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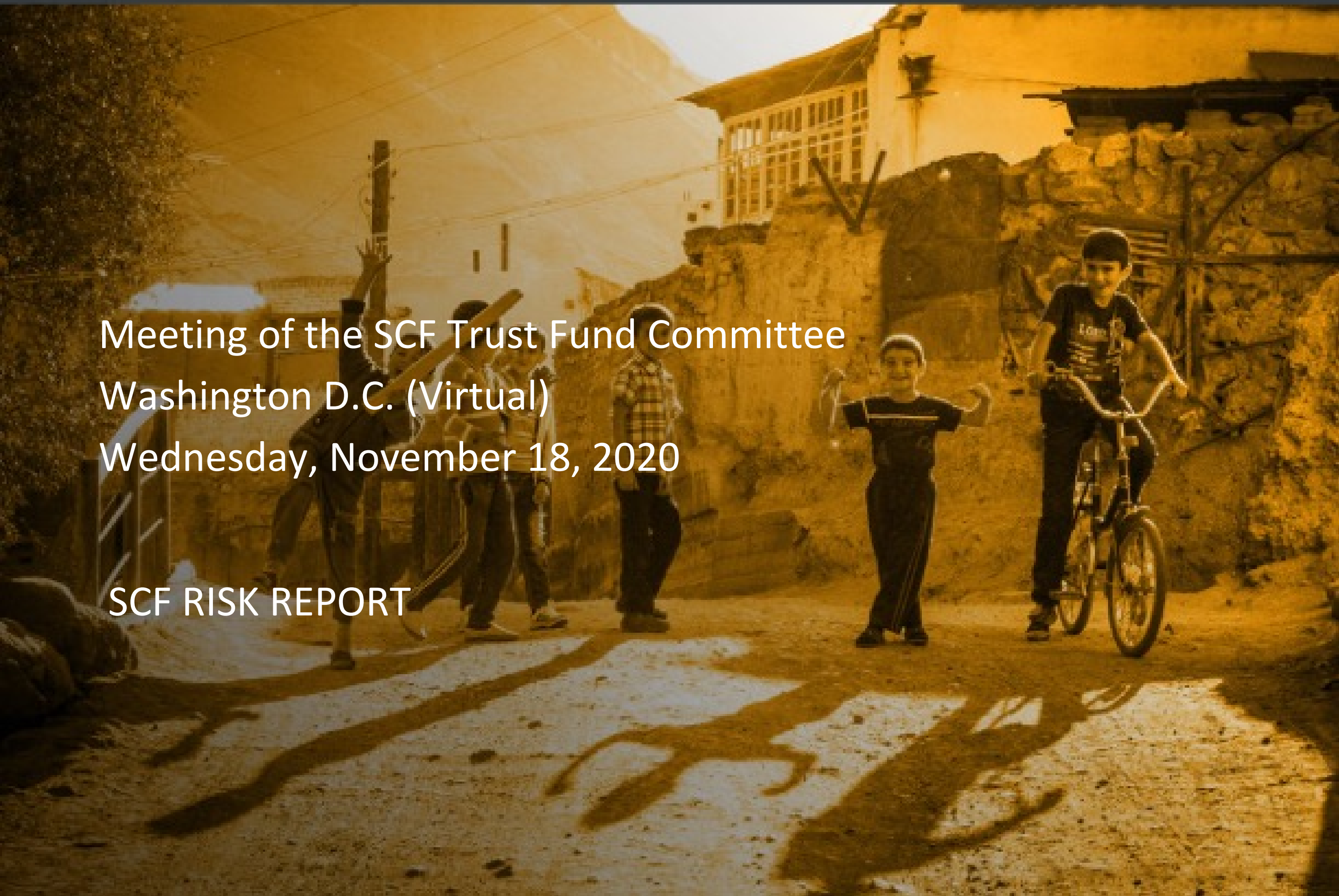

Meeting of the SCF Trust Fund Committee

Washington D.C. (Virtual)

Wednesday, November 18, 2020

SCF RISK REPORT

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PROPOSED DECISION

The SCF Trust Fund Committee reviewed the document, SCF/SC.23/4, *SCF Risk Report*, and welcomes the progress that has been made in advancing the work of SCF.

The SCF 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. Since the last report, global and local economic conditions in all recipient countries where projects are being implemented have significantly deteriorated due to the COVID-19 pandemic. It constitutes an unprecedented global macroeconomic shock of uncertain magnitude and duration. The urgent objective of most governments during this crisis is to save lives. The duration of the pandemic is difficult to predict at this time, as are the extent and efficacy of economic interventions by governments and central banks, and recalibration of budgetary priorities in recipient countries. In light of the pandemic, all CIF programs face heightened credit, market and operational risks.

2. More specifically, the CIF Administrative Unit expects the impacts of the pandemic to:
   - delay project implementation;
   - affect the volume and timing of disbursements to funding recipients as projects are delayed;
   - increase project cancellations;
   - increase demand for more concessionality by multilateral development banks (MDBs) and funding recipients for pipeline projects, including requests to convert non-grant financing instruments into grants;
   - affect the timing of repayments from loan recipients due to loan restructurings to allow for longer grace periods and maturities;
   - increase credit risk and expected credit losses.

3. The CIF Administrative Unit is noting that these impacts are already occurring, and this report outlines some of the impacts which the CIF Administrative Unit expects the pandemic to have on project implementation, as well as expected credit losses. Understanding of the length and severity of the impacts of the pandemic will continue to evolve and the CIF Administrative Unit will continue to provide updates on such developments.

4. Developing countries including some CIF recipients, were already heavily indebted coming into the pandemic and face acute fiscal and monetary constraints to buffer their economies from the adverse effects of the lock downs and social distancing measures put in place to limit the pandemic. This heightens the risk of governments in developing countries shifting focus away from funding climate related projects as they focus on ameliorating the effects of the pandemic on the economy. CIF's role and business model to provide tailored appropriate concessional financing to incentivize and enable recipient countries to fund climate related projects has become more relevant and urgent to enable a sustainable green recovery.

5. This report provides an update on assessments of the more significant risk exposures facing the each of the three programs which comprise the Strategic Climate Fund (SCF): the Forest Investment Program (FIP), Pilot Program for Climate Resilience (PPCR), and Scaling up Renewable Energy Program in Low Income Countries (SREP). Data as of December 31, 2019 was used to flag projects for implementation risk in the tables and compare them with projects flagged in the previous Risk Reports (which was based on data as of June 30, 2019 for implementation risk), with certain projects using more updated information, as provided by the MDBs, where indicated in the text of the report. Data as of September 30, 2020 was used to assess the other risks and compare them with the assessments made in the previous Risk Reports (which used data as of September 30, 2019 for these risk assessments).

2 Description of key risk types

6. Risk is defined as any threat to the achievement of an SCF program's objectives. This definition, along with the definition of each program's objectives, establishes the context for appraising an SCF program's

risk exposures.

7. The SCF's programs are exposed to the following key risks.[1]

   - Implementation Risk
   - Currency Risk
   - Resource Availability Risk
   - Credit Risk

2.1 Implementation risk[2]

8. Implementation risk is the risk that a project, once effective, is not implemented in a timely manner. The CIF Administrative Unit flags a project for implementation risk if the project meets at least one of the following three criteria.

   - The project has been effective for 36 months but has disbursed less than 20 percent of program funds.
   - The project is within 15 months of the anticipated date of final disbursement but has disbursed less than 50 percent of program funds.
   - The anticipated date of final disbursement for the project has been extended, and less than 50 percent of program funds have been disbursed.

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

10. The MDBs provide this information semi-annually, and the most recent information available is as of December 31, 2019. However, in some cases the MDBs may have provided more recent information which is included in the text, and the CIF Administrative Unit requests monthly updates from the MDBs on the impacts of the pandemic on CIF projects.

2.1.1 MDB cancellation guidelines and criteria

11. 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.

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[1] Please note that other risks are also assessed, monitored and reported on each respective program's risk dashboard.

[2] 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), 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.

- 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)

2.2 Currency risk via promissory notes

12. 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.

2.3 Resource availability risk[3]

13. 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.

14. To mitigate this risk, the MDBs, and CIF Administrative Unit continuously monitor the resource availability situation and manage the pipeline development accordingly. Additionally, the TFC, MDBs, and CIF Administrative Unit have all consistently conveyed the message that resource allocations are not guaranteed until funds are committed to specific projects.

2.4 Fraud, and Sexual exploitation and abuse

15. At the February 2019 CIF Trust Fund Committees and Sub-Committees meetings, the members requested that the MDBs provide to the CIF Administrative Unit information regarding fraud and sexual exploitation and abuse associated with CIF 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.

16. The MDBs did not report any allegations or instances of fraud or sexual exploitation, or abuse to the CIF Administrative Unit during the reporting 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

2.5 Credit risk

17. At the March 8, 2018 intersessional meeting of the SCF Trust Fund Committee, the committee decided that, "SCF Reflows may be used to finance Administrative Costs and shall be allocated to finance the potential shortfall of grant resources to cover Administrative Costs after they become available in each Program Sub-Account."

18. The pandemic has exacerbated the already depleted fiscal and foreign exchange buffers in developing and emerging market economies, such as Mozambique and Zambia, as they embark on fiscal measures

[3] Available Resources excludes Currency Reserves as these reserves are not available for the Trustee to commit for programming. Additionally, if, before the remaining promissory notes are encashed, the GBP declines against the USD, some or all of the current amount of the Currency Reserves may never become Available Resources to commit for programming.

to cushion corporates and households from the adverse effects of the necessary lockdown and social distancing measures. Some oil and tourism-dependent countries such as Bolivia and Jamaica have faced twin shocks to their economy resulting in a deeper recession.

19. The effects of the pandemic on countries and the global economy continue to evolve. A major impact of the pandemic on markets includes elevated default conditions as most countries pursue various measures to contain the pandemic. As such elevated default conditions persist, external rating agencies have begun downgrading countries and corporates whose creditworthiness has been adversely impacted. Due to the pandemic, the CIF Administrative Unit anticipates that expected losses will increase by 10 percent, relative to what would have been expected previously.

20. Because credit losses and delinquencies can impact the availability and timing of these reflows to finance administrative costs, it is important to assess the credit risk associated with each SCF program's loan portfolio.

3 Assessment of key risk exposures — FIP

21. The following matrix summarizes FIP's key risk exposures.

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

22. Implementation risk for FIP remained **High**, as six out of 41 projects representing USD 104 million (14 percent) of MDB-approved program funding have been flagged for this risk. The program's implementation risk score has been **High** for the past two reporting cycles, and **Medium** for the four reporting cycles prior to that.

23. Although GBP 49 million promissory notes were encashed during the period, currency risk for FIP remained **High**. The unrealized decline in the value of FIP's uncashed promissory notes decreased to USD 33 million from USD 57 million as reported in the previous reporting cycle, largely due to the GBP 49 million encashment. GBP 131 million promissory notes remain outstanding. The program's currency risk score has been **High** for the last six reporting cycles.

24. Resource availability risk decreased to **Low** from **Medium** during the reporting period as FIP now has a deficit of USD 5 million of capital resources and USD 40 million surplus of grant resources. The program's resource availability risk score was **Medium** in the last reporting cycle and had been **High** for the previous four reporting cycles.

25. Expected losses associated with committed loan portfolio are USD 22 million and the credit risk associated with the program remains **Medium**.

3.1 Implementation risk

26. Table 1 illustrates that the same project representing USD 32 million of program funding has been flagged under the first criterion as was flagged during the last reporting period.

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

COUNTRY	PROJECT TITLE	MDB	Funding (USD million)	MDB Board Approval Date	Cumulative Disb. As of Dec 31, 2019	Disbursement Ratio	Effectiveness Date	Months After Effectiveness Date	MDB Co-Financing (USD millions)
Brazil	Environmental Regularization of Rural Lands in the Cerrado of Brazil	IBRD	32.5	7/21/2015	2.0	6%	3/16/2016	46	0

27. **Environmental Regularization of Rural Lands in the Cerrado of Brazil (World Bank)** - This project disbursed USD 0.7 million during the reporting period. It has been flagged in each of the last six reporting cycles. Total disbursements of the loan amounted to USD 2.2 million as of September 18, 2020.

   a. *Reason(s) for delay:* The project startup coincided with an extraordinary turbulent period for the Brazilian state and its economy. The project suffered with this political and economic turmoil, principally because the federal government, rather than another public or private entity, was the recipient of FIP funds, which came in the form of a loan rather than a grant. While the loan had been approved by the World Bank in May 2015, a Loan Agreement could only be signed after the Annual Budget Law was approved by the Congress and budget resources could be allocated to implement the Project. The loan was submitted to the Senate in September 2015, but was not approved until April 2016, shortly before the impeachment trial in the Senate. Even after that approval, the loan still required a manifestation of the National Treasury in favor of loan signing, which proved difficult with drastically reduced federal budget provisions for the project. While the budget allocated to the project in 2015 was adequate at BRL 23 million, it dropped to only BRL 3 million in 2016, insufficient for implementing the project.

   The loan agreement was signed on May 22, 2017. Loan effectiveness occurred three months later, on August 18, 2017. The effort of the Project Implementation Unit to obtain approval to increase the allocation for loan funds in the budget to BRL 6 million was not successful.

   The annual spending cap and budget constraints imposed by the federal government continue to limit disbursements. The National Budget Freeze put in place by the government stipulates that no agency can increase their budget over the next 20 years. For 2018, the federal budget allocation for the loan funds increased to BRL 5 million, still low when considering the value of the loan of almost BRL 107 million at prevailing exchange rates. A new federal government was elected in late 2018. President Bolsonaro took power in January 2019.

   Additionally, the projected was affected by the transfer of the executing agency, Brazilian Forest Service (SFB), from the Ministry of Environment to the Ministry of Agriculture, Livestock and Supply (MAPA). This shift in responsibility temporarily slowed down project implementation.

   Also, the BRL/USD exchange rate is a key consideration not only for procurement activities, but also for the overall disbursement rate. The exchange rate adopted at appraisal was BRL 2.9 per USD, whereas the actual exchange rate as of December 31, 2019 was BRL 4.0 per USD, and BRL 5.3 on September 18, 2020. Thus, the value of the loan funds went from about BRL 94 million at appraisal to about BRL 176 million before cancellation, and to BRL 128 million after cancellation of USD 8.0 M million, suggesting that greater implementation is being achieved than indicated by the level of disbursed funds.

   b. *Measures underway to accelerate implementation:* A project restructuring was executed in September 2019, which included cancellation of USD 8.0 million from the loan amount, adjustment of the PDO to reflect the change in institutional responsibility to MAPA and the SFB; reallocation of (remaining) loan amount among disbursement categories, and new target values for some of the PDO and intermediate results indicators.

The Amendment and Restatement of the Loan Agreement was signed in late September 2019 by the World Bank Brazil Country Management Unit Director.

The project team in SFB is expending considerable effort seeking a solution to mitigate the problem of delays caused by the budget constraints and slow release of federal budget funds. The SBF is trying to increase this amount to approximately USD 4.6 million as promised by MAPA. By the end of October 2020, MAPA should respond to the request for additional/reallocation of funds.

To assist SFB in the carrying out of its procurement obligations and to speed up hiring of individual consultants, MAPA will transfer a portion of the loan proceeds to the Inter-American Institute for Cooperation on Agriculture (IICA) under a subsidiary agreement with terms and conditions acceptable to the World Bank. The SFB has advanced agreement negotiations with the IICA, which is being assessed from a financial and procurement standpoint to ensure that it has the necessary fiduciary arrangements in place to manage the funds that will be received. It is expected that it can be processed and start implementation by November 2020. This is crucial to strengthen the financial implementation capacity of the SFB, which lacks staff and capacity to process more procurement processes at once. This would allow the project to allocate more funds faster, enabling them to request additional funds to MAPA. It is estimated that USD 9 million is the total amount to be transferred to the IICA. The World Bank team is closely working with MAPA/SFB to obtain a supplementary budget for 2020.

c. *Estimated timeframe within which project will have disbursed 20 percent of FIP funds:* A new disbursement request is expected by the end of November 2020, and it is estimated that by February 2021, the project will have disbursed 20 percent and 50 percent of funds by September 2021. Nevertheless, the Brazilian government is considering the possibility of a new partial cancellation due the considerable devaluation of the BRL compared to the USD. The appraisal exchange rate was 2.9 BRL per USD, while current rate is around 5.5 BRL.

28. Table 2 illustrates that five projects representing USD 82 million of approved funding have been flagged under the second criterion (versus Three projects representing USD 62 million flagged in the previous Risk Report). All of the projects flagged in the previous report under this criterion remain flagged in the current reporting period. Additionally, *Forest Information to Support Public and Private Sectors in Management Initiatives–Brazil (IDB Group)* was flagged under the third criterion in the last report (see Table 3).

Table 2. Projects within 15 months of closing with less than 50 percent of approved funds disbursed

COUNTRY	PROJECT TITLE	MDB	Funding (USD million)	MDB Board Approval Date	Cumulative Disb. as of Dec 31, 2019	Disbursement Ratio	Anticipated Date of Financial Closure	Months Before Anticipated Date of Financial Closure
Burkina Faso	Decentralized Forest and Woodland Management	IBRD	16.5	1/23/2014	7.3	44%	12/31/2019	0
Brazil	Environmental Regularization of Rural Lands in the Cerrado of Brazil	IBRD	32.5	7/21/2015	2.0	6%	2/28/2020	2
Lao PDR	Protecting Forests for Sustainable Ecosystem Services	ADB	12.8	8/9/2016	5.7	45%	6/30/2020	6
Brazil	Forest Information to Support Public and Private Sectors in Management Initiatives	IDB	16.5	12/13/2013	4.9	30%	3/30/2021	15
Burkina Faso	Climate change mitigation and poverty reduction through the development of the cashew sector in Burkina Faso (Wouol project)	AfDB	4.0	2/16/2017	1.0	24%	8/28/2020	8

29. **Decentralized Forest and Woodland Management – Burkina Faso (World Bank):** As of December 31, 2019, this project had disbursed USD 3.0 million. It had been flagged in each of the last four reporting cycles but has reached its financial closure date (anticipated date of final disbursement). Because the project is co-financed, disbursements had to be split between the sources of funds, and the disbursement on FIP account appeared slower. However, disbursement of FIP funds accelerated as soon as the co-financing ended. Thus, the World Bank reports that, **as of August 2020, this project has now disbursed 60 percent of FIP funds and will no longer be flagged**.

30. **Environmental Regularization of Rural Lands in the Cerrado of Brazil (World Bank)** was also flagged under the first criterion (see description above).

31. **Protecting Forest Ecosystem Services – Lao PDR (ADB) –** This project disbursed USD 1.5 million during the reporting period and has been flagged for the past two reporting cycles.

    a. *Reason(s) for delay:* Adjustments in administrative procedures and staff changes contributed to significant delays. Additionally, late mobilization of service providers delayed implementation of field activities, particularly the livelihoods program which has the largest contract value of USD 4.0 million.

    b. *Measures underway to accelerate implementation:* These problems have been resolved and the service providers were onboard by July 2019, with all activities under their contracts having started.

    c. *Estimated timeframe within which the project will have disbursed 50% of FIP funds*: To enable all activities to be carried out, a minimum three-year implementation period is required. The project's closing date has now been extended to June 30, 2022.

32. **Forest Information to Support Public and Private Sectors in Management Initiatives – Brazil (IDB Group) –** During the reporting cycle disbursements increased by USD 0.3 million. This project has been flagged in each of the last five reporting cycles.

    a. *Reason(s) for delay:* This project has been delayed due to several reasons, including a long ratification process by the government; operational and procurement constraints faced by the executing agency (Ministry of the Environment, MMA), and the spending cap established for MMA due to a constitutional amendment, which made the original spending projections unfeasible. IDB Group and MMA re-programmed spending according to the government annual budget limit. During 2017, the execution of the project accelerated significantly. Moreover, the devaluation of Brazil's national currency has increased the funding available. In 2019, the IDB Group and the Government agreed to increase the period of execution until December 2020 and to make a partial cancelation of resources (USD 9.7 million). The budget revision led to reductions in all components, although no components or activities were cancelled, and the project expected results remained unchanged.

b. *Measures underway to accelerate implementation:* The partial cancelation will be sent by the IDB Group to the Trustee in October 2020. The IDB Group and the government are preparing a new operation that would utilize the canceled resources. This new operation would expand the scope of the original operation, by covering new regions and additional actions, and would be executed by a non-governmental agency (thus avoiding the implementation problems involved by the government's budget ceiling and procurement rules). Subject to the availability of grant resources in FIP, an approval request for this new project would be submitted to the FIP Sub-Committee.

c. *Estimated timeframe within which the project will have disbursed 50 percent of FIP funds*: Once the partial cancelation is sent to the Trustee, based on the decreased adjusted project value of USD 6.8 million, the project will have already disbursed 73 percent of the funds and **will no longer be flagged**. The project will be closed in December 2020 and is expected to achieve its planned results.

33. **Climate change mitigation and poverty reduction through the development of the cashew sector in Burkina Faso (Wouol project) – Burkina Faso (AfDB)**

a. *Reason(s) for delay:* Prior to COVID-19, the project had been progressing across five sub-components that reflect various points of entry to support the cashew supply chain: plantation development, improving yields and modes of production, modernizing commercial processing facilities, capacity building of local actors in the supply chain, and project management. The project has made the most progress to date in upstream interventions, such as plantations developed (96 percent of target reached), and support for improved agricultural techniques (100 percent of targeted farmers trained on organic practices).

Delays have occurred in the processing facilities sub-component, which relies on investment credits being approved by the Réseau des caisses populaires du Burkina Faso (RCPB) for separate sub-projects. As of late 2019, 64 sub-projects had been submitted to the RCPB, but none having moved to implementation phase. RCPB cited lack of sufficient economic and financial profitability studies and other quality control mechanisms for the proposals as a barrier to their timely approval.

The onset of the pandemic has caused further delays in project implementation, and from March 2020, activities in the field have been suspended due to restrictions on movement. This has led to an inability to work with local cooperatives and other field-level actors to advance project activities.

b. *Measures underway to accelerate implementation:* Following the latest supervision, AfDB is urging the RCPB, in coordination with the Project Implementation Unit (PIU), to accelerate and prioritize the preselection of equipment and infrastructure sub-components, which will require further technical and environmental studies to proceed. The mission further recommended that each sub-project involving a processing unit incorporate an economic and financial profitability study upfront, and for the PIU to provide technical support for this where needed. AfDB is closely monitoring the COVID-19 situation in Burkina Faso and assessing the ability of certain project activities to resume. A project Mid-Term Review is scheduled for Q3 2020, at which point the discussion of key implementation priorities and any necessary adjustments to timeline/project scope will also take place.

c. *Estimated timeframe within which the project will have disbursed 50 percent of FIP funds*: As of September 2020, FIP funds reached a cumulative disbursement rate of 24 percent. It is important to note, however, that AfDB co-financing had reached a cumulative disbursement rate of 77 percent by the same period. AfDB estimates that 50 percent of FIP funds will have been disbursed by December 31, 2021. This estimated timeframe may be subject to further adjustment following a more in-depth analysis of the situation during the upcoming Mid-Term Review.

34. Table 3 illustrates that three projects representing USD 70 million of program funding have been flagged under the third criterion (versus three representing USD 48 million flagged in the previous Risk Report). *Development of systems to prevent forest fires and monitor vegetation cover in the Brazilian Cerrado (World Bank)* is no longer flagged as disbursements have increased above 50 percent.

Table 3. Projects with extended anticipated dates of final disbursement, and less than 50 percent of approved funds disbursed

COUNTRY	PROJECT TITLE	MDB	Public/ Private	FIP Funding (USD million)	MDB Board Approval Date	Financial Product	Cumulative Disb. As of Dec 31, 2019 (USD million)	Disbursement Ratio	Effectiveness Date	Months Since Effectiveness Date	*Initial* Anticipated Date of Final Disbursement	*Extended* Anticipated Date of Final Disbursement	MDB Co-financing (USD million)
DRC	REDD+ Project in the Mbuji-Mayi/Kananga and Kisangani Basins	AfDB	Public	21.5	9/11/2013	Grant	7.5	35%	2/20/2015	59	6/30/2019	6/30/2021	0
Brazil	Brazil Forest Information to Support Public and Private Sectors in Management Initiatives	IDB	Public	16.5	12/13/2013	Grant	4.9	30%	6/10/2014	68	5/29/2020	3/29/2021	0
Brazil	Environmental Regularization of Rural Lands in the Cerrado of Brazil	IBRD	Public	32.5	7/21/2015	Non-Gran	2.0	6%	3/16/2016	46	12/31/2019	6/30/2021	0

35. **REDD+ Project in the Mbuji-Mayi/Kananga and Kisangani Basins – DRC (AfDB)**

a. *Reason(s) for delay:* This project was flagged two reporting cycles ago due to an investigation by AfDB's Anti-corruption and Fraud Unit regarding concerns pertaining to the procurement bidding process. It was prudent to delay project implementation and request an extension pending the outcome of the investigation which is now finalized.

COVID-19 has limited the mobility around the three project sites earlier in 2020, right at the time when many of the community-level sub-contracts were finally reaching approval stage. However, this issue no longer seems to be having a significant impact on implementation progress. The slow disbursement rate has been driven much more by the project's design, which consists of over 30 community-level sub-contracts for afforestation, sustainable agriculture, land tenure, and other technical support within three distinct geographies. During the multiple bidding processes, a number of the contracts have failed to meet AfDB's procurement standards and had to be relaunched.

The planned final disbursement date is June 30, 2021. As of September 30, 2020, FIP's disbursement ratio reached 40 percent. After a lengthy procurement process, the project has been disbursing consistently throughout 2020 with nearly USD 1 million in disbursements occurring between April and July 2020 alone.

b. *Measures underway to accelerate implementation:* The investigation found no issues and implementation is now progressing satisfactorily.

c. *Estimated timeframe within which project will have disbursed 50 percent or more of FIP funds:* AfDB has revised the estimate from December 2020 to June 2021.

36. **Brazil Forest Information to Support Public and Private Sectors in Management Initiatives (IDB Group)** – This project was flagged under the second criterion (please see above for the description).

37. **Environmental Regularization of Rural Lands in the Cerrado of Brazil (World Bank)** was also flagged under the first criterion (see description above).

3.2 Currency risk via promissory notes

38. GPB 49 million of GBP-denominated promissory notes were encashed since September 30, 2019, and GBP 131 million of promissory notes remained outstanding as of September 30, 2020. Between September 30, 2019 and September 30, 2020, the unrealized losses declined from USD 57 million to USD 33 million due largely to the encashment and an appreciation of the GPB against the USD. However, a realized loss of USD 11 million during the period is due to the encashment (versus the realized gain of USD 2 million as reported in the last Risk Report).

39. Table 4 illustrates that it is very likely that FIP will realize a severe decline (relative to the size of the program) in available resources due to the currency risk exposures via GBP-denominated promissory notes.

Table 4: FIP currency risk exposure summary

Currency Risk Exposure (Millions) as of September 30, 2020							
Program/ Subprogram	Original Amount Pledged/ Received	Pledged Amount Outstanding/ Unencashed	Realized Currency Gain/ (Loss)	Unrealized Currency Gain/ (Loss)	Risk Likelihood	Risk Severity	Risk Score
FIP	£223.0	£130.6	($11.20)	**($33.30)**	Very Likely	Severe	**High**

3.3 Resource availability risk[4]

40. Table 5 illustrates that, as of September 30, 2020, FIP had reduced the deficit in available grant resources to USD 5 million and increased the surplus of capital resources of USD 40 million (see also Annex A). The risk that the Trustee will not have sufficient resources to commit to fund all projects in FIP's pipeline decreased to **Low** from **Medium**.

Table 5: FIP resource availability risk summary

Available Resources as of September 30, 2020				
Program	Available Resources for Projects/Programs ($Million)*	Risk Likelihood	Risk Severity	Risk Score
FIP Grant	($5.4)	Possible	Minimal	**Low**
FIP Capital	$40.2			

*Available Resources for Projects/Programs represesent Unrestricted Fund Balance for Project/Program Commitments less Total Anticipated Commitments, as reflected in Annex A.

[4] Available Resources excludes Currency Reserves as these reserves are not available for the Trustee to commit for programming. Additionally, if, before the remaining promissory notes are encashed, the GBP declines against the USD, some or all of the current amount of the Currency Reserves may never become Available Resources to commit for programming.

3.4 Credit risk

41. Tables 6 and 7 illustrate that the expected losses associated with FIP's public and private sector loan portfolios total USD 22 million and the credit risk associated with the program remains **Medium**.

Table 6: Public sector loan commitments credit risk exposures by country

Beneficiary Country	Loan Amount	Least Rating (S&P Equivalent)*	S&P	Moody's	Fitch	PD	LGD
Brazil	24.5	BB-	BB-	Ba2	BB-(N)	12.2%	58.3%
Burkina Faso	4.0	B	B	NR	NR	20.3%	61.7%
Congo, Republic of	6.0	CCC+	CCC+	Caa1	NR	31.3%	61.2%
Cote d'Ivoire	15.8	B+	NR	Ba3	B+	15.6%	61.7%
Ghana	7.0	B-	B-	B3(N)	B	25.5%	61.7%
Guatemala	18.9	BB-	BB-	Ba1	BB-	12.2%	58.3%
Mexico	24.7	BBB-	BBB(N)	Baa1(N)	BBB-	2.1%	56.8%
Mozambique	13.2	CCC	CCC+	Caa2	CCC	59.0%	61.2%
Nepal	17.9	CCC+	NR	NR	NR	31.3%	61.2%
Peru	23.2	BBB+	BBB+	A3	BBB+	1.0%	56.8%
Total/Portfolio Average	**155**					**17.0%**	**59.1%**
Expected Loss Rate Implied by Credit Ratings							**10.1%**
COVID Adustment							**1.0%**
Total Expected Loss Rate							**11.1%**
Total Expected Losses							**17.2**

*In the absence of a credit agency rating, a rating of CCC+ is assumed.

Table 7: Public and private sector credit risk exposure summary based on loan commitments

Committed Loan Portfolio Credit Risk Exposure (as of 9/30/2020)										
Sector	Portfolio Risk Rating	Total Committed Loans (MM USD equivalent)[1]	Estimated Probability of Default (PD)[5]	Estimated Loss Given Default (LGD)[6]	COVID Adjustment	Expected Loss Rate[3]	Expected Losses (MM USD equivalent)[2]	Total Loan Originated Principal in Default[5] (MM USD equivalent)	# of Loans Experiencing Payment Default	Loan Principal in Default vs. Total Loan Amount Originated
Public	BB-[8]	155.2	17.0%	59.1%	1.0%	11.1%	17.2	0.0	0.0	0.0%
Private	CCC[7,4]	12.8	59.0%	61.2%	3.6%	39.8%	5.1	0.0	0.0	0.0%

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) + COVID Adjustment, 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: Defaults will edge higher in 2020*.

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: Defaults will edge higher in 2020* (i.e. LGD = 1 - Average Sr. Unsecured Bond Recovery Rate from the period of 1983-2019).

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 case of split ratings, the PD associated with the lowest of Fitch, Moody's and S&P ratings is used) as of September 30, 2020. 5-year Average Cumulative Issuer-Weighted Global Defalt Rates from the period of 1983-2019 as published in *Moody's Annual Default Study: Defaults will edge higher in 2020* were used.

4 Assessment of key risk exposures — PPCR

42. The following matrix summarizes PPCR's key risk exposures.

Summary Risk Matrix - PPCR			
Risk	**Likelihood**	**Severity**	**Risk Score**
Implementation Risk	Likely	Severe	High
Credit Risk	Possible	Severe	High

43. Implementation risk for PPCR remained **High**, as 10 out of 65 projects representing USD 148 million (15 percent) of MDB-approved program funding have been flagged for this risk. The program's implementation risk score has been **High** for the last six reporting cycles.

44. Expected losses associated with committed loan portfolio are USD 81 million and the credit risk associated with the program remains **High**.

4.1 Implementation risk

45. Table 8 illustrates that four projects representing USD 48 million of program funding have been flagged under the first criterion (vs. four projects totaling USD 42 million as of June 30, 2019). While one of the four projects flagged the previous Risk Report is no longer flagged, having increased disbursements to above 20 percent of program funding (*Strengthening Hydro-Meteorological Services Project – Haiti (World Bank)*), this project is now flagged under the second criterion.

Table 8: Projects effective for 36 months with less than 20 percent of program funds disbursed

COUNTRY	PROJECT TITLE	MDB	Funding (USD million)	Cumulative Disb. As of Dec 31, 2019 (USD Millions)	Disbursement Ratio	Effectiveness Date	Months After Effectiveness Date	MDB Co-Financing (USD millions)
Papua New Guinea	Building Resilience to Climate Change in Papua New Guinea Project	ADB	24.3	3.9	16%	1/15/2016	48	0
Cambodia	Flood-resilient Infrastructure Development in Pursat and Kampong Chhnang Towns as part of the Integrated Urban Environmental Management in the Tonle Sap Basin Project	ADB	10.0	0.9	9%	1/5/2016	49	37
Haiti	Centre Artibonite Regional Development Project	IBRD	8.0	1.1	14%	10/6/2014	64	50
South Pacific-Regional	Pacific Resilience Program (PREP)	IBRD	5.8	0.8	14%	11/1/2015	51	4

46. **Building Resilience to Climate Change in Papua New Guinea Project – (ADB)** – USD 0.9 million of PPCR funds were disbursed during the reporting cycle. This project has been flagged in each of the last two reporting cycles.

    a. *Reason(s) for delay:* During contract negotiations, UNDP informed the government that they could not sign a standard ADB contract due to a number of specific, non-negotiable conditions under which UNDP operates. This includes among other things, that UNDP operates under the Convention on the Immunities and Privileges of the UN, that auditing of activities shall be conducted in accordance with UN Single Audit Principle, that it will implement its projects in accordance with UNDP Financial Regulations and Rules and procedures, and that its activities are covered by the Standard Basic Assistance Agreement between it and the Government of PNG.

After a long delay in awarding the UNDP contract as reported earlier, UNDP finally signed the contract with the Climate Change Development Authority PNG the executing agency in March 2020.

b. *Measures underway to accelerate implementation:* The government has now agreed for UNDP to be an implementing agency under the project. The first milestone payment was made in June 2020, but UNDP mobilization of its experts was delayed by the COVID-19 state of emergency and travel restrictions. From August 24 to 25, UNDP conducted its inception workshop attended by various stakeholders.

c. *Estimated timeframe within which project will have disbursed 20 percent of PPCR funds:* ADB reports that, as of August 31, 2020, USD 7.3 million cumulative funds from all sources had been disbursed. No estimate has been provided for when this project will have disbursed 20 percent of PPCR funds.

47. **Flood-resilient Infrastructure Development in Pursat and Kampong Chhnang Towns as part of the Integrated Urban Environmental Management in the Tonle Sap Basin Project – Cambodia (ADB)** – This project has been flagged in each of the last three reporting cycles. No PPCR funds were disbursed during the current reporting period.

a. *Reason(s) for delay:* Detailed design in Pursat has been delayed due to changes in the town infrastructure carried out by the provincial government between the conclusion of the preparatory technical assistance and the inception of work by the project implementation consultants (PIC). This necessitated a complete redesign of the proposed solution.

In addition, the Government of Cambodia has requested that the major project component in Kampong Chnang (USD 19 million) be cancelled, as the government is unable to meet ADB safeguard requirements for this component. This has caused considerable delay, and alternative investments to meet the project objectives are currently being developed. The alternative sub-project is stormwater drainage, sewerage and wastewater treatment (USD 19 million), which involves USD 4.9 million of climate adaptation costs (mostly in backfill for raising and large pipe capacity).

b. *Measures underway to accelerate implementation:* In July 2019, a variation order for the PPCR grant component, to permit modifications to the implementation process, was signed allowing for some contingency to be used for the existing consultants.

Both the PIC and NGO contracts were successfully modified in early 2020, and the detailed engineering design (DED)of the new replacement package is expected to be completed by the end of September 2020. The decision has been made by ADB's Southeast Asia Urban Development and Water Division to proceed with a major scope change request and the decision on re-allocation (or cancellation) of loan proceeds will be made then. The major scope change memo including details of the circumstances surrounding the cancellation, was circulated, on Monday, September 28.

c. *Estimated timeframe within which project will have disbursed 20 percent or more of PPCR funds:* As of two reporting cycles ago, it was expected to take nine months for the completion of the new detailed design packages plus another six months for contract award. With the award of these two packages (Pursat Drainage and Kampong Chnang flood protection replacement investment), the project should have awarded USD 27 million out of a project total of USD 47 million. ADB expected, at the time, that the project would no longer be flagged by July 2020. As of September 2020, USD 18 million had been awarded.

48. **Centre Artibonite Regional Development Project – Haiti (World Bank)** – This project has been flagged in each of the last five reporting cycles and is also flagged under the second criterion. No PPCR funds were disbursed from July 1- December 31, 2019 (the reporting period of this risk report). Since then, the project has picked up momentum and disbursed USD 0.8 million in June 2020. As of September 30, 2020, an additional disbursement of $3.45 million occurred, bringing the overall burn rate to 66%.

   a. *Reason(s) for delay:* Rapidly disbursable activities prioritized immediately following project restructuring were financed by the IDA grant, which partly explains the lack of progress under the PPCR grant.

      Rapidly disbursable activities financed by the PPCR grant experienced delays in contracting and implementation due to exogenous factors, including civil unrest throughout the country (including violent protests in February and June 2019) and changes in the government with important delays at the level of ministries and signatures. Moreover, the Project Implementation Units (PIU) required time to adapt to STEP, the new procurement tool used for World Bank projects, which added further delays.

      Since mid-March 2020, Haiti has been implementing social distancing measures as well as activity and movement restrictions (within country and from abroad), to halt the spread of the COVID-19 in the country. International flights resumed partially since July 2020. This context and the associated risk mitigation measures have weighed on project implementation during the January to August 2020 reporting period, resulting in project implementation delays. This situation comes on top of the deteriorated political and security situation still ongoing in the country, and especially in the Artibonite.

      As a result, some activities were delayed, thus preventing their completion before project closing. These activities include the construction of a culvert on the Vebrine River and a Road Maintenance Center in Mirebalais, the elaboration of climate-informed urban plans for the cities of Mirebalais and Saut d’Eau, and the supervision of spot improvements on Hinche–Maissade and Titanyen - Saut d´Eau (work packages 3, 4, 5).

   b. *Measures underway to accelerate implementation:* The previous Risk Report indicated that several activities financed by the PPCR grant were about to achieve contract signature, and disbursements were expected to follow suit starting Q2 2019; however, no disbursements of PPCR funds were made during the current or previous reporting periods.

      The Project was restructured in February 2020, primarily to (i) cancel project activities not expected to be completed by project closing, (ii) transfer the cancelled activities and associated financing to the Rural Accessibility and Resilience Project (RARP - P163490), and (iii) extend the project closing date to August 31, 2020.

      To ensure orderly closure and implementation of the FM and safeguards check list of actions to be completed during the grace period, the Bank team will closely monitor the following actions: (i) follow up on payments made until the end of the grace period and its documentation on Client Connection, (ii) proper closure of the project´s designated account; (iii) beginning and conclusion of the closing financial audit; and (iii) finalization of the payment to be made by CPA for the remaining and final resolution of associated complaints related to pending land acquisition payments and are expected to be closed during the grace period.

Key activities delivered during the reporting period include (i) the construction of five culverts on River Nahan, Ravine Sèche and Yayou, (ii) two out of five work packages of spot improvements on road section Titanyen Saut d'Eau, and (iii) spot improvements, maintenance and repair over 19 km of rural roads.

c. *Estimated timeframe within which project will have disbursed 20 percent PPCR funds:* Disbursements were expected to increase by USD 2.0 million by June 30, 2019, however no disbursements occurred during the reporting period. The aforementioned activities were expected to increase disbursements by USD 2.5 million to USD 3.6 million by the end of December 2019, which would have increased the disbursement ratio to 45 percent.

The World Bank expects to fully disburse funds by the end of the grace period in February 2021.

49. **Pacific Resilience Program (PREP) – South Pacific-Regional Track (World Bank)** – USD 0.8 million of PPCR funds were disbursed during the current reporting period.

a. *Reason(s) for delay*: At the early inception phase, Full time technical experts were unable to be contracted which delayed implementation. There was also no allowance made for Secretariat of the Pacific Community (SPC) technical staff to be reimbursed staff time input to the project, so delivery of all activities is through consultants. The project was also without the full-time service of a procurement expert at critical periods prior to 2019. Procurement was fragmented with a lot of small procurement items. This affected implementation resulting in low disbursements.

b. *Measures underway to accelerate implementation*: The project was restructured in August/September 2019 to re-prioritize activities and identify new activities that allow for large procurement items. Other solutions identified during the Mid Term Review (MTR) in May 2020 are under implementation. Disbursement is expected to increase as implementation of activities under existing signed contracts are accelerated. Since December 2019, the project has signed contracts totaling USD 2.4 million, committing approximately 61 percent of PPCR funds. An additional USD 1.0 million will be committed in October 2020, which will increase total commitment and disbursement rates to approximately 78 percent of PPCR funds.

Other factors that will improve implementation include that SPC's technical staff are now involved in implementation as the re-structured project activities are also closely aligned to key SPC deliverables in the various technical areas. A Procurement Expert was also recruited in January 2020 to provide procurement support up until June 2022. With the bulk of PPCR funds now committed, implementation and disbursement rates will improve.

c. *Estimated timeframe within which project will have disbursed 20 percent or more of PPCR funds*: The next Withdrawal Application will be submitted in first week of October 2020 which will increase the disbursement rate to 28 percent. Disbursements will increase moving forward as implementation of recently signed contracts progress over the coming months.

50. Table 9 illustrates that seven projects representing USD 109 million of program funding have been flagged under the second criterion (versus four projects totaling USD 47 million flagged in the last Risk Report).

Table 9: Projects within 15 months of closing with less than 50 percent of approved funds disbursed

COUNTRY	PROJECT TITLE	MDB	Funding (USD million)	MDB Board Approval Date	Cumulative Disb. as of Dec 31, 2019	Disbursement Ratio	Anticipated Date of Financial Closure	Months Before Anticipated Date of Financial Closure	MDB Co-Financing (USD millions)
Cambodia	Promoting Climate-Resilient Agriculture in Koh Kong and Mondulkiri Provinces as part of the Greater Mekong Subregion Biodiversity Conservation Corridors Project	ADB	7.4	3/13/2015	2.6	36%	9/30/2019	(3)	19
Cambodia	Flood-resilient Infrastructure Development in Pursat and Kampong Chhnang Towns as part of the Integrated Urban Environmental Management in the Tonle Sap Basin	ADB	10.0	11/10/2015	0.9	17%	12/31/2019	-	37
Saint Lucia	Disaster Vulnerability Reduction Project	IBRD	27.0	6/4/2014	10.3	38%	6/30/2020	6	41
Haiti	Centre Artibonite Regional Development Project	IBRD	8.0	5/19/2014	1.1	14%	8/31/2020	8	50
Haiti	Strengthening Hydro-Meteorological Services Project	IBRD	5.0	6/26/2015	1.3	26%	12/31/2020	12	0
Bolivia	Climate Resilience - Integrated Basin Management Project	IBRD	45.5	7/25/2014	17.6	39%	12/31/2020	12	0
Jamaica	Financing water adaptation in Jamaica's new urban housing sector	IDB	5.8	5/18/2016	-	0%	6/8/2019	(7)	0

51. **Promoting Climate-Resilient Agriculture in Koh Kong and Mondulkiri Provinces as part of the Greater Mekong Subregion Biodiversity Conservation Corridors Project – Cambodia (ADB)** – This project has been flagged in each of the last four reporting cycles. USD 1.0 million of PPCR funds were disbursed during the current reporting period.

    a. _Reason(s) for delay:_ The civil work sub-projects will be implemented in certain protected areas where Mondulkiri Indigenous Peoples live, and the process for clearing environmental and social safeguards has required more time than expected due to capacity issues in compiling the required due diligence documentation. The issues were mainly related to format of due diligence reporting requirements, and incomplete due diligence reports which had to be reviewed numerous times. These issues were mostly resolved in August 2019 and remaining documents are currently being finalized with additional support from the safeguards team. The ADB environment and safeguards team has provided intensive guidance to ensure every sub-project complies with requirements.

       This delayed the bidding for all subprojects but the contracts for the three large subprojects have been awarded (Kandoal sea barrier in March 2019 and Srae Chrey irrigation system and Andoung Tuek sea barrier at end September 2019). The contracts for the eight subprojects for rainwater harvesting ponds were awarded in February 2020 and for the other 22 small-scale irrigation-based subprojects were awarded in June 2020. The livelihood activities relating to the irrigation subprojects (system rice intensification and drought resilience cropping techniques) and the sea barriers (system rice intensification and saline tolerant crops) had to be postponed due to the delays in commencement of the civil works contracts, the onset of the wet season and the long process required for approval of the contract variation for the service provider to extend the scope of their services.

    b. _Measures underway to accelerate implementation:_ The two executing agencies recruited a range of new individual consultants, including environmental and social safeguard specialists, a site supervision engineer, and project management advisers, to provide support during the remaining implementation period to end 2020. The extension to the contract for the service provider implementing the agricultural support services at all sub-project sites was approved in July 2020 to enable them to continue the program of irrigated agricultural activities at each site of the civil works. They are on track to complete all activities by the project closing date at the end of December 2020.

Bidding for all subprojects were completed by June 2020. In the case of the two large sub-projects in Koh Kong province, the Kandoal sea barrier was completed in February 2020 and the Andoung Teuk is 90 percent completed, while the climate-resilient irrigation rehabilitation sub-project in Mondulkiri province is completed. The remaining small-scale subprojects (eight rainwater harvesting ponds and 22 other irrigation-based subprojects) are under construction and all are expected to be completed during Q4 2020. Although the livelihood activities relating to the irrigation subprojects (system rice intensification and drought resilient cropping techniques) and the sea barriers (SRI and saline tolerant crops) have been delayed, they will be completed by the project closing at the end of 2020.

c. _Estimated timeframe within which project will have disbursed 50 percent or more of PPCR funds:_ ADB reports that as of the end of August 2020, cumulative disbursements of PPCR funds reached USD 3.7 million (50 percent) so **this project will no longer be flagged for implementation risk**.

52. **Flood-resilient Infrastructure Development in Pursat and Kampong Chhnang Towns as part of the Integrated Urban Environmental Management in the Tonle Sap Basin Project – Cambodia (ADB)**: This project was also flagged under the first criterion (see description above).

53. **Disaster Vulnerability Reduction Project – Saint Lucia (World Bank)** – This project has been flagged in each of the last two reporting periods. No funds were disbursed during the current reporting period.

a. _Reason(s) for delay:_ The government and the task team have been actively working to address the following challenges.
    - The project was designed through a framework approach with activities to be defined during implementation following the completion of the relevant technical studies. A change in government resulted in modifications to the activities to be included in the project. Types of activities remained the same, but intervention sites have changed;
    - Poor project management;
    - High turnover of key staff. The project engineer, deputy project coordinator, and procurement officer left the project.
    - Inefficient and understaffed project coordinator unit (PCU). A Project Manager was hired in November 2019, but the contract has been terminated effective October 22, 2020.
    - Poor coordination with the technical line ministries. Weak technical capacity of the PCU, resulting in a reliance on the technical agencies for inputs and approvals, which often cause delays.

b. _Measures underway to accelerate implementation:_ The government and the task team have taken the following steps.

The task team continues to provide enhanced supervision and hands-on support. Since July 2019, there had been three implementation support missions, (one virtual) and since March 2020, the team has conducted three virtual site visits to ongoing construction sites. In addition, the team holds weekly update calls with the PCU to monitor progress of agreed action plan, time bound milestones, and to help with any bottlenecks.

The termination of the contract for the Project Manager is not expected to impact project implementation as the Project Coordinator had been "de facto" performing this role and is expected to continue.

The Project's Contingency Emergency Response Component (CERC) was activated in April 2020 to respond to COVID-19, the drought, and to prepare for hurricane season. In order to fund the CERC, IDA resources were reallocated from other components. This resulted in activities being cancelled and thereby streamlining the Project.

The PCU was pro-active in addressing COVID-19-related delays, reducing the scope of activities to ensure completion before the closing date of the Project and continues to improve project management. In addition, the PCU has purchased a contract management software that allows for greater information sharing and collaboration.

The Project was restructured on July 30, 2020 to support the Government in addressing impacts of COVID-19 through the CERC and by expanding financial support to households and micro, small and medium size enterprises (MSMEs) under the Climate Adaptation Financing Facility (CAFF) through the provision of grants, among other changes. These changes will support the agriculture, fisheries, tourism and other sectors currently ineligible for the CAFF, strengthening climate resilience, capacity for business continuity, and encouraging innovation by firms in need of support as a result of the COVID-19.

Technical capacity of the PCU has improved with the hiring of Engineer in August 2020.

The World Bank team is mobilizing resources to further enhance capacity and provide hands-on support to the PCU. Six senior consultants, including a procurement expert, a structural engineer and a technical expert, are expected to be on board by December 2020.The government has officially requested an extension of the closing date by 30 months from December 31, 2019 to June 30, 2022. The task team is discussing and agreeing with the government on milestones for the project restructuring and extension. Certain milestones would need to be achieved as pre-requisites for the World Bank to consider approving the extension, and some would be included as Legal Covenants in the financing agreements, as part of the restructuring. Depending on the successful achievement of agreed "pre-requisites," the task team will process a Level-2 Restructuring, including a 23-month extension of the project's December 15, 2019 closing date.

c. *Estimated timeframe within which project will have disbursed 50 percent or more of PPCR funds:* The World Bank expects an uptake in disbursements for November 2020-March 2021 and that this project would no longer be flagged by September 2021.

54. **Centre Artibonite Regional Development Project – Haiti (World Bank):** This project was also flagged under the first criterion (see description above).

55. **Strengthening Hydro-Meteorological Services Project – Haiti (World Bank)** – This project has been flagged in each of the last three reporting cycles. USD 0.5 million of PPCR funds were disbursed during the current reporting period.

a. *Reason(s) for delay:* The initial procurement process had to be re-launched for the Phase 1 (design) of the project in 2016 after it was discovered that the technical proposal and experience of the best scoring firm was overstated and subsequently overvalued.

In 2018, the government and consulting firm had a contractual dispute, which added another two-month delay to the procurement process of the second phase of the project.

More recently, the Project experienced four significant bottlenecks throughout the project implementation period, and notably during the reporting period.

Low technical and project management capacity in the Hydromet sector, including the Project Implementation Unit (PIU) within the Ministry of Agriculture

Institutional weaknesses of the National Hydromet Unit of the Ministry of Agriculture (*Unite Hydrometeorologique d'Haiti* – UHM), including lack of appropriate financial and human resources

Socio-political instability; in the period covering October 2019 to January 2020, the country experienced deep and violent socio-political disturbances, which had profound effects on economic activity and led to a four-month lock down. Between January and March 2020, the country had slowly started to recover from these adverse events.

Since mid-March 2020, Haiti has registered various cases of COVID-19 and is implementing social distancing measures as well as restrictions on movement of the population (within country and from abroad), which have negatively impacted economic activities, and created delays in project implementation. The two main activities of the project are contracted to two specialized European firms, which were not been able to mobilize their staff in the field in Haiti for months.

b. *Measures underway to accelerate implementation:* The task team leader has relocated to Haiti to provide closer implementation support to the government. This has already expedited implementation progress. The recent mid-term review was an opportunity to streamline the scope toward a more focused Phase 2 delivery. During the mid-term review, the scope was reduced for the procurement of goods that have a long lead time for delivery and substituted with an additional contract for services that have a shorter lead time for implementation. With close and intensive implementation support to the government, the procurement of the three main contracts under Phase 2 have accelerated.

Additional measures taken to accelerate implementation include:

- Continuous close monitoring and significant technical support to the PIU for project implementation
- Continuous high-level dialogue and capacity building with the UHM and its staff to promote ownership of the project and promote institutional strengthening
- Adoption of a flexible approach to implementation support that emphasize remote support and simplification of activities and payment methods going forward
- Promotion of the role of local partners (local firms that have partnered with international firms and local authorities) in the implementation of the project

c. *Estimated timeframe within which project will have disbursed ≥ 50% of PPCR funds:* No estimate provided.

56. **Climate Resilience - Integrated Basin Management Project – Bolivia (World Bank)**

a. *Reason(s) for delay:* Due to widespread changes in Government following the elections in October of 2019, the project suffered delays of key approvals of several weeks. Reasons were changes in key personnel, legal revisions of activities by the new incoming administration, delays in approvals etc. In addition, the COVID-19 pandemic caused restrictions in travel and activities starting in March/April 2020, again delaying implementation with contractors being unable to access sites, and consultants being unable to conduct field visits.

b. *Measures underway to accelerate implementation:* The task team is closely monitoring the situation with bi-weekly progress meetings. Approval processes are being reviewed and undertaken with priority and the team is supporting the PIUs to help identify any changes or alternatives in technical designs or procurement procedures to help accelerate implementation.

c. *Estimated timeframe within which project will have disbursed ≥ 20% of PPCR funds:* The World Bank is reporting that disbursements to date have now reached 57 percent, so **this project will no longer be flagged for implementation risk**. The project closes on December 31, 2020 and the World Bank expects that total disbursements will reach 84 percent by that time.

57. **Financing water adaptation in Jamaica's new urban housing sector – Jamaica (IDB Group)**

a. *Reason(s) for delay:* Since March 2017, when JN Bank, the Jamaican intermediary for this project, signed a loan agreement with the IDB Group, it has suffered difficulties to attract housing developers. Despite being offered a rate reduction (approved by the PPCR subcommittee in March 2020), new concerns related to the impact of COVID-19 pandemic on current market conditions arose, leaving the proposed amendment unsigned. In consideration of the foregoing, **JN Bank has requested the cancellation of the loan facility as market stability remains uncertain for an extended period. The operation will therefore be cancelled.**

58. Table 10 illustrates that one project representing USD 9 million of program funding has been flagged under the third criterion (vs. three projects totaling USD 34 million flagged in the last Risk Report*). Climate Proofing of Agricultural Infrastructure and Business-focused Adaptation – Cambodia (ADB), and Enhancement of Flood and Drought Management in Pursat Province – Cambodia (ADB)* are no longer flagged as disbursements have increased to above 50 percent of approved funding.

Table 10: Projects with extended anticipated dates of final disbursement, and less than 50 percent of approved funds disbursed

COUNTRY	PROJECT TITLE	MDB	PPCR Funding (USD million)	MDB Board Approval Date	Cumulative Disb. As of Dec 31, 2019 (USD million)	Disbursement Ratio	Effectiveness Date	Months Since Effectiveness Date	*Initial* Anticipated Date of Final Disbursement	*Extended* Anticipated Date of Final Disbursement	MDB Co-financing (USD million)
Cambodia	Greater Mekong Subregion Southern Economic Corridor Towns Development Project	ADB	9.4	12/10/2012	4.4	47%	4/8/2013	82	6/30/2019	6/30/2021	38.5

59. **Greater Mekong Subregion Southern Economic Corridor Towns Development Project – Cambodia (ADB)**

a. *Reason(s) for delay:* Delays in finalizing detailed engineering designs (DED) and updated safeguards (environment and resettlement) documents caused delays in awarding civil works contracts and construction activities.

b. *Measures underway to accelerate implementation:* Updated initial environmental examination, environmental management plans, and resettlement plans for all civil works, except CW-10 which is under DED, have now been approved. Time-bound actions were established during review missions in April 2019 and October 2019. ADB's project team holds monthly follow-up meetings and supports the executing agency, General Department of Resettlement, in coordinating all main stakeholders and closely monitoring implementation progress of civil work contracts.

c. *Estimated timeframe within which project will have disbursed ≥ 50% of PPCR funds:* 2020.

4.2 Credit risk

60. Table 11 and 12 illustrate that the expected losses associated with PPCR's public and private sector loan portfolios total USD 81 million and the credit risk associated with the program remains **High**.

Table 11: Public sector loan commitments credit risk exposures by country

Beneficiary Country	Loan Amount	Least Rating (S&P Equivalent)*	S&P	Moody's	Fitch	PD	LGD
Bangladesh	50	BB-	BB-	Ba3	BB-	12.2%	58.3%
Bolivia	36	B	B+	B2	B	20.3%	61.7%
Cambodia	36	B	NR	B2	NR	20.3%	61.7%
Dominican Republic	9	BB-	BB-(N)	Ba3	BB-(N)	12.2%	58.3%
Grenada	12	CCC+	SD	NR	NR	31.3%	61.2%
Jamaica	10	B	B+(N)	B2	B+	20.3%	61.7%
Mozambique	26	CCC	CCC+	Caa2	CCC	59.0%	61.2%
Nepal	15	CCC+	NR	NR	NR	31.3%	61.2%
Niger	59.6	B-	NR	B3	NR	25.5%	61.7%
Rwanda	2.4	B	B+(N)	B2	B+	20.3%	61.7%
Saint Lucia	15	CCC+	NR	NR	NR	31.3%	61.2%
St Vincent & The Grenadines	3	B-	NR	B3	NR	25.5%	61.7%
Zambia	36	CCC-	CCC-(N)	Ca	C	59.0%	61.2%
Total/Portfolio Average	**310**					**29.1%**	**60.9%**
Expected Loss Rate Implied by Credit Ratings							**17.7%**
COVID Adustment							**1.8%**
Total Expected Loss Rate							**19.5%**
Total Expected Losses							**60.3**

*In the absence of a credit agency rating, a rating of CCC+ is assumed.

Table 12: Public and private sector credit risk exposure summary based on loan commitments

Committed Loan Portfolio Credit Risk Exposure (as of 9/30/2020)										
Sector	Portfolio Risk Rating	Total Committed Loans (MM USD equivalent)[1]	Estimated Probability of Default (PD)[5]	Estimated Loss Given Default (LGD)[6]	COVID Adjustment	Expected Loss Rate[3]	Expected Losses (MM USD equivalent)[2]	Total Loan Originated Principal in Default[5] (MM USD equivalent)	# of Loans Experiencing Payment Default	Loan Principal in Default vs. Total Loan Amount Originated
Public	B-[8]	310.0	29.1%	60.9%	1.8%	19.5%	60.3	0.0	0.0	0.0%
Private	CCC[7,4]	51.3	59.0%	61.2%	3.6%	39.8%	20.4	0.0	0.0	0.0%

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) + COVID Adjustment, 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: Defaults will edge higher in 2020*.

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: Defaults will edge higher in 2020* (i.e. LGD = 1 - Average Sr. Unsecured Bond Recovery Rate from the period of 1983-2019).

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 case of split ratings, the PD associated with the lowest of Fitch, Moody's and S&P ratings is used) as of September 30, 2020. 5-year Average Cumulative Issuer-Weighted Global Defalt Rates from the period of 1983-2019 as published in *Moody's Annual Default Study: Defaults will edge higher in 2020* were used.

4.2.1 Zambia

61. On September 22, 2020, the government of Zambia issued a "consent solicitation" to holders of three global bonds, requesting a suspension of debt service payments for six months from October 14, 2020. External rating agencies acknowledge that if an agreement is reached it would provide short-term reprieve through temporary debt service suspension but will do little to address Zambia's debt sustainability issues as it continues to face serious external liquidity challenges which have been deepened by the pandemic. Zambia has received USD 36 million in PPCR loans but has not, however, announced any intention to suspend debt repayments to multilateral creditors.

5 Assessment of key risk exposures—SREP

62. The following matrix summarizes SREP's key risk exposures.

Summary Risk Matrix - SREP			
Risk	**Likelihood**	**Severity**	**Risk Score**
Implementation Risk	Likely	Moderate	High
Currency Risk	Very Likely	Moderate	High
Resource Availability Risk - Sealed and Reserve Pipelines	Possible	Severe	High
Resource Availability Risk - Sealed Pipeline Only	Unikely	Moderate	Low
Credit Risk	Likely	Moderate	High

63. SREP's risk score for implementation risk increased from **Medium** to **High** due to the expected impacts of the pandemic. Five projects out of 43 projects representing USD 34 million (7 percent) of program funding flagged for this risk. The program's implementation risk exposure has fluctuated between **Low** and **Medium** for the last five reporting cycles.

64. Currency risk for SREP remains **High** as GBP 94 million promissory notes remain outstanding and have declined in value to USD 27 million. The program's exposure to currency risk via promissory notes has been **High** for the last five reporting cycles.

65. SREP's risk of being unable to fund all projects in the combined sealed and reserve pipelines remains **High**, however there is **Low** risk that SREP will be unable to fund the projects in its sealed pipeline. The program's resource availability risk exposure for the combined sealed and reserve pipelines has been High for the last five reporting cycles.

66. Expected losses associated with committed loan portfolio are USD 28 million and the credit risk associated with the program remains **High**.

6 Implementation risk

67. Table 13 illustrates the two projects representing USD 15 million of SREP funding have been flagged under the first criterion (versus three projects totaling USD 21 million as of June 30, 2019). While one of the projects flagged in June is no longer flagged, having increased disbursements to 20 percent of program funding (Accelerating Sustainable Private Investments in Renewable Energy (ASPIRE) Program – Maldives (World Bank)), it remains flagged under and third criterion as it has extended its anticipated date of final disbursement but has disbursed less than 50 percent of approved funds.

Table 13: Projects effective for 36 months with less than 20 percent of approved funds disbursed

COUNTRY	PROJECT TITLE	MDB	Funding (USD million)	MDB Board Approval Date	Disbursements as of Dec 31, 2019 (USD million)	Disbursement Ratio	Effectiveness Date	Months Since Effectiveness Date	MDB Co-financing (USD Millions)
Kenya	Electricity Modernization Project	IBRD	7.5	3/15/2015	-	0%	9/17/2015	52	0
Nicaragua	Nicaragua Geothermal Exploration and Transmission Improvement Program under the PINIC	IDB	7.5	9/7/2016	-	0%	9/7/2016	40	51

68. **Electricity Modernization Project – Kenya (World Bank)** - This project has been flagged for the past three reporting cycles and is now flagged under the first two criteria. This project has not disbursed any funds.

    a. *Reason(s) for delay:* Securing the buy-in of Kenya Power Limited Corporation (KPLC) took a long time as the utility is not familiar with private sector-led mini-grids. Thus, it required additional time to negotiate the terms of the O&M contracts. Additionally, the rural electrification agency (REREC) was delayed in securing land for the construction of the mini grid. Contracts for installing the mini grids were signed on October 9, 2019 and the contractor has now been mobilized at site. The advance payment to the contractor however is yet to be made. The erroneous submission of the withdrawal application for the advance payment against the credit and not the grant account has caused delays in clearing the payment.

    b. *Measures underway to accelerate implementation:* KPLC is now fully on board with the project, and the land issue has been resolved and mini-grid installation contract has been signed. Project implementation will accelerate once the EPC contract is signed, and the construction works have commenced. The World Bank sent an official letter to REREC to remind them to sign the EPC contract, which was expected to occur by the end of November 2019. Regarding the delayed payment, the World Bank team requested the Government to resolve it at the earliest. The mini grids are expected to be operational by June 2021.

c. *Estimated timeframe within which project will have disbursed 20 percent or more of SREP funds:* The anticipated date of final disbursement has now been extended to December 31, 2021.

69. **Nicaragua Geothermal Exploration and Transmission Improvement Program under the PINIC – Nicaragua (IDB Group)**

a. *Reason(s) for delay:* A tender to build the access road was declared unsuccessful because there were very few bidders in that call and the prices were considerably different. As a result, the bidding documents were adjusted, and more details were provided on the scope of the works. The technical specifications of the bidding documents were updated, and a new call was conducted.

The Geothermal project will be conducted in Chinandega Department. This Department has been severely affected by high number of COVID-19 cases which made makes it difficult to do consultancies or work in this geographic area.

b. *Measures underway to accelerate implementation:* A new tender was conducted. The executing agency already received the new proposals. In addition, specialists for civil, environmental, and geothermal works were hired to provide support to the executing agency in the implementation of the project.

c. *Estimated timeframe within which project will have disbursed 20 percent or more of SREP funds:* IDB Group expects that a disbursement will take place in November 2020, and that disbursements of over 20 percent will be reached by April 2021.

70. Table 14 illustrates that one project representing USD 24 million of SREP funding has been flagged under the second criterion (versus four projects totaling USD 34 million flagged in the previous Risk Report). Grid-*Connected RE Development Support (ADERC)-Transmission – Honduras (IDB Group)* is no longer flagged as disbursements have increased to greater than 50 percent. Although the following other three projects are no longer flagged under this criterion, they are still flagged under the first or third criterion.

- Biogas Extended Program – Nepal (World Bank)
- Accelerating Sustainable Private Investments in Renewable Energy (ASPIRE) Program – Maldives (World Bank)
- Electricity Modernization Project – Kenya (World Bank)

Table 14: Projects within 15 months of closing with less than 50 percent of approved funds disbursed

COUNTRY	PROJECT TITLE	MDB	Funding (USD million)	MDB Board Approval Date	Cumulative Disb. As of Dec 31 2019	Disbursement Ratio	Anticipated Date of Financial Closure	Months Before Anticipated Date of Financial Closure	MDB Co-financing (USD million)
Ethiopia	Geothermal Sector Development Project (GSDP)	IBRD	24.5	5/29/2014	5.9	24%	10/1/2020	9	179

71. **Geothermal Sector Development Project – Ethiopia (World Bank)**

a. *Reason(s) for delay:* The project faced major implementation delays in the first three years (2014-2016), largely due to the lack of the project implementation unit's (PIU) capability and associated procurement delays. Ethiopia Electric Power (EEP) had a shortage of technical staff that understood geothermal development, which is a new business line for EEP. Therefore, EEP was unable to advance key procurement items that required in-depth technical knowledge of geothermal technologies.

To maximize the time available for drilling operations and optimize cost, EEP adopted a combined drilling rigs supply and operation contract for Aluto site. This change took approximately one year, as it required major revision to bidding documents, re-biddings and evaluation.

b. *Measures underway to accelerate implementation:* The technical capacity of EEP has significantly improved since it contracted a qualified consulting firm in December 2016 to assist EEP in preparing bidding documents and evaluating bids, as well as supervising the drilling operation.

The procurement issue has now been resolved. Following the clearance and disclosure of the resettlement action, EEP has commenced civil works at Aluto site. Priority is given to the first two drilling sites, as well as access roads required to transport the drilling rigs. The installation of mobile camps for drilling crew have been completed.

c. *Estimated timeframe within which project will have disbursed ≥ 50% of SREP funds*: No estimate provided.

72. Table 15 illustrates the three projects representing USD 27.1 million of program funding which have been flagged under the third criterion.

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

COUNTRY	PROJECT TITLE	MDB	Program Funding (USD million)	Cumulative Disb. As of Dec 31, 2019 (USD million)	Disbursement Ratio	Effectiveness Date	Months Since Effectiveness Date	Initial Anticipated Date of Final Disbursement	Extended Anticipated Date of Final Disbursement
Nepal	Extended Biogas Program	IBRD	7.9	2.0	25%	11/24/2014	61	12/31/2019	8/31/2021
Maldives	Accelerating Sustainable Private Investments in Renewable Energy	IBRD	11.7	2.3	20%	8/31/2014	64	12/31/2019	9/30/2021
Kenya	Kenya Electricity Modernization Project	IBRD	7.5	-	0%	8/31/2016	40	6/30/2020	12/31/2021

73. **Biogas Extended Program – Nepal (World Bank)** – USD 0.6 million of SREP funds were disbursed during the period. This project has been flagged in each of the last five Risk Reports.

a. *Reason(s) for delay:* The insufficient capacity of the project implementation unit led to delays in finalizing technology selection by the developers, a delay in financial closure of large individual sub-projects, and contract/project management issues with individual sub-projects. Furthermore, the bulk of SREP funds (USD 6.9 million out of USD 7.9 million) are used to reimburse partially the Government of Nepal for funds paid as subsidies (capital cost buy-down) for completed and commissioned subprojects. The government issues 40 percent of the subsidy amount after the sub-projects are approved and ready for construction. SREP funds are only drawn once the projects are commissioned and operational. Therefore, disbursements are concentrated toward the end of the project's implementation.

b. *Measures underway to accelerate implementation:* Two reporting cycles ago, the World Bank noted that the issues pertaining to the low implementation capacity of the project implementation unit and the cumbersome administrative approval process of sub-projects were partially addressed in a restructuring. The approval process was streamlined, the budget for project management support was increased through a reallocation of funds, and the target values of the results indicators were revised to reflect the higher number of sub-projects generating heat from biogas than electricity.

The project was restructured in June 2020. A further restructuring is envisaged to extend the project's life so it can continue to support sub-projects currently in the pipeline, to revise the disbursement mechanism to align with implementation progress, and to strengthen the project management support functions.

c. *Estimated timeframe within which project will have disbursed ≥ 50% of SREP funds:* The World Bank has agreed to extend the project closing date to August 31, 2021 from December 31, 2019 as requested by the Government of Nepal. No estimate was provided for the timeframe within which the project will disburse more than 50 percent of SREP funds.

74. **Accelerating Sustainable Private Investments in Renewable Energy (ASPIRE) Program – Maldives (World Bank)** – USD 0.2 million was disbursed during the reporting period. This project has been flagged during the last two reporting periods.

a. *Reason(s) for delay:* SREP funds for the ASPIRE project are structured to mitigate payment risk from the utility buying the power and to provide tariff buy-down subsidies to private developers, based on market demand. Over half of the SREP funds are allocated to tariff buy-down subsidies. However, this feature was not included in the first round of the bidding process in 2015 as Maldives' State Electric Company Pvt Ltd. (STELCO) did not want to include the tariff buy down as a part of the first sub project. The second round could not occur until the IDA guarantee became effective, which required extensive analysis comparing the PPA price with the cost of diesel-based generation. This delayed the effectiveness of the IDA guarantee by 10 months and it did not become effective until late 2018. Therefore, the second round was not launched until January 2019 and is ongoing.

b. *Measures underway to accelerate implementation:* No specific measures are envisaged to speed up the implementation of the project. The second bidding round for 5 megawatts (MW) was launched in January 2019. Bid results were announced on September 12, 2019, with the winning bid proposing a tariff of USD 0.09 per kWh, a record low result for the Maldives. The SREP-funded payment security and tariff buy-down mechanism were included in the bidding package. Negotiations with the winning bidder have been ongoing for over a year. The project closing has been extended to September 30, 2021 to allow enough time to launch the tenders for an additional 21 MW of rooftop solar capacity, and the tenders have now been launched. The anticipated date of final disbursement has now been extended to September 30, 2021 from December 31, 2019.

Two rounds of bids were completed under ASPIRE, totaling 6.5 MW in PV capacity. 1.5 MW has been operational since 2018, and the 5 MW is in the process of getting signed. There were some delays in the negotiations due to COVID-19; however, the winning bidders, the Ministry of Environment and the Ministry of Finance, are working together to finalize the signing. PQ has been released for 21 MW of additional PV with 10 MW being floating solar. The government should invite bidders once the assessment is over in September 2020.

c. *Estimated timeframe within which project will have disbursed 20 percent or more of SREP funds:* A specific timeframe is not foreseen at this stage and is subject to negotiations with the winners of the various bidding rounds. The anticipated date of final disbursement has now been extended to September 30, 2021 from December 31, 2019. At the end of the life of the project, unused funds will be cancelled and returned to the Trustee.

75. **Electricity Modernization Project – Kenya (World Bank)** was also flagged under the first criterion (see above).

6.1 Currency risk via promissory notes

76. SREP's exposure to currency risk is **High**. There have been no further encashments since September 30, 2019, and GBP 94 million remained outstanding as of September 30, 2020. Between September 30, 2019 and September 30, 2020, the unrealized decline in the value of the outstanding promissory notes decreased from USD 32 million to USD 27 million due to the appreciation of the GBP.

77. Table 16 illustrates that it is very likely that SREP will realize a moderate (relative to the size of the program) decline in available resources due to the currency risk exposures via GBP-denominated promissory notes.

Table 16: SREP currency risk exposure summary

Program	Original Amount Pledged/ Received	Pledged Amount Outstanding/ Unencashed	Realized Currency Gain/ (Loss)	Unrealized Currency Gain/ (Loss)	Risk Likelihood	Risk Severity	Risk Score
SREP	£268.0	£93.5	(37.0)	**(26.7)**	Very Likely	Moderate	**High**

78. During the period from September 30, 2019 to September 30, 2020, SREP's deficit in available resources to fund the combined sealed and reserve pipelines decreased from USD 94 million to USD 45 million (see Table 17 and Annex B) and SREP's risk of being unable to fund all projects in both of these pipelines remains **High**. However, SREP's deficit in available capital resources to fund its sealed pipeline only is USD 10 million, and the program has a surplus in available grant resources (see Table 18 and Annex C). This means there is **Low** risk that the program will be unable to fund its sealed pipeline.

Table 17: Resource availability risk summary, sealed and reserve pipelines

Program	Available Resources for Projects/Programs ($Million)*	Risk Likelihood	Risk Severity	Risk Score
SREP** Grant	($15.1)	Possible	Severe	**High**
SREP** Capital	($30.1)			

*Available Resources for Projects/Programs represesent Unrestricted Fund Balance for Project/Program Commitments less Total Anticipated Commitments, as reflected in Annex A.

**SREP's resource availability is based on the sealed and reserve pipelines.

Table 18: Resource availability risk summary, sealed pipeline only

Program	Available Resources for Projects/Programs ($Million)*	Risk Likelihood	Risk Severity	Risk Score
SREP** Grant	$13.0	Unlikely	Moderate	Low
SREP** Capital	($9.6)			

*Available Resources for Projects/Programs represesent Unrestricted Fund Balance for Project/Program Commitments less Total Anticipated Commitments, as reflected in Annex A.

**SREP's resource availability is based on the sealed pipeline only.

6.2 Credit Risk

79. Table 19 and 20 illustrate that the expected losses associated with SREP's public and private sector loan portfolios total USD 28 million and the credit risk associated with the program remains **High**.

Table 19: Public sector loan commitments credit risk exposures by country

Beneficiary Country	Loan Amount	Least Rating (S&P Equivalent)*	S&P	Moody's	Fitch	PD	LGD
Bangladesh	26.4	BB-	BB-	Ba3	BB-	12.2%	58.3%
Cambodia	11.0	B	NR	B2	NR	20.3%	61.7%
Honduras	5.0	B+	BB-	B1	NR	15.6%	61.7%
Kenya	7.5	B	B+(N)	B2(N)	B+(N)	20.3%	61.7%
Lesotho	8.0	B	NR	NR	B-	20.3%	61.7%
Nepal	2.0	CCC+	NR	NR	NR	31.3%	61.2%
Rwanda	27.5	B	B+(N)	B2	B+	20.3%	61.7%
Total/Portfolio Average	**87.4**					**17.8%**	**60.7%**
Expected Loss Rate Implied by Credit Ratings							**10.8%**
COVID Adustment							**1%**
Total Expected Loss Rate							**11.9%**
Total Expected Losses							**10.4**

*In the absence of a credit agency rating, a rating of CCC+ is assumed.

Table 20: Public and private sector credit risk exposure summary based on loan commitments

Committed Loan Portfolio Credit Risk Exposure (as of 9/30/2020)										
Sector	**Portfolio Risk Rating**	**Total Committed Loans (MM USD equivalent)[1]**	**Estimated Probability of Default (PD)[5]**	**Estimated Loss Given Default (LGD)[6]**	**COVID Adjustment**	**Expected Loss Rate[3]**	**Expected Losses (MM USD equivalent)[2]**	**Total Loan Originated Principal in Default[5] (MM USD equivalent)**	**# of Loans Experiencing Payment Default**	**Loan Principal in Default vs. Total Loan Amount Originated**
Public	B+[8]	87.4	17.8%	60.7%	1.1%	11.9%	10.4	0.0	0.0	0.0%
Private	CCC[7,4]	43.4	59.0%	61.2%	3.6%	39.8%	17.3	0.0	0.0	0.0%

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) + COVID Adjustment, 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: Defaults will edge higher in 2020* .
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: Defaults will edge higher in 2020* (i.e. LGD = 1 - Average Sr. Unsecured Bond Recovery Rate from the period of 1983-2019).
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 case of split ratings, the PD associated with the lowest of Fitch, Moody's and S&P ratings is used) as of September 30, 2020. 5-year Average Cumulative Issuer-Weighted Global Defalt Rates from the period of 1983-2019 as published in *Moody's Annual Default Study: Defaults will edge higher in 2020* were used.

Annex A: FIP resource availability

FIP TRUST FUND - RESOURCES AVAILABLE for COMMITMENTS *Inception through September 30, 2020* *(USD millions)*		**Total**	**Capital**	**Grant**
Cumulative Funding Received				
Contributions Received				
Cash Contributions		568.3	80.7	487.6
Unencashed promissory notes	b/	167.6	167.6	-
Total Contributions Received		735.9	248.3	487.6
Other Resources				
Investment Income earned -up to Feb 1, 2016	c/	14.5	-	14.5
Total Other Resources		14.5	-	14.5
Total Cumulative Funding Received (A)		**750.4**	**248.3**	**502.1**
Cumulative Funding Commitments				
Projects/Programs		624.5	195.6	428.9
MDB Project Implementation and Supervision services (MPIS) Costs		32.5	-	32.5
Administrative Expenses-Cumulative to 1st Feb 2016	c/	25.6	-	25.6
Country Programming Budget from 1st Jan 2018	c/	0.5		0.5
Technical Assistance Facility	h/	3.0		3.0
Total Cumulative Funding Commitments		686.0	195.6	490.5
Project/Program,MPIS and Admin Budget Cancellations	d/	(37.6)	(24.6)	(12.9)
Net Cumulative Funding Commitments (B)		**648.4**	**170.9**	**477.5**
Fund Balance (A - B)		**101.9**	**77.4**	**24.6**
Currency Risk Reserves	e/	**(25.1)**	**(25.1)**	**-**
Unrestricted Fund Balance (C)		**76.8**	**52.2**	**24.6**
Future Programming Reserves:				
Admin Expenses-Reserve (includes Country Programing budget/Learning and Knowledge exchange reserve) and for FY 20-28 (net of estimated investment income and reflows). Breakup of various components are provided below. (Model Updated as of December 31,2017)	f/	(11.1)		(11.1)
subtract				
Administration Expense reserve for CIFAU, MDB & Trustee USD 20.9 Million				
Country Programming Budget Reserve USD 1.2 Million				
Learning and Knowledge Exchange Reserve USD 1.1 Million				
add				
Estimated Investment Income Share for FIP USD 5.4 Million				
Projected Reflows USD 6.6 Million				
Technical Assistance Facility	h/ i/	**(0.1)**		(0.1)
Unrestricted Fund Balance (C) after reserves		**65.5**	**52.2**	**13.3**
Anticipated Commitments (FY21)				
Program/Project Funding and MPIS Costs		30.7	12.0	18.7
Technical Assistance Facility	h/ i/	-		-
Total Anticipated Commitments (D)		**30.7**	**12.0**	**18.7**
Available Resources (C - D)		**34.9**	**40.2**	**(5.4)**
Potential Future Resources				
Pledges	a/	0.3		0.3
Contributions Receivable		-		-
Release of Currency Risk Reserves	e/	25.1	25.1	-
Total Potential Future Resources (E)		**25.5**	**25.1**	**0.3**
Potential Available Resources (C - D + E)		**60.4**	**65.4**	**(5.0)**
Reflows from MDBs	g/	1.6		1.6

a/ The balance of the pledge amount from the U.S

b/ This amount represents USD equivalent of GBP 130.62 million.

c/ From Feb 1, 2016, Investment income across all SCF programs has been posted to a notional Admin "account", from which approved Administrative Budget expenses for the Trustee, Secretariat and MDBs are committed. The Country Programming budgets are recorded under individual programs.

d/ This refers to cancellation of program and project commitments approved by the SCF TFC

e/ 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.

f/The amount of this reserve is estimated by the CIFAU and Trustee using the 10-year forecast of the Admin Budget less the 10-year estimate of Investment Income and reflows. Pro-rata estimates across three SCF programs are based on the 22% fixed pro rata share of the FIP's cash balance as at December 31, 2017 approved by the SCF TFC on March 8, 2018. The decision reads as "allocate USD 11.6 million from the available grant resources in the FIP Program Sub-Account to finance estimated Administrative Costs from FY19 to FY28, such that the projected, indicative amount of approximately USD 81.8 million in FIP grant resources remains available for allocation to FIP project's. This reserve amount has been reduced by USD 0.5 million approved for country engagement from January 2018.

g/ The usage of reflow from MDBs are approved by the SCF TFC on March 8, 2018 to cover the shortfall in administrative expenses net of the SCF investment income.

h/ The CTF and SCF Trust Fund Committees agreed on July 20, 2018 to establish the Technical Assistance Facility for Clean Energy Investment Mobilization under the terms of the SCF.

i/ Commitments for the Technical Assistance Facility, as estimated by the CIFAU.

Annex B: SREP resource availability—sealed pipeline only

SREP TRUST FUND - RESOURCES AVAILABLE for COMMITMENTS Inception through September 30, 2020 (USD millions)		Total	Capital	Grant
Cumulative Funding Received				
Contributions Received				
Cash Contributions		645.8	151.1	494.7
Unencashed Promissory Notes	b/	119.9	119.9	-
Allocation of Capital to Grants	a/		(25.5)	25.5
Total Contributions Received		765.7	245.6	520.1
Other Resources				
Investment Income earned -up to Feb 1, 2016	c/	9.9		9.9
Other Income		-		
Total Other Resources		9.9		9.9
Total Cumulative Funding Received (A)		775.6	**245.6**	**530.0**
Cumulative Funding Commitments				
Projects/Programs		687.6	232.3	455.3
MDB Project Implementation and Supervision services (MPIS) Costs		19.6	-	19.6
Administrative Expenses-Cumulative to 1st Feb 2016	c/	14.2	-	14.2
Country Programming Budget expense from 1st Jan 2018	c/	(0.1)		(0.1)
Technical Assistance Facility		2.5		2.5
Total Cumulative Funding Commitments		723.9	232.3	491.6
Project/Program, MPIS and Admin Budget Cancellations	d/	(88.7)	(39.3)	(49.5)
Net Cumulative Funding Commitments (B)		**635.1**	**193.0**	**442.1**
Fund Balance (A - B)		**140.5**	**52.6**	**87.9**
Currency Risk Reserves	e/	**(18.0)**	**(14.2)**	**(3.8)**
Unrestricted Fund Balance		**122.5**	**38.4**	**84.1**
Future Programming Reserves:				
Admin Expenses-Reserve (includes Country Programing budget/Learning and Knowledge exchange reserve) and for FY 20-28 (net of estimated investment income and reflows). Breakup of various components are provided below. (Model Updated as of December 31,2017)	f/	(31.9)		(31.9)
Subtract				
Administration Expense reserve for CIFAU, MDB & Trustee USD 37.9 Million				
Country Programming Budget Reserve USD 1.9 Million				
Learning and Knowledge Exchange Reserve USD 1.1 Million				
Add				
Estimated Investment Income Share for SREP USD 9.0 Million				
Projected Reflows USD 0.6 Million				
Technical Assistance Facility	i/j/	(2.8)		(2.8)
Unrestricted Fund Balance (C) after reserves		**87.9**	**38.4**	**49.5**
Anticipated Commitments (FY20-FY21)				
Program/Project Funding and MPIS Costs	g/	84.4	48.0	36.4
Technical Assistance Facility	i/j/	-		-
Total Anticipated Commitments (D)		**84.4**	**48.0**	**36.4**
Available Resources (C - D)		**3.4**	**(9.6)**	**13.0**
Potential Future Resources (FY20-FY21)				
Pledges		-		-
Contributions Receivable		-		-
Release of Currency Risk Reserves	e/	18.0	14.2	3.8
Total Potential Future Resources (D)		**18.0**	**14.2**	**3.8**
Potential Available Resources (C - D + E)		**21.4**	**4.6**	**16.9**
Reflows from MDBs	h/	0.0		0.0

a/ Promissory Notes amounting to GBP 19.84 million received as capital contributions are available to finance grants (including administrative costs) according to the terms of the contribution agreements/arrangements. The Promissory Notes are valued as of September 30, 2020 exchange rate.
b/ This amount includes USD equivalent of GBP 93.47 million from the UK.
c/ From Feb 1, 2016, Investment income across all SCF programs has been posted to a notional Admin "account", from which approved Administrative Budget expenses for the Trustee, Secretariat and MDBs are committed. The Country Programming budgets are recorded under individual programs.
d/ This refers to cancellation of program and project commitments approved by the SCF TFC
e/ 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.
f/ The amount of this reserve is estimated by the CIFAU and Trustee using the 10-year forecast of the Admin Budget less the 10-year estimate of Investment Income and reflows. Pro-rata estimates across three SCF programs are based on the 37% fixed pro rata share of the SREP's cash balance as at December 31, 2017 approved by the SCF TFC on March 8, 2018. The decision reads as "allocate USD 31.6 million from the available grant resources in the SREP Program Sub-Account to finance estimated Administrative Costs from FY19 to FY28, such that the projected, indicative amount of approximately USD 59.6 million in SREP grant resources remains available for allocation to SREP projects".This reserve amount has been increased by the approved commitment amount of USD 0.1 million for country engagement cancellation from January 2018.

g/ Includes only sealed pipeline
h/ The usage of reflow from MDBs are approved by the SCF TFC on March 8, 2018 to cover the shortfall in administrative expenses net of the SCF investment income.
i/ The CTF and SCF Trust Fund Committees agreed on July 20, 2018 to establish the Technical Assistance Facility for Clean Energy Investment Mobilization under the terms of the SCF.
j/ Commitments for the Technical Assistance Facility, as estimated by the CIFAU.

Annex C: SREP resource availability—sealed reserve pipeline

SREP TRUST FUND - RESOURCES AVAILABLE for COMMITMENTS Inception through September 30, 2020 (USD millions)		Total	Capital	Grant
Cumulative Funding Received				
Contributions Received				
Cash Contributions		645.8	151.1	494.7
Unencashed Promissory Notes	b/	119.9	119.9	-
Allocation of Capital to Grants from Unencashed Promissory Notes	a/		(25.5)	25.5
Total Contributions Received		765.7	245.6	520.1
Other Resources				
Investment Income earned -up to Feb 1, 2016	c/	9.9		9.9
Other Income		-		
Total Other Resources		9.9		9.9
Total Cumulative Funding Received (A)		775.6	**245.6**	**530.0**
Cumulative Funding Commitments				
Projects/Programs		687.6	232.3	455.3
MDB Project Implementation and Supervision services (MPIS) Costs		19.6	-	19.6
Administrative Expenses-Cumulative to 1st Feb 2016	c/	14.2	-	14.2
Country Programming Budget expense from 1st Jan 2018	c/	(0.1)		(0.1)
Technical Assistance Facility		2.5		2.5
Total Cumulative Funding Commitments		723.9	232.3	491.6
Project/Program, MPIS and Admin Budget Cancellations	d/	(88.7)	(39.3)	(49.5)
Net Cumulative Funding Commitments (B)		**635.1**	**193.0**	**442.1**
Fund Balance (A - B)		**140.5**	**52.6**	**87.9**
Currency Risk Reserves	e/	**(18.0)**	**(14.2)**	**(3.8)**
Unrestricted Fund Balance		**122.5**	**38.4**	**84.1**
Future Programming Reserves:				
Admin Expenses-Reserve (includes Country Programing budget/Learning and Knowledge exchange reserve) and for FY 20-28 (net of estimated investment income and reflows).Breakup of various components are provided below. (Model Updated as of December 31,2017)	f/	(31.9)		(31.9)
Subtract				
Administration Expense reserve for CIFAU, MDB & Trustee — USD 37.9 Million				
Country Programming Budget Reserve — USD 1.9 Million				
Learning and Knowledge Exchange Reserve — USD 1.1 Million				
Add				
Estimated Investment Income Share for SREP — USD 9.0 Million				
Projected Reflows — USD 0.6 Million				
Technical Assistance Facility	i/j/	(2.8)		(2.8)
Unrestricted Fund Balance (C) after reserves		**87.9**	**38.4**	**49.5**
Anticipated Commitments (FY20-FY21)				
Program/Project Funding and MPIS Costs	g/	133.1	53.5	79.6
Technical Assistance Facility	i/j/	-	-	-
Total Anticipated Commitments (D)		**133.1**	**53.5**	**79.6**
Available Resources (C - D)		**(45.2)**	**(15.1)**	**(30.1)**
Potential Future Resources (FY20-FY21)				
Pledges		-		-
Contributions Receivable		-		-
Release of Currency Risk Reserves	e/	18.0	14.2	3.8
Total Potential Future Resources (D)		**18.0**	**14.2**	**3.8**
Potential Available Resources (C - D + E)		**(27.2)**	**(0.9)**	**(26.3)**

Reflows from MDBs	h/	0.0		0.0

a/ Promissory Notes amounting to GBP 19.84 million received as capital contributions are available to finance grants (including administrative costs) according to the terms of the contribution agreements/arrangements. The Promissory Notes are valued as of September 30, 2020 exchange rate.

b/ This amount includes USD equivalent of GBP 93.47 million from the UK.

c/ From Feb 1, 2016, Investment income across all SCF programs has been posted to a notional Admin "account", from which approved Administrative Budget expenses for the Trustee, Secretariat and MDBs are committed. The Country Programming budgets are recorded under individual programs.

d/ This refers to cancellation of program and project commitments approved by the SCF TFC.

e/ 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.

f/ The amount of this reserve is estimated by the CIFAU and Trustee using the 10-year forecast of the Admin Budget less the 10-year estimate of Investment Income and reflows. Pro-rata estimates across three SCF programs are based on the 37% fixed pro rata share of the SREP's cash balance as at December 31, 2017 approved by the SCF TFC on March 8, 2018. The decision reads as "allocate USD 31.6 million from the available grant resources in the SREP Program Sub-Account to finance estimated Administrative Costs from FY19 to FY28, such that the projected, indicative amount of approximately USD 59.6 million in SREP grant resources remains available for allocation to SREP projects".This reserve amount has been inreased by the approved commitment amount of USD 0.1 million for country engagement cancellation from January 2018.

g/ Includes both sealed and Reserve pipeline

h/ The usage of reflow from MDBs are approved by the SCF TFC on March 8, 2018 to cover the shortfall in administrative expenses net of the SCF investment

i/ The CTF and SCF Trust Fund Committees agreed on July 20, 2018 to establish the Technical Assistance Facility for Clean Energy Investment Mobilization under the terms of the SCF.

j/ Commitments for the Technical Assistance Facility, as estimated by the CIFAU.