

# CTF Risk Report

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War in Ukraine

South Africa & Eskom

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## Implementation Risk

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## Fraud, Sexual Exploitation & Abuse, Forced Labor

# War in Ukraine

## Challenges

- ❖ The duration of the war remains indefinite.
  - ❖ Russia's targeted regions are unpredictable and can change at any time.
  - ❖ Obtaining timely information on the status of CTF's projects remains challenging.
  - ❖ CIF AU continues to conservatively estimate that defaults will occur on all disbursed amounts for all projects in Ukraine.
- ❖ However, one project, which entered default due to the war, is showing signs of resuming scheduled interest payments and principal repayments.
  - ❖ In the south and east, MDBs continue to report implementation delays and projects may need to be extended, restructured or cancelled.
- ❖ Some projects located in Russian occupied areas are damaged, destroyed, or Russian control, and may be cancelled.
  - ❖ Some projects returned to Ukrainian need repairs or reconstruction and are under assessment.
  - ❖ The financial position of most clients is severely strained and pipeline projects are largely on hold.

# South Africa & Eskom<sup>1</sup>

## Update

- ✔ The CTF has committed USD 432 million to 7 projects in South Africa;
- ✔ USD 500 million has been allocated to fund ACT projects in the country;
- ✔ Uncertainty, mismanagement and corruption have deteriorated Eskom's finances and rating agencies now rate it CCC;
- ✔ As most investments directly or indirectly involve Eskom, the CIF AU will continue to monitor concerns relating to corruption, the political environment, and the finances of the utility and country.

## Challenges

- ✔ The Financial Action Task Force (FATF) included South Africa on its grey list of countries;
- ✔ The ANC continues to face numerous allegations of corruption;
- ✔ Eskom's CEO, De Ruyter, was ousted in February following an explosive interview on the corruption and organised crime within Eskom;
- ✔ Governance of Eskom is unclear as its CFO, now acting CEO, appears to have little influence of the affairs of the utility company;
- ✔ A Ministry of Electricity was created with no defined mandate, and it appears to be receiving little cooperation from the Minister of Mineral Resources and Energy.
- ✔ Load-shedding and severe rolling blackouts continue to plague the country due to capacity losses in ageing power plants, extensive unmet maintenance requirements, and operational faults at Medupi and Kusile.

<sup>1</sup>South Africa's public utility and its primary electricity supplier, generating approximately 90% of the electricity used in South Africa and approximately 30% of the electricity generated on the African continent.

# Implementation Risk

## Flagging Criteria



### Criteria 1

- ✔ The TFC committed funds to the project 4 years ago; and
- ✔ The project still is not effective.

### Criteria 2

- ✔ The project has been effective for 36 months; and
- ✔ The project has disbursed less than 20 percent of approved CIF funds.

### Criteria 3

- ✔ The project is within 15 months of the anticipated date of final disbursement (financial closure); and
- ✔ The project has disbursed less than 50 percent of approved funds.

### Criteria 4

- ✔ The anticipated date of final disbursement (financial closure) for the project has been extended; and
- ✔ The project has disbursed less than 50 percent of approved funds.



### Criteria 5

- ✔ The project has been effective for at least 5 years with less than 50 percent of approved funds disbursed; and
- ✔ The anticipated date of the final disbursement is more than 10 years after the effectiveness date.

★ As of FY2023, the CIF AU added two additional criteria for flagging projects to capture projects experiencing delays in effectiveness, and projects with inordinately distant anticipated dates of final disbursement.

# Implementation Risk

Program-level Risk

**12**  
(+3)

Out of 152 (+0)  
projects flagged

**\$719M**  
(+\$82M)

10.9% (-0.1%)  
of program funds



**HIGH**

Implementation Risk

# Implementation Risk

## Criteria 1

*Amounts in USD millions as of December 31, 2022*

| Country   | Project Title   | MDB  | Funding | Cumulative Disbursements | Disbursement Ratio | CTF Committee Approval Date | Years after Commitment |
|-----------|---|------|---------|--------------------------|--------------------|-----------------------------|------------------------|
| Indonesia | Renewable Energy Program (REP)                                  | IFC  | 37.5    | 0.0                      | 0%                 | 8/9/2017                    | 5.4 years              |
| Kenya     | DPSP II: Concessional Finance Program for Geothermal Generation | AfDB | 29.7    | 0.0                      | 0%                 | 4/6/2016                    | 6.7 years              |

# Implementation Risk

## Criteria 2<sup>1</sup>

*Amounts in USD millions as of December 31, 2022*

| Country     | Project Title  | MDB  | Funding | Cumulative Disbursements | Disbursement Ratio | CTF Committee Approval Date | Effectiveness Date | Months after Effectiveness Date |
|-------------|--|------|---------|--------------------------|--------------------|-----------------------------|--------------------|---------------------------------|
| Philippines | Cebu Bus Rapid Transit Project   | IBRD | 25.0    | 0.0                      | 0%                 | 11/28/2012                  | 12/3/2014          | 96 months                       |
| Vietnam     | Ha Noi Sustainable Urban Transport Program - Project 2: Strengthening Sustainable Urban Transport for Hanoi Metro Line 3 | ADB  | 49.0    | 4.5                      | 9%                 | 10/28/2014                  | 7/9/2015           | 89 months                       |
| India       | Solar Rooftop PV   | ADB  | 175.0   | 11.6                     | 7%                 | 5/16/2016                   | 7/25/2017          | 65 months                       |
| MENA Region | Noor Midelt Phase 1 Concentrated Solar Power Project   | AfDB | 20.0    | 0.0                      | 0%                 | 6/29/2017                   | 6/12/2017          | 66 months                       |

<sup>1</sup>All the projects were flagged in the last Risk Report and are highlighted in orange.



# Implementation Risk

## Criteria 4<sup>1</sup>

Amounts in USD millions as of December 31, 2022

| Country     | Project Title  | MDB  | Funding | Cumulative Disbursements | Disbursement Ratio | CTF Committee Approval Date | Effectiveness Date | Date of Final Disbursement |                      |
|-------------|--|------|---------|--------------------------|--------------------|-----------------------------|--------------------|----------------------------|----------------------|
|             |  |      |         |                          |                    |                             |                    | Initial Anticipated        | Extended Anticipated |
| Philippines | Cebu Bus Rapid Transit Project   | IBRD | 25.0    | 0.0                      | 0%                 | 11/28/2012                  | 12/3/2014          | 10/1/2021                  | 6/30/2023            |
| Vietnam     | Ha Noi Sustainable Urban Transport Program - Project 2: Strengthening Sustainable Urban Transport for Hanoi Metro Line 3 | ADB  | 49.0    | 4.5                      | 9%                 | 10/28/2014                  | 7/9/2015           | 6/1/2019                   | 6/30/2023            |
| Vietnam     | Ha Noi Sustainable Urban Transport Program - Project 1: Ha Noi Metro System Line 3                                       | ADB  | 50.0    | 11.1                     | 22%                | 10/28/2014                  | 5/5/2017           | 12/31/2022                 | 6/30/2023            |
| India       | Solar Rooftop PV   | ADB  | 175.0   | 11.6                     | 7%                 | 5/16/2016                   | 7/25/2017          | 12/31/2021                 | 6/30/2023            |
| India       | Shared Infrastructure for Solar Parks - Phase I  | IBRD | 25.0    | 5.8                      | 23%                | 1/13/2016                   | 1/31/2018          | 11/1/2022                  | 7/31/2023            |
| India       | Rajasthan Renewable Energy Transmission Investment Program   | ADB  | 195.0   | 73.6                     | 38%                | 7/29/2013                   | 11/6/2014          | 12/31/2021                 | 9/25/2023            |
| Ukraine     | Second Power Transmission Project  | IBRD | 48.4    | 12.4                     | 26%                | 11/4/2014                   | 6/9/2015           | 10/1/2020                  | 12/31/2023           |

<sup>1</sup>All the projects were flagged in the last Risk Report and are highlighted in orange.

# Implementation Risk

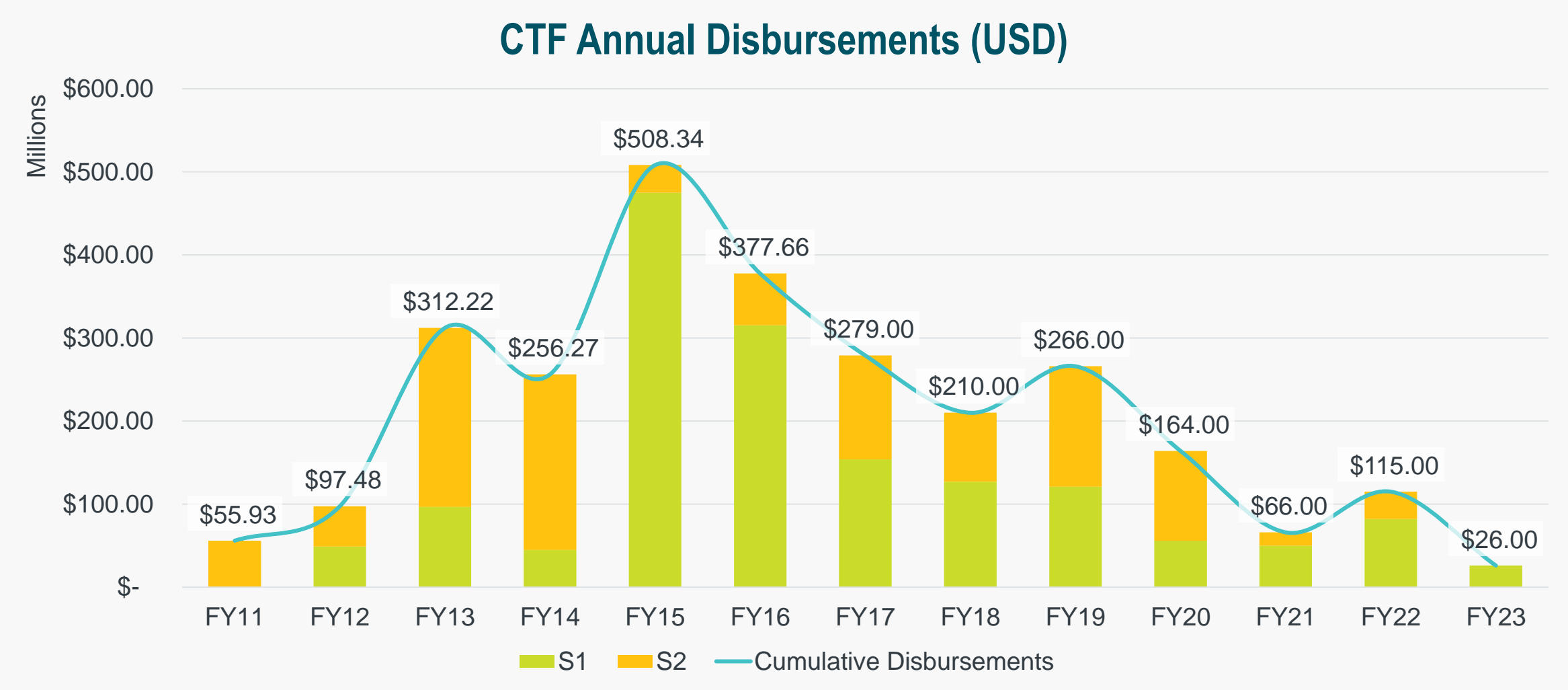
## Criteria 5

*Amounts in USD millions as of December 31, 2022*

| Country  | Project Title   | MDB  | Funding | Cumulative Disbursements | Disbursement Ratio | CTF Committee Approval Date | Effectiveness Date (1) | Anticipated Date of Final Disbursement (2) | Years Between (1) and (2) |
|----------|---|------|---------|--------------------------|--------------------|-----------------------------|------------------------|--|---------------------------|
| Ukraine  | District Heating Modernisation Program (the Program)      | EBRD | 41.1    | 19.3                     | 47%                | 5/1/2014                    | 10/24/2014             | <b>10/31/2038</b>                          | <b>24.0 years</b>         |
| Regional | DPSP II: SEMed Private Renewable Energy Framework (SPREF) | EBRD | 29.5    | 10.7                     | 36%                | 2/11/2015                   | 11/26/2015             | <b>6/1/2039</b>                            | <b>23.5 years</b>         |

# Implementation Risk

## Long-Term Disbursements Trend



# Currency Risk

## Summary

### Risk Exposure

|   |                                     |  |   |
|---|-------------------------------------|--|---|
| <b>Amount Pledged/Received</b><br>£1,444.8M | <b>Amount Unencashed</b><br>£314.9M | <b>Realized Currency Gain/(Loss)</b><br>(\$191.5M) | <b>Unrealized Currency Gain/(Loss)</b><br>(\$16.9M) |
|---|-------------------------------------|--|---|

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### Risk Assessment

|                               |                            |                          |
|-------------------------------|----------------------------|--------------------------|
| <b>Likelihood</b><br>Possible | <b>Severity</b><br>Minimal | <b>Risk Score</b><br>Low |
|-------------------------------|----------------------------|--------------------------|

# Resource Availability Risk

## Summary

### Risk Exposure

**\$608M** Available Resources  
(+\$487M)

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### Risk Assessment

**Likelihood**

Possible

**Severity**

Minimal

**Risk Score**

Low

# Credit Risk

## Committed Loan Portfolio Credit Risk Exposure and Defaulted Amounts Outstanding

Amounts in USD millions as of December 31, 2022

| Sector                  |          | Portfolio Risk Rating | Total Committed Loans | Estimated Probability of Default (PD) | Estimated Loss Given Default (LGD) | Expected Loss Rate | Expected Losses |
|-------------------------|----------|-----------------------|-----------------------|---------------------------------------|------------------------------------|--------------------|-----------------|
| Loans                   | Public   | BB-                   | 3,021.3               | 0.0%                                  | 0.0%                               | 0.0%               | 0.0             |
|                         | Private  | B                     | 727.5                 | 21.0%                                 | 42.9%                              | 9.0%               | 65.5            |
| <b>Ukraine Exposure</b> |          | <b>D</b>              | <b>152.5</b>          | <b>100.0%</b>                         | <b>67.6%</b>                       | <b>67.6%</b>       | <b>103.1</b>    |
| Defaults                | Active   | D                     | 23.5                  | 100.0%                                | 67.6%                              | 67.6%              | 15.9            |
|                         | Expected | D                     | 35.5                  | 100.0%                                | 67.6%                              | 67.6%              | 24.0            |
| Loans Written Off       |          | N/A                   | 39.4                  | 100.0%                                | 100.0%                             | 100.0%             | 39.4            |
| <b>Portfolio</b>        |          |                       | <b>3,999.8</b>        |                                       |                                    | <b>6.2%</b>        | <b>247.9</b>    |

- Expected losses slightly increased to 6.2% from 6.1%. The CIFAU continues to assume that CTF will experience a default on all funds which have been disbursed in Ukraine.
- Investment income available to cover expected losses and Admin Costs increased to **USD 288 million** from USD 219 million

### Risk Assessment



# Fraud, Sexual Exploitation & Abuse, Force Labor

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## Update

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- ✔ No allegations or incidents of fraud, forced labor or sexual exploitation and abuse associated with a CIF project were reported during the period.

# CIF CLIMATE INVESTMENT FUNDS







# CTF & EBRD in Ukraine

CIF TFC meetings, June 2023

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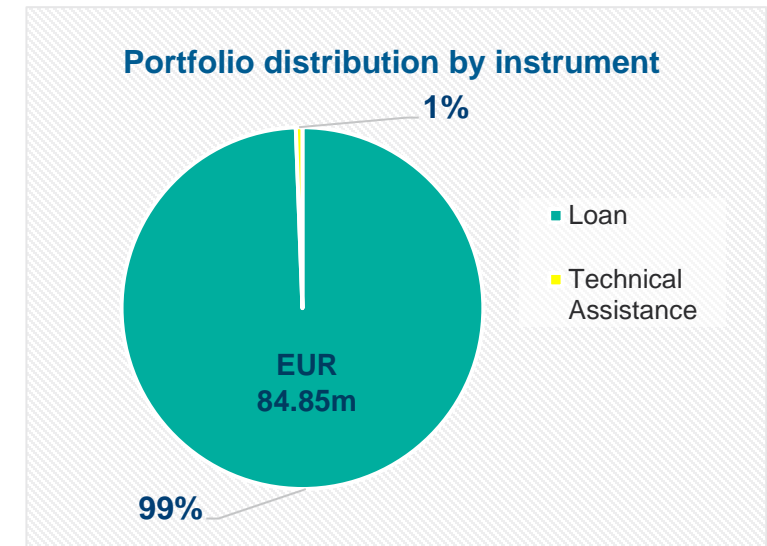
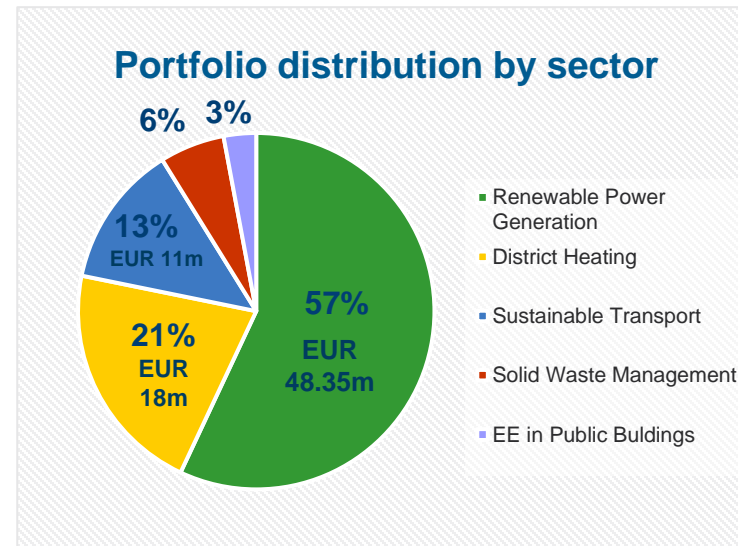
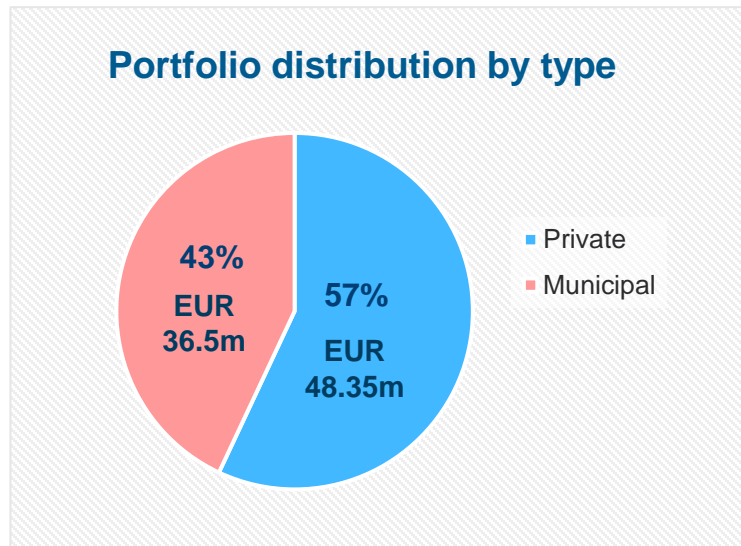
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# EBRD's CTF portfolio in Ukraine: key figures



EBRD's active CTF portfolio in Ukraine includes **21 sub-projects across 3 programmes** focused on Ukraine (5 under USELF, 2 under Ukraine Agri Waste, and 14 under the District Heating / Green Cities programme).

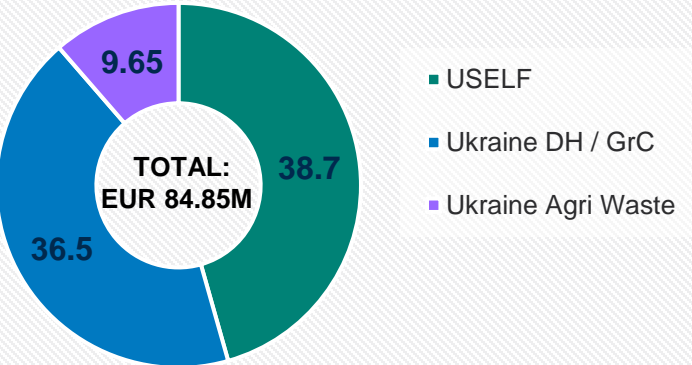
- CTF** Ukraine Sustainable Energy Lending Facility (USELF) – renewable energy projects (solar, wind, small-scale hydro, biomass/biogas) (TFC approved in 09/2010, replenished in 04/2014).
- Ukraine District Heating Modernisation / Green Cities – municipal district heating; public electric transport (trolleybus); public energy efficiency; municipal solid waste management (TFC approved in 04/2014, and scope extended in 10/2015 and 11/2016).
- Ukraine Agribusiness Waste Residues Window – sustainable energy projects, in particular biomass and biogas technology associated with the use of residues and agricultural waste (TFC approved in 09/2018).



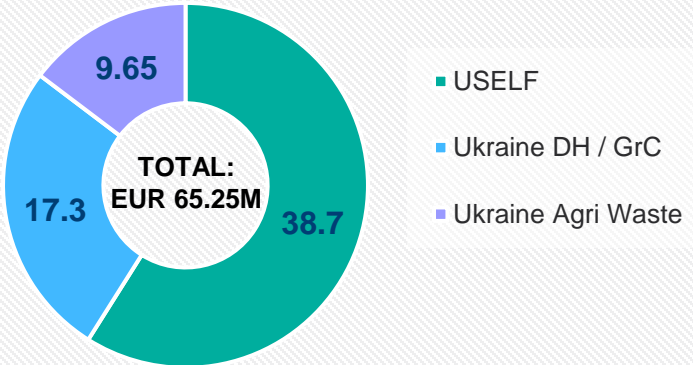
# Ukraine portfolio at a glance: key figures



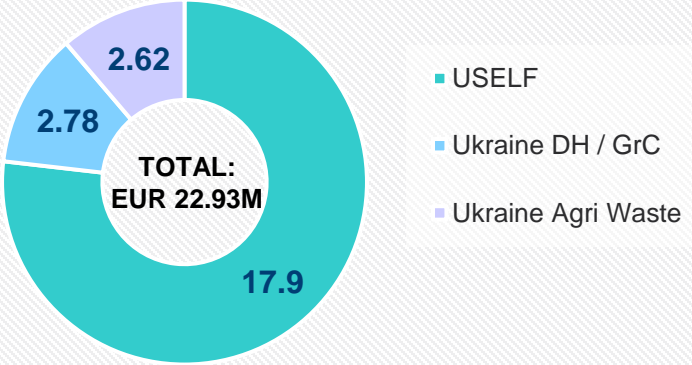
## Commitments



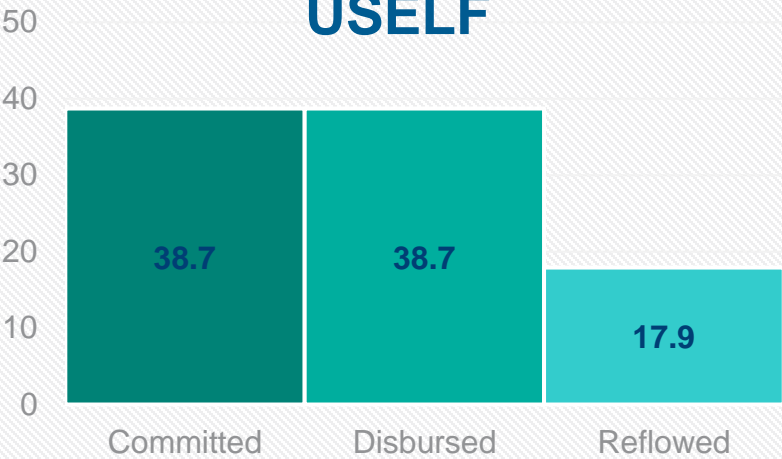
## Disbursements



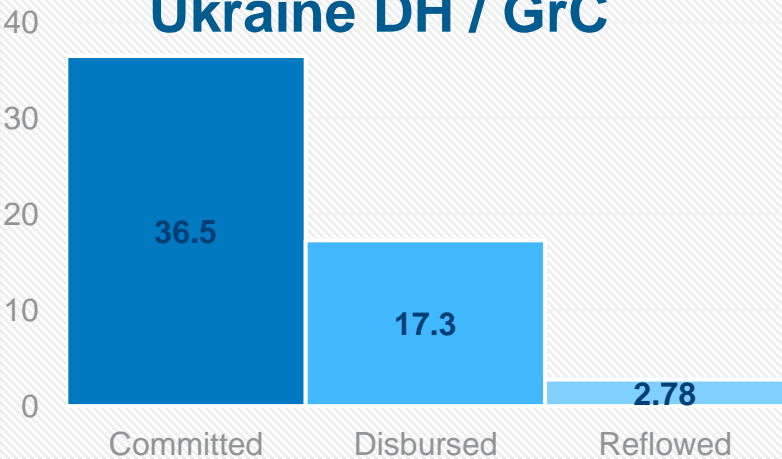
## Reflows



## USELF



## Ukraine DH / GrC



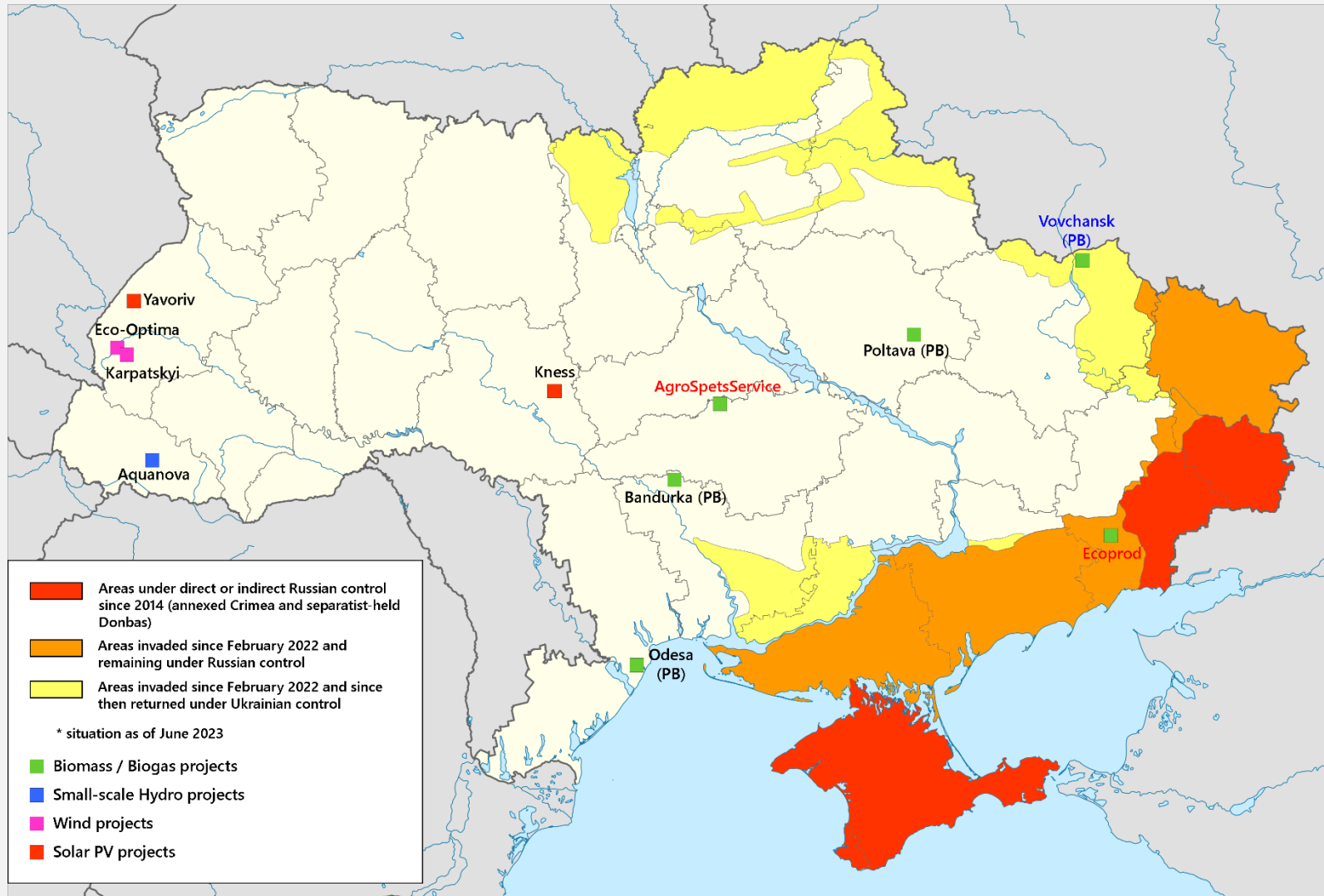
## Ukraine Agri Waste



# Impact of the war: USELF and Ukraine Agri Waste



European Bank  
for Reconstruction and Development



# Impact of the war: Ukraine District Heating / Green Cities



European Bank  
for Reconstruction and Development



## Impact of the war:

Ukraine Sustainable Energy Lending Facility (USELF)

Ukraine District Heating Modernisation / Green Cities

Ukraine Agribusiness Waste Residues Window



European Bank  
for Reconstruction and Development

Since October 2022, Ukraine's municipal and energy infrastructure – both generating capacities and distribution network – have been systematically targeted by Russian missile and drone strikes. A number of CTF sub-projects have been impacted as a result.

**USELF and Ukraine Agri Waste:** most projects are located in rural areas away from the front lines and have not been directly impacted. Most clients remain current with debt service.

**District Heating / Green Cities:** implementation of projects has generally slowed down but most clients are current with repayments, despite being directly or indirectly affected by the ongoing war, and the situation with debt service improved in the first half of 2023. The city of **Mariupol** has been almost fully destroyed, and the city of **Kremenchuk** sustained several serious missile strikes.

## Impact of the war:

Ukraine Sustainable Energy Lending Facility (USELF)

Ukraine District Heating Modernisation / Green Cities

Ukraine Agribusiness Waste Residues Window



European Bank  
for Reconstruction and Development

Currently, **5 sub-projects** have missed payments on CTF loans:

1. Public Buildings EE project in Kremenchuk (EUR 1.0 million outstanding): the client resumed with partial repayments in May 2023.
2. Trolleybus project in Kharkiv (EUR 1.7 million outstanding): the client resumed with partial repayments in June 2023, with the remaining overdue funds expected to be fully repaid in the following several months.
3. Trolleybus project in Mariupol (EUR 1.5 million outstanding): the client is no longer operational due to severe war-related damages to the city, and the fact that the city remains under Russian military control.
4. Biogas project in the Donetsk region (EUR 0.5 million outstanding): the loan has been assigned to shareholders.
5. Biogas project in Kirovograd region (EUR 1.1 million outstanding): the client continues with partial payments.

The facilities under the above projects are either fully destroyed or severely affected due to proximity to heavy fighting and/or missile attacks.

# Newly signed sub-projects under High Climate Impact programme



European Bank  
for Reconstruction and Development

In June 2023, two new sub-projects in Ukraine were added to EBRD CTF portfolio. Both of these are in agribusiness sector with EBRD's longstanding clients. Both are sustainability linked loans under the High Climate Impact programme. CTF interest rate discount is linked to achievement of a number of climate change-related targets.

**USD 9 million CTF loan** will support modernisation, energy efficiency and environmental improvements of the client's existing production facilities. The project aims to improve long-term resilience of the client's operations to climate changes as well as risks associated with increasing input costs and energy security. The sustainability milestones include **improvements in corporate climate governance; adoption of precision farming; soil conservation; and agro-ecological agricultural practices** in client's farming operations, which will lead to improved **soil health, resilience to climate change and soil carbon sequestration**.

**USD 3 million CTF loan** will support the client in improvement of its climate-related corporate commitments: expanding **climate-smart farming practices**; completing and disclosing the **first comprehensive GHG calculation** of the company (scopes 1, 2 and 3) following internationally recognised standards; and the development of a **corporate climate governance strategy** that encompasses the assessment of **climate change risks** as per TCFD and a **long-term decarbonisation plan** of the company.





The EBRD approach to supporting Ukraine's economy focuses on vital infrastructure, energy and food security, trade finance, and support for the private sector. The Bank has agreed to commit up to **EUR 3 billion over 2022-23** to keep Ukraine's economy and vital infrastructure functioning.

**EUR 1.7 billion** were deployed in **2022**, and a further EUR 200 million mobilised from partner banks.

>**EUR 1 billion** were provided by **donor partners** for Ukraine in 2022, in the form of grants and guarantees.

In May 2023, the EBRD secured the permission of its Board of Governors to work on a potential **capital increase** by year-end to extend maximum support for Ukraine.

Recent examples: EUR 600m for Ukraine energy security. At the Ukraine Recovery Conference last week, the EBRD and the Government of Ukraine have agreed to join forces to mobilise a major new financing package supporting the country's energy security, with finance for electricity, gas and hydro companies totalling EUR 600 million in the form of loans and grants from international donors.