

CLIMATE INVESTMENT FUNDS

Joint CTF-SCF/13/Inf.2
CTF/TFC.14/Inf.6
November 11, 2014

Joint Meeting of the CTF and SCF Trust Fund Committees
Washington D.C.
November 17, 2014

REPORT ON THE FINANCIAL STATUS OF THE CTF

Clean Technology Fund (CTF)

Financial Report

Prepared by the Trustee

As of September 30, 2014



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Introduction

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

The World Bank acts as the Trustee for the CTF. This report is produced by the Trustee based on financial information as of September 30, 2014, in accordance with the Trustee's role as set forth in the Governance Framework for the CTF which states:

“The Trustee will provide to the CTF Trust Fund Committee regular reports on the financial status of the Trust Fund, as agreed between the Trustee and the CTF Trust Fund Committee.”

This report provides (i) a snapshot of the financial status of the CTF Trust Fund as of September 30, 2014; (ii) the status of pledges and contributions, and (iii) the details of financial activities of the CTF Trust Fund.



CTF Trust Fund Financial Summary as of September 30, 2014¹

Pledges and Contributions:

As of September 30, 2014, nine donors pledged USDeq. 5.2 billion to the CTF Trust Fund, of which USDeq. 4.8 billion was confirmed through signed Contribution/Loan Agreements/Arrangements. Of the total amount of Contribution/Loan Agreements/Arrangements, the Trustee has received USDeq. 4.8 billion in cash and promissory notes, of which USDeq. 176 million was received between April 1, 2014 and September 30, 2014.

Investment Income:

Since inception through September 30, 2014, the CTF Trust Fund earned investment income of approximately USD 87 million on the undisbursed balance of the Trust Fund.

Funding Approvals and Trustee Commitments:

As of September 30, 2014, CTF Trust Fund Committee endorsed 16 Investment Plans for a total amount of proposed CTF funding of USD 5.6 billion.²

Cumulative funding decisions made by the CTF Trust Fund Committee amounted to USDeq. 3.9 billion. This represents an increase of USDeq. 0.6 billion since March 31, 2014. Of the total amount approved, USDeq. 3.86 billion was for projects and project preparation activities, USD 16 million was for MDB costs for project implementation and supervision services (MPIS costs), and USD 42 million was for administrative expenses of the CTF.

Based on the funding decisions by the CTF Trust Fund Committee, the Trustee has committed a total of USDeq. 3.9 billion to the MDBs³.

Cash Transfers:

Cash transfers were made to MDBs on an as-needed basis to meet their projected disbursement requirements. The Trustee has transferred USDeq. 1.48 billion, of which USDeq. 418 million has been transferred between April 1, 2014 and September 30, 2014. As a result, USDeq. 2.47 billion remains payable to MDBs as of September 30, 2014.

¹ Figures may not add due to rounding.

² At its meeting in May 2013, the CTF Trust Fund Committee agreed that an over-programming rate of 30% based on CTF pledged resources is a reasonable target.

³ The CIF are disbursed through the Multilateral Development Banks (MDBs) to support effective and flexible implementation of country-led programs and investments. The MDBs include the African Development Bank (AfDB), the Asian Development Bank (ADB), the European Bank for Reconstruction and Development (EBRD), the Inter-American Development Bank (IADB), the International Bank for Reconstruction and Development (IBRD)/International Development Association (IDA) (the World Bank), and the International Finance Corporation (IFC).



Funds Held in Trust and Funds Available for CTF Trust Fund Committee decisions:

Funds Held in Trust reflect financial activities related to donor payments (cash and promissory notes), encashment of promissory notes, investment income, cash transfers, and the revaluation of the balance of promissory notes at month-end. Funds Held in Trust as of September 30, 2014 amounted to USDeq. 3.38 billion.

Funds available to support CTF Trust Fund Committee decisions amounted to USD 778 million as of September 30, 2014. This represents a decrease of USD 393 million as compared to March 31, 2014. The receipt of new funds from donors between April 1, 2014 and September 30, 2014 was offset by the funding approvals by the CTF Trust Fund Committee during the same period.

1. CTF Trust Fund Summary – Inception through September 30, 2014

In USD millions

	Total	% of Total
<u>Donor Pledges and Contributions</u>		
Contributions	4,794	92%
Pledges	397	8%
Total Pledges and Contributions	5,191	100%
<u>Cumulative Resources</u>		
<u>Resources received</u>		
Cash Receipts	3,985	75%
Unencashed promissory notes	771	15%
Investment Income earned	87	2%
Reflows	15	0%
Total Resources Received	4,858	92%
<u>Resources not yet received</u>		
Contributions not yet paid	38	1%
Pledges	397	7%
Total resources not yet received	435	8%
Total Potential Resources (A)	5,293	100%
<u>Cumulative Funding Decisions</u>		
Projects	3,860	98%
MPIS Costs	16	0%
Administrative Budgets	42	1%
Other	1	0%
Total Funding Decisions Net of Cancellations (B)	3,919	100%
Principal Repayments and Interest Payments (C)	29	
Total Potential Resources Net of Funding Decisions (A) - (B) - (C)	1,346	
<u>Funds Available</u>		
Funds Held in Trust with no restrictions	3,246	
Amounts Pending Cash Transfers	2,467	
Total Funds Available to Support CTF Trust Fund Committee decisions	778	



2. Pledges and Contributions

In USD millions

CLEAN TECHNOLOGY FUND

Table 1: Contributions
as of September 30, 2014
(in millions)

Contributor	Contribution Type	Currency	Pledges Outstanding and Contributions Finalized			Historical Value of Total in USD eq. a/ (1)	Current Value of Total in USD eq. b/ (2)	FX changes (3) = (2) - (1)	Receipts in USD eq. b/
			Pledges Outstanding	Contributions Finalized	Total				
Australia	Grant	AUD	-	100	100	84	86	2	86
Canada	Loan	CAD	-	200	200	193	199	6	199
France	c/ Loan	EUR	-	203	203	300	256	(44)	256
Germany	d/ Loan	EUR	-	500	500	739	615	(124)	615
Japan	e/ Grant	USD	-	1,000	1,000	1,000	1,058	58	1,058
Spain	Capital	EUR	-	80	80	118	108	(11)	70
Sweden	Grant	SEK	-	600	600	92	80	(13)	80
United Kingdom	f/ Capital	GBP	-	810	810	1,507	1,297	(209)	1,297
United States	g/ Grant	USD	397	1,095	1,492	1,492	1,492	-	1,095
						5,527	5,191	(336)	4,756

a/ Represents pledges valued on the basis of exchange rates as of September 25, 2008, the CIF official pledging date.

b/ Represents realized amounts plus unrealized amounts valued on the basis of exchange rates as of September 30, 2014.

c/ France pledged USD 500 million, including: 1) concessional loan of USD 300 million (equivalent to EUR 203 million) and 2) USD 200 million in co-financing from the French Development Agency (ADF). The second commitment was fulfilled with ADF loans to solar power projects of South Africa (USD 144 million in January 2012) and Morocco (USD 124 million in July 2011) under the Clean Technology Fund.

d/ The EUR 500 million pledge was committed in USD in the amount of USD 615 million.

e/ The USD 1 billion pledge was committed in JPY in the amount of JPY 93 billion.

f/ Represents the amount pledged under the Strategic Climate Fund and allocated to the Clean Technology Fund.

g/ The total pledge made by the United States to the CIF is USD 2 billion; the allocation across the programs is indicative.

- The above table shows the total pledges outstanding and contributions finalized and made to the CTF. Pledges represent a Contributor's expression of intent to make a contribution and form the basis for the endorsement of CTF Investment Plans by the CTF Trust Fund Committee.
- The total pledges to the CTF now amount to USDeq. 5.5 billion, valued at the exchange rates available on the date of the Climate Investment Funds (CIF) pledging meeting. The current value of the pledges amounts to USDeq. 5.2 billion as of September 30, 2014 (a difference of USDeq. 336 million due to exchange rate movements).
- As of September 30, 2014, the Trustee had entered into Contribution/Loan Agreements/Arrangements with nine donors and received USDeq. 4.8 billion in cash and promissory notes from these donors.
- Of the total amount received from donors, USDeq. 2.3 billion (49%) was received as grant contributions, USDeq. 1.4 billion (29%) as capital contributions, and USDeq. 1.1 billion (22%) as loan contributions.
- Pledges outstanding and unpaid donor contributions amount to USDeq. 435 million.



3. Asset Mix and Investment Income

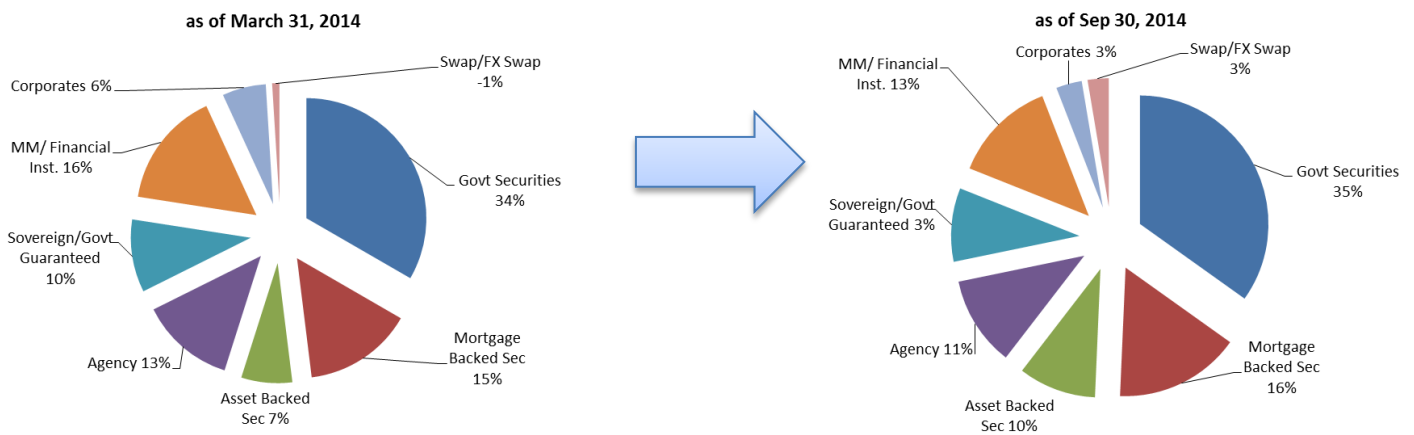
The undisbursed cash balance of the CTF Trust Fund is maintained in a commingled investment portfolio (“Pool”) for all trust funds managed by IBRD. The Pool is managed actively and conservatively with capital preservation as the over-arching objective.

ASSET MIX

CTF Trust Fund assets are invested across three of the World Bank Trust Fund’s investment model portfolios, (“Tranche 0” for short term working capital needs, “Tranche 1” with an investment horizon of one year, and “Tranche 2” with an investment horizon of three years). The latter two tranches aim to optimize investment returns subject to capital preservation with a high degree of confidence (based on statistical models) over the respective investment horizon. Although actual future returns will depend on market conditions, the Trust Fund Investment Pool portfolio is actively monitored and adjusted to preserve development partner funds over the investment horizons. Over shorter periods however, market volatility may result in negative actual or ‘mark-to-market’⁴ returns.

Overall, the CTF Trust Fund cumulative returns have been driven by its investment in longer term tranches, which may be exposed to higher volatility in returns over shorter periods, but are expected to gain higher returns over longer periods.

The portfolio allocation by asset class has the largest allocations to government securities, mortgage backed securities (MBS), money market/financial institutions. Allocations have been relatively stable over time.

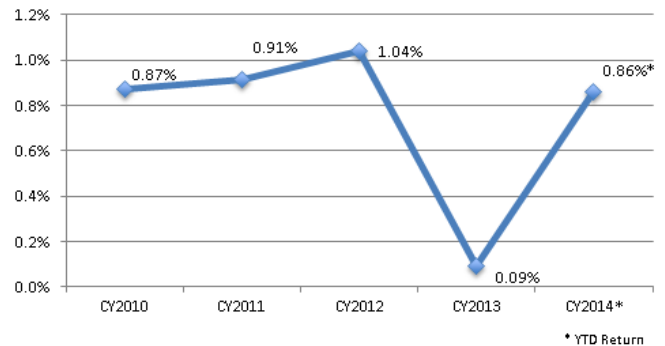


⁴ Mark-to-market returns or losses represent returns or losses generated through an accounting entry rather than the actual sale of a security.



INVESTMENT RETURNS

CTF Trust Fund investment returns were modest for calendar year-to-date 2014 with a cumulative return of 0.86%. High grade bond investments delivered positive results as investors considered the improving economic growth in the US, geopolitical events, and weakening economic growth in Europe. Returns are expected to be low going forward as the risk of rising market yields remains elevated, with an adverse effect on total portfolio returns due to lower bond prices.



ADJUSTMENTS FOR CHANGES IN MARKET CONDITIONS

As a gradual move to higher rates in the coming years is expected, the outlook for fixed-income investments continues to be for low returns, as further increases in market interest rates would result in further unrealized (i.e., mark-to-market) losses for fixed income returns in general. Given the challenging environment for fixed income investments, the World Bank Treasury has taken steps since 2011 to reduce the interest rate sensitivity of the Trust Fund Investment Pool portfolio to limit the impact of potential future interest rate increases (known as “duration”). These measures specifically included lowering the allocation to mortgage backed securities in the longer horizon Trust Funds tranche. Additionally, efforts are underway by the Trustee to enable investments in a broader universe of assets in order to achieve greater diversification of portfolio risks and increase returns. Diversification opportunities include emerging market sovereign bonds, covered bonds and new money market instruments.

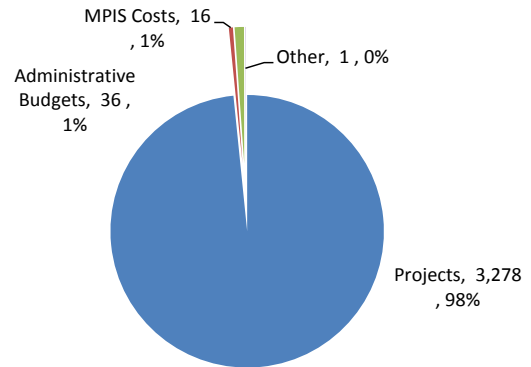


4. Cumulative Funding Decisions

In USD millions

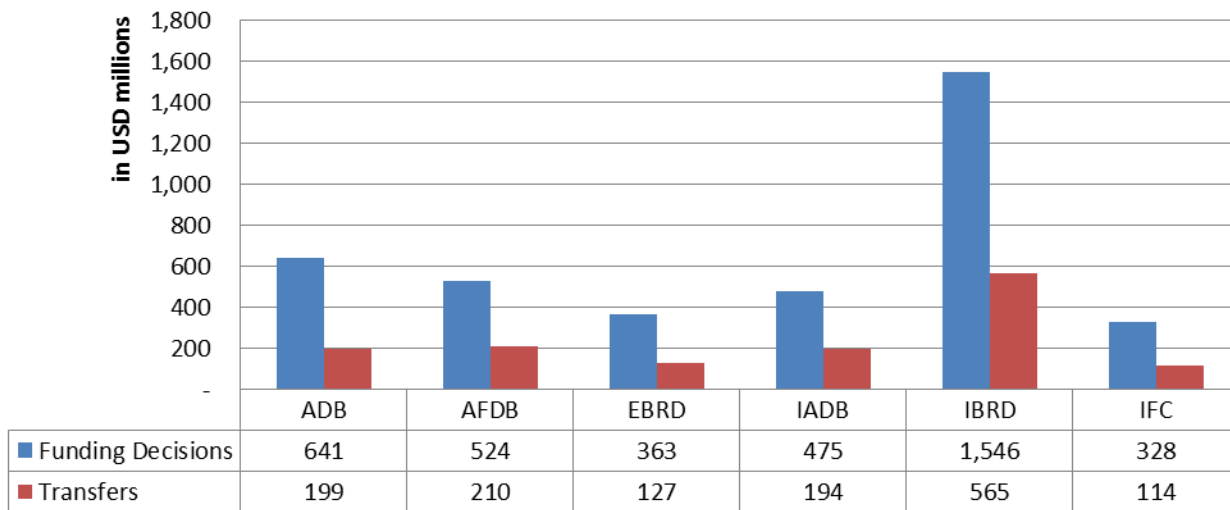
FUNDING DECISIONS BY ACTIVITY

Since inception to September 30, 2014, funding approvals made by the CTF Trust Fund Committee totaled USD eq. 3.9 billion. Projects, including project preparation grants, represent about 98%, MPIS costs 1%, and administrative budgets for the Administrative Unit, the Trustee and the MDBs 1%.



FUNDING DECISIONS BY MDB

40% of the cumulative approvals for projects (including related MPIS) were for implementation by IBRD, followed by ADB (17%), AFDB (14%) and IADB (12%). IFC and EBRD have approximately equal shares of cumulative approvals to date.



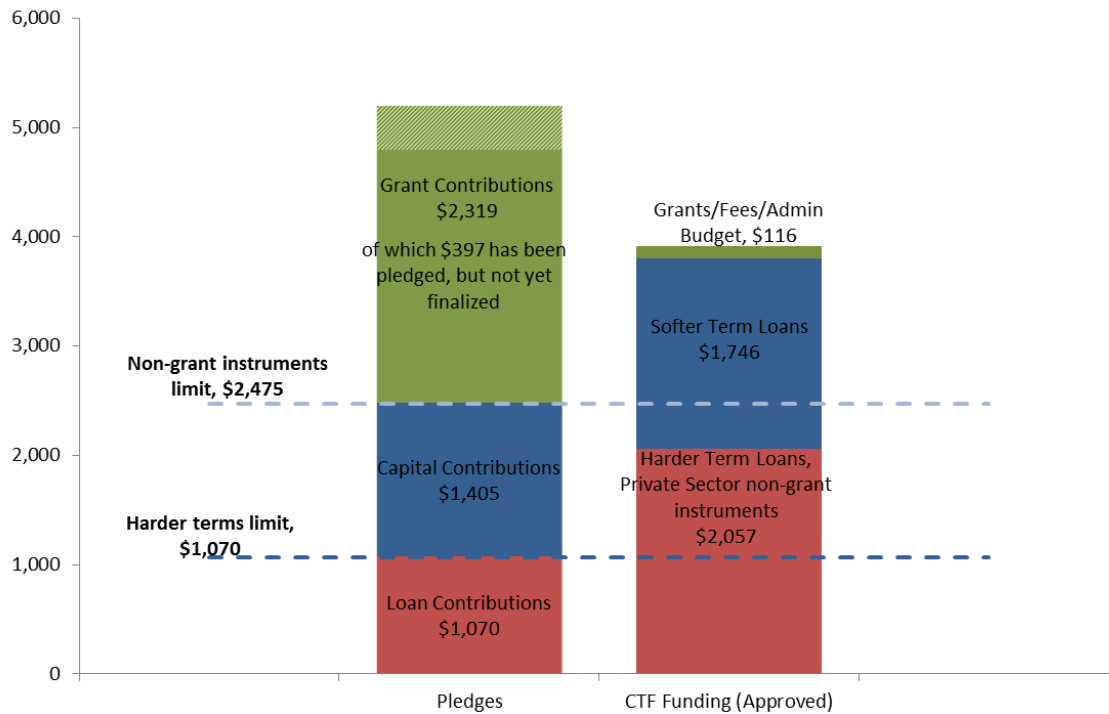


CTF FUNDING LIMITS

In accordance with the Principles regarding Contributions to the CTF, outgoing financing cannot be more concessional than incoming funds.

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

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





5. Funds Available

In USD millions

	As of September 30, 2014 (a)	As of March 31, 2014 (b)	Change (c) = (a) - (b)
1. Cumulative Receipts	4,858	4,682	176
a. Cash receipts and encashed promissory notes	3,985	3,714	272
b. Unencashed promissory notes	771	884	(114)
c. Investment income earned on undisbursed balance	87	72	15
d. Reflows	15	12	4
2. Cumulative Cash Transfers	1,479	1,061	418
a. Projects	1,392	981	411
b. MPIS Costs	17	16	1
c. Administrative Budget	41	35	6
d. Debt service payments to Loan Contributors	29	29	(1)
3. Funds held in Trust (3 = 1 - 2)	3,379	3,621	(242)
a. Cash and Investments	2,609	2,736	
b. Unencashed promissory notes	771	884	
4. Restricted Funds	133	150	(17)
a. Financial Reserve	133	150	(17)
b. Reflows in excess of debt service payments	-	-	
5. Funds held in Trust with no restrictions (5 = 3 - 4)	3,246	3,471	(225)
6. Funding Decisions pending cash transfer	2,467	2,299	168
a. Projects and MPIS Costs	2,466	2,298	168
b. Administrative Budget	1	1	(0)
7. Amounts pending Committee funding decisions	-	-	-
8. Funds available to support Committee funding decisions (8 = 5 - 6 - 7)	778	1,172	(393)

Highlights for the period April 1, 2014 through September 30, 2014:

- **Funds Held in Trust** represent cumulative receipts less cumulative cash transfers, and amount to USDeq. 3.4 billion as of September 30, 2014. Funds Held in Trust decreased by USDeq. 242 million since April 1, 2014 primarily due to:
 - Increase in cumulative receipts during the reporting period by USDeq. 176 million; and
 - Offset by cash transfers to the MDBs during the reporting period of USDeq. 418 million.
- **Funding Decisions Pending Cash Transfer** amount to USDeq. 2.5 billion, representing an increase of USDeq. 168 million since April 1, 2014.
- **Funding Availability** currently amounts to **USD 778 million** representing a decrease of USD 393 million over the prior reporting period.
- The amount of Funds Available includes EUR 18 million for funding decisions in Euro.