admin budget cancellations include the unused admin budget refunds, Country Programming Budget revisions/cancellations by MDBs, Trustee and CIFAU.

c/ Cancellation of program and project commitments approved by the committee.

d/ The amount of USD 0.5 million approved by TFC in June 2019 for the multi-year country programing budget and the balance in reserve estimate provided by CIFAU for the period FY21 - FY23.

e/ Includes the funding set aside of USD 1.7 million for the multi-year E&L initiative (year 3), the commitment of which requires the approval of the TFC, and USD 0.59 million committed under the special initiative related to CTF 2.0 as approved by the TFC in June 2017.

f/ 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.

g/ In January 2019, the CTF Trust Fund Committee agreed that any remaining resources in CTF that can be made available for further programming may be used to fund more projects/programs under DPSP III. Subsequently all the resources were programmed. The amount of USD 144.94 cancelled after June 30, 2020 is not available for programming pending the decision from the CTF committee about the usage of these funds. Only the new contributions signed and received after January 2019 are considered as available for new non-DPSP-III programs/projects. The EURO balance available for commitments in EURO currency is nil.

h/ 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.

i/ FY21 Budget commitment approved by TFC in June 2020 was USD 9.18 million for Administrative service and an approval for USD 3.05 million for a multi year initiative. The amount approved for FY21 Administrative Services was extrapolated for 5 years.Projected administrative budget includes resources for administrative services provided by the CIF AU, Trustee and MDBs.

j/ Losses on outgoing CTF Financial Products will be shared as stipulated by the Principles regarding Contributions to the CTF and covered to the extent available from the Net income (net investment income, interest and guarentee fees received in excess of 0.75%).

k/ This amount represents the USD equivalent of the UK's GBP 200 million outstanding PNs.

l/ Anticipated commitment pipeline information provided by CIFAU

Annex B: Pandemic-related Credit Rating Agency Actions on CTF Recipient Countries' Credit Ratings

Beneficiary Country	S&P	Moody's	Fitch
Burkina Faso	• No rating action.	• No rating action.	• No rating action.
Colombia	• **S&P downgraded the outlook of Colombia's BBB- rating from stable to negative.** • **The basis of the downgrade is the expected impact of COVID-19 and the drop in oil prices.** • **This has hamstrung Colombia's fiscal position as it is dependent on oil revenue.**	• No rating action.	• **Fitch downgraded Colombia from BBB to BBB-(N) on 4/1/20.** • **Colombia's fiscal position is negatively impacted by the twin shocks of the COVID pandemic and oil price fall.** • **The twin shocks come on the back of a rapid increase in debt.**
Ecuador	• S&P upgraded Ecuador from SD to B- on 9/1/20 after it reached a deal with creditors for debt replacement.	• **Moody's downgraded Ecuador from Caa1 to Caa3(N) on 4/3/20.** • **The driver of the downgrade was the anticipated default on its debt given the impact of COVID-19.**	• Fitch upgraded Ecuador to B- on 9/3/20. • Before the upgrade Fitch had downgraded it four times from B- to RD (restricted default and is similar to S&P's selected default) between 3/19/20 and 4/20/20 in anticipation of default of USD 800 million interest repayment on its USD 19.2 billion debt, that was due in August. • Ecuador has since agreed with creditors to restructure the terms of the debt and hence the upgrade.
Egypt	• No rating action.	• No rating action.	• No rating action.
India	• No rating action.	• India was downgraded from Baa2(N) to Baa3(N) on 6/18/20. • The downgrade was mainly driven by structural weakness in India's fiscal position and mounting debt. • The downgrade was not motivated by the impact of COVID-19 as the structural weaknesses were significant even before the pandemic. The pandemic, however, exacerbates the weaknesses.	• **Fitch placed a negative outlook on India's BBB- rating on 6/1/20.** • **The revision was driven by the anticipated negative impacts of COVID-19 mitigation measures on the already precarious fiscal position and unsustainable debt burden.**

Beneficiary Country	S&P	Moody's	Fitch
Indonesia	• **S&P placed a negative outlook on Indonesia's BBB rating on 4/17/20.** • **The deteriorating outlook is driven by the impact of COVID-19 which has adversely affected its external position and debt burden as it embarks on countercyclical fiscal policy.**	• No rating action.	• No rating action.
Honduras	• No rating action.	• No rating action.	• Not rated.
Maldives	• Not rated.	• **Maldives was downgraded from B2(N) to B3(N) on 5/21/20.** • **The effects of the global lockdown measures have weighed down on its tourism dependent economy.**	• **Maldives was downgraded from B+ to B(N) on 3/30/20.** • **Maldives' economy is expected to be hit hard by the COVID-19 pandemic as it is heavily reliant on tourism.**
Mexico	• **S&P downgraded Mexico from BBB+ to BBB(N) on 3/27/20.** • **Mexico and its major trading partner USA are expected to be significantly impacted by the twin shocks of COVID-19 and drop in oil prices.**	• Mexico was downgraded from A3(N) to Baa1(N) on 4/17/20. • Key drivers include structural weaknesses in the economy which were hampering growth even before the advent of the pandemic and the oil shock.	• **Mexico was downgraded from BBB to BBB-(N) on 4/15/20.** • **The impact of COVID-19 is expected to severely impact the Mexican economy and fiscal capacity.**
Morocco	• No rating action.	• No rating action.	• **Fitch placed a negative outlook on Morocco's BBB- rating on 4/28/20.** • **The rating action was mainly driven by the anticipated impact of COVID-19 which is expected to result in the deepest economic decline for Morocco in 25 years.**
Peru	• No rating action.	• No rating action.	• No rating action.
Philippines	• No rating action.	• No rating action.	• **Fitch removed the positive outlook on Philippines' BBB rating.** • **The rating action was mainly due to anticipated deterioration in economic fundamentals in the short-term due to COVID-19 mitigation measures.**

Beneficiary Country	S&P	Moody's	Fitch
South Africa	• **South Africa was downgraded from BB(N) to BB- on 4/30/20.** • **The impact of COVID-19 on South Africa is expected to worsen its fiscal position and increase its debt burden.**	• South Africa was downgraded from Baa3(N) to Ba1 on 3/27/20. • The main drivers of the downgrade are a weak fiscal position, unsustainable debt levels and weak macroeconomic fundamentals.	• **Fitch downgraded South Africa by two notches from BB+(N) to BB(N) on 4/3/20and maintained its negative outlook.** • **The key drivers of the downgrade include lack of a clear strategy for debt stabilization and the expected impact of COVID-19 on the economy.**
Tanzania	• Not Rated.	• **Tanzania was downgraded from B1(N) to B2 on 8/21/20.** • **The downgrade was mainly due to governance weaknesses which negatively impact foreign direct investment.** • **The COVID-19 pandemic is expected to exacerbate and expose some of the institutional weaknesses.**	• Not Rated.
Turkey	• No rating action.	• Moody's downgraded Turkey from B1 to B2 and maintained a negative outlook. • The rating action is mainly driven by the deteriorating external condition and weakening fiscal buffers.	• Fitch placed the outlook on Turkey's BB- rating on negative on 8/21/20. • The key driver of the revision is the deteriorating monetary position due to depleted foreign reserves and lack of a credible monetary policy.
Ukraine	• No rating action.	• Ukraine was upgraded from Caa1(P) to B3 on 6/12/20. • The upgrade was driven by an easing in near-term funding pressure due to sustainable support of its external position by the IMF and positive results of its reforms.	• **Fitch removed the positive outlook from Ukraine's B rating on 4/22/20.** • **The revision reflects the expected impact of COVID-19 to its short-term fiscal position.**
Vietnam	• No rating action.	• No rating action.	• **Fitch revised the outlook on Vietnam's BB rating from positive to negative on 4/4/20.** • **The main driver of the revision was the expected impact of COVID-19 on Vietnam's tourism and export dependent economy.**