

CLIMATE INVESTMENT FUNDS

CTF/TFC.20/Inf.3
November 21, 2017

Meeting of the CTF Trust Fund Committee
Washington D.C.
Friday, December 15, 2017

REPORT OF THE TRUSTEE ON THE FINANCIAL STATUS OF THE CTF



Clean Technology Fund (CTF)

Financial Report

Prepared by the Trustee

As of September 30, 2017



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Introduction

The Climate Investment Funds (CIF) were 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 CIFs. This report is produced by the Trustee based on financial information as of September 30, 2017, 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, 2017; (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, 2017¹

Pledges and Contributions:

As of September 30, 2017, nine contributors pledged USDeq. 5.47 billion to the CTF Trust Fund, which has been fully finalized through signed Contribution/Loan Agreements/Arrangements. Of the total amount of executed Contribution/Loan Agreements/Arrangements, the Trustee has received USDeq. 5.47 billion in cash and promissory notes.

Investment Income and Return of Other Funds:

Since inception through September 30, 2017, the CTF Trust Fund earned investment income of approximately USD 161 million on the undisbursed balance of the Trust Fund. In addition, the return of other funds amounted to USDeq. 7 million.

Trustee Commitments:

The Trustee makes commitments in the CTF Trust Fund based on the funding approvals of the CTF Trust Fund Committee. Cumulative net commitments made by the Trustee amounted to USDeq. 5.01 billion. This represents an increase of USDeq. 155 million due to the net commitments increase since March 31, 2017. Of the total amount approved, USDeq. 4.91 billion was for projects and project preparation activities, USD 34.64 million was for MDB costs for project implementation and supervision services (MPIS costs), and USD 67.13 million was for administrative expenses of the CTF.

Cash Transfers:

Cash transfers are made to MDBs² on an as-needed basis to meet their projected disbursement requirements. The Trustee has transferred USDeq. 2.86 billion, of which USDeq. 0.11 billion was transferred between April 1, 2017 and September 30, 2017. As a result, USDeq. 2.1 billion remains payable to MDBs as of September 30, 2017.

Cash transfers related to the debt service payments to loan contributors is USDeq. 52.2 million as of September 30, 2017.

Funds Held in Trust:

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, 2017, amounted to USDeq. 2.7 billion, out of which USDeq. 103.8 million is withheld for commitment purposes to mitigate the effects of foreign exchange rate movements on outstanding commitments. In addition, the net balance available for payments to the loan contributors from the net reflows is

¹ Figures may not add up due to rounding.

² 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).



USDeq. 121 million of which USDeq. 8 million is to pay for the principal and interest payments due to the loan contributors in the next 12 months.

Funding Availability for Trustee Commitments:

The funding available for Trustee Commitments is USDeq. 521.02 million, of which USDeq. 98.5 million is the net investment income available for future admin expenses and loan losses. The balance USDeq. 422.5 million is available for Program and Project commitments.

Potential Available Resources (FY17-21):

The potential future resources of projected investment income and the release of the reserve amount is USDeq. 103.79 million. The net potential available resources for Project and Program approvals as of FY 21 is USDeq. 526.29 million and the net potential available resources for Admin expenses and loan losses as of FY21 is USDeq. 141.63 million.

Realized/Unrealized Exchange rate gain or loss:

The unencashed promissory notes in non-USD currencies are subject to exchange rate risk. Due to changes in the GBP/USD exchange rate from April 1, 2017 to September 30, 2017, the net realized/unrealized loss in the USDeq. value decreased by USDeq. 59 million. The overall unrealized loss of USDeq. 100.5 million results in a decrease in the funding available for Trustee commitments.



CTF TRUST FUND - RESOURCES AVAILABLE for COMMITMENTS

Inception through September 30, 2017

(US\$eq. millions)

As of September 30, 2017

Cumulative Funding Received

Contributions Received

Cash Contributions		4,774.23
Unencashed promissory notes	a/	691.94
Total Contributions Received		5,466.17

Other Resources

Investment Income		160.56
Other income	b/	6.69
Total Other Resources		167.25

Total Cumulative Funding Received (A) **5,633.42**

Cumulative Funding Commitments

Projects/Programs		5,357.96
MDB Project Implementation and Supervision services (MPIS) Costs		37.72
Cumulative Administrative Expenses		72.53

Total Cumulative Funding Commitments **5,468.20**

Admin Budget Cancellations		(5.40)
Project/Program, MPIS Cancellations	c/	(455.79)

Net Cumulative Funding Commitments (B) **5,007.02**

Fund Balance (A - B) **626.40**

Country Programming Budget reserve FY18-23 d/ **(1.59)**

Currency Risk Reserves e/ **(103.79)**

Unrestricted Fund Balance for Trustee Commitments -Projects/Programs and Admin (C) **521.02**

Net investment income available for Admin Budget commitments and the loan losses (D) **98.53**

Unrestricted Fund Balance for Project/Program commitments (E = C - D) **422.50**



Anticipated Commitments for Projects/Programs (FY18-FY21)	
Program/Project Funding and Fees	-
Total Anticipated Commitments (F)	-

Available Resources for Projects/Programs (G = E -F)	422.50
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Potential Future Resources (FY18-FY21)	
Contributions not yet paid	-
Pledges	-
Release of Currency Risk Reserves	e/ 103.79
Total Potential Future Resources (H)	103.79

Potential Available Resources for Projects/Programs (G+H)	526.29
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Potential Net Future Resources for Admin Expenses and Loan Losses	
Projected Investment Income October 2017 to FY22 (I)	f/ 79.70
Projected Administrative Budget (FY19-23) (J)	g/ 36.60
Potential Net investment income available for Admin Expenses and Loan losses (K=I-J)	43.10

Potential Available Resources for Admin Expenses and Loan Losses (D+K)	h/ 141.63
-------------------------------------------------------------------------------	------------------

a/ This amount represents USD equivalent of GBP 517.07 million.

b/ Return of funds other than reflows due to be returned to the Trust Fund pursuant to the Financial Procedures Agreements consistent with the pertinent CTF funding approved by the CTF Trust Fund Committee.

c/ This refers to cancellation of program and project commitments approved by the committee.

d/ country programming budget reserve estimated for FY18- FY23

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/ Investment income on undisbursed funds as projected by Trustee through the cash flow model assuming a stable investment environment, steady pace of cash transfers and encashment of unencashed promissory notes.

g/ Projected administrative budget includes resources for administrative services provided by the CIF AU, Trustee and MDBs. Includes the FY17 special initiative budget for CTF 2.0 of USD 0.59 million, yet to be committed by the Trustee.

h/ Losses on outgoing CTF Financial Products will be shared by all contributors on a pro-rata basis and covered to the extent available from the Net income (net investment income, interest and guarantee fees received in excess of 0.75%)



CTF TRUST FUND - CUMULATIVE OTHER FUNDING ACTIVITY
Inception through September 30, 2017 (USDeq. millions)

As of September 30, 2017

Cumulative Debt Service Payments to Loan Contributors

Principal Repayments	
Interest Payments	52.19
Total Cumulative Debt Service Payments to Loan Contributors	52.19
Reflows	121.33

a/ Any payments of principal, interest from loans, which are due to be returned to the Trust Fund pursuant to the Financial Procedures Agreements consistent with the pertinent CTF funding approved by the CTF Trust Fund Committee



1. Pledges and Contributions -Summary

In USD millions

CLEAN TECHNOLOGY FUND
Table 1: Pledges and Contributions Summary
as of September 30, 2017
(in millions)

Contributor	Contribution Type	Currency	in Contribution Currency			in USD eq. a/				
			Contribution Receivable	PNs Outstanding	Cash Receipts f/	Total Contributions	Contribution Receivable	PNs Outstanding	Cash Receipts f/	Total Contributions
Australia	Grant	AUD	-		100	100	-	-	86	86
Canada	Loan	CAD	-		200	200	-	-	199	199
France	b/ Loan	EUR	-		203	203	-	-	240	240
Germany	c/ Loan	EUR	-		500	500	-	-	615	615
Japan	d/ Grant	USD	-		1,056	1,056	-	-	1,056	1,056
Spain	Capital	EUR	-		80	80	-	-	106	106
Sweden	Grant	SEK	-		600	600	-	-	80	80
United Kingdom	Capital	GBP	-	517	613	1,130	-	692	900	1,592
United States e/	Grant	USD	-		1,492	1,492	-	-	1,492	1,492
							-	692	4,774	5,466

a/ Represents realized amounts plus unrealized amounts valued on the basis of exchange rates as of September 30, 2017

b/ 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. The concessional loan is valued on the basis of exchange rates as of September 30, 2017

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

d/ The USD 1 billion pledge was committed in JPY in the amount of JPY 93 billion. The total amount received is USDeq. 1.056 billion

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

f/ Includes cash receipts and encashed promissory notes.

Note: Totals may not add up due to rounding

- The above table shows the summary of pledges/promissory notes outstanding, contributions finalized, Cash and Promissory Note receipts and promissory notes outstanding. 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.
- As of September 30, 2017, total pledges and contributions amounted to USDeq. 5.47 billion based on Contribution/Loan Agreements/Arrangements entered into by the Trustee with nine contributors.
- The Cash and Promissory Notes received amounted to USDeq. 5.47 billion as of September 30, 2017. In May 2017, GBP 240 million promissory note from the United Kingdom has been encashed. The unencashed promissory note balance after this encashment is GBP 517 million.



2. Asset Mix and Investment Income

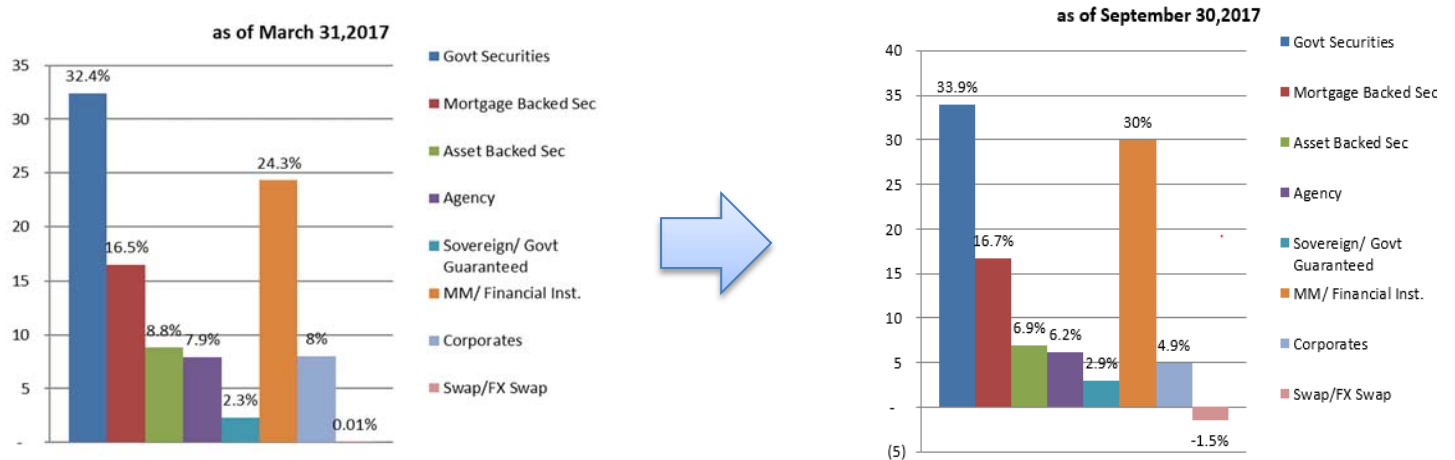
The undisbursed cash balance of the CTF Trust Fund is maintained in a commingled investment portfolio (“Pool”) for all trust funds managed by IBRD. The Pool is managed actively and conservatively with capital preservation as the over-arching objective.

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’³ returns.

On July 1, 2015, the World Bank formally adopted the Conditional Value-at-Risk (CVaR) measure as the risk constraint in the management of trust funds. Funds are managed such that the expected maximum loss, as measured by the CVaR, at the portfolio’s investment horizon, is not to exceed 1% with 99%.

The portfolio allocation by asset class has the largest allocations to government securities, money market instruments, mortgage backed securities (MBS), agency, asset backed securities and corporate bonds. The allocations have been relatively stable over time.



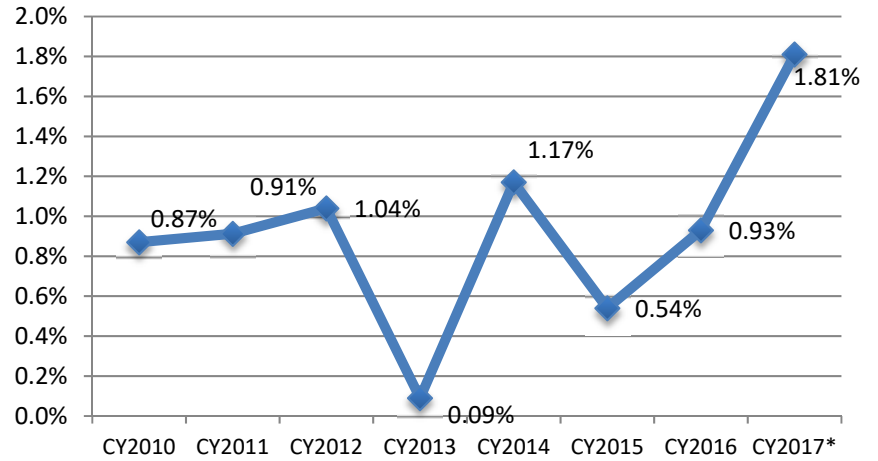
Note: The negative position in swaps is primarily due to changes in foreign currency exchange (FX) rates in cross currency basis swaps. Such swap instruments are used to implement currency hedges on bond positions within the portfolio. These hedges remain in place.

³ 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 have increased for calendar year-to-date 2017 with a cumulative return of 1.81% to date. 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. Returns are expected to be low going forward as the risk of rising market yields continues to be elevated, with an adverse effect on total portfolio returns due to lower bond prices.



*YTD non-Annualized

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 increases in market interest rates could result in unrealized (i.e., mark-to-market) losses for fixed income returns in general. Given the challenging environment for fixed income investments, the Trustee has taken steps 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”). Additionally, efforts are underway by the Trustee and CIFAU 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.

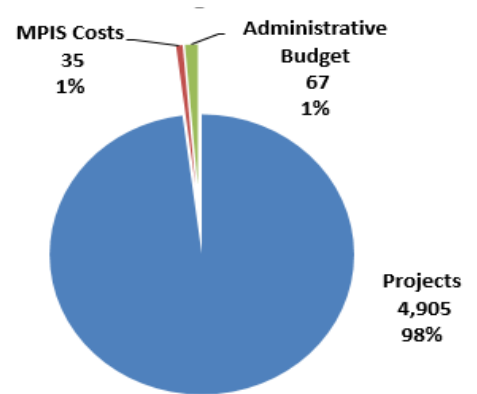


3. Cumulative Net Commitments

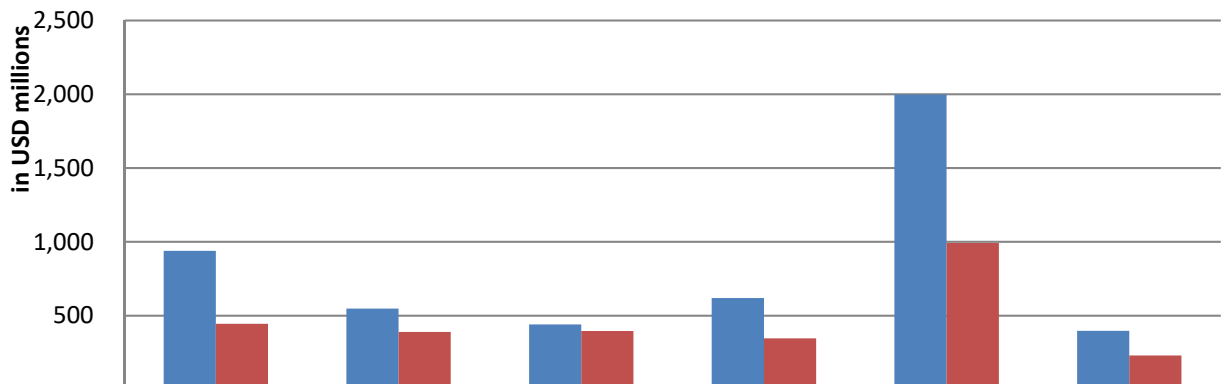
In USD millions

Total Net Commitments by the Trustee by Activity

Since inception to September 30, 2017, the net commitments made by the Trustee based on the funding approvals of CTF Trust Fund Committee totaled USD eq. 5.01 billion. Projects, including project preparation grants represent about 98%, MPIS costs 1%, administrative budgets for the CIF Administrative Unit, and the Trustee and the MDBs 1%.



Net Project and Program Commitments by MDB



	ADB	AFDB	EBRD	IADB	IBRD	IFC
■ Commitments	939	547	440	619	1,998	396
■ Transfers	444	389	396	346	992	230

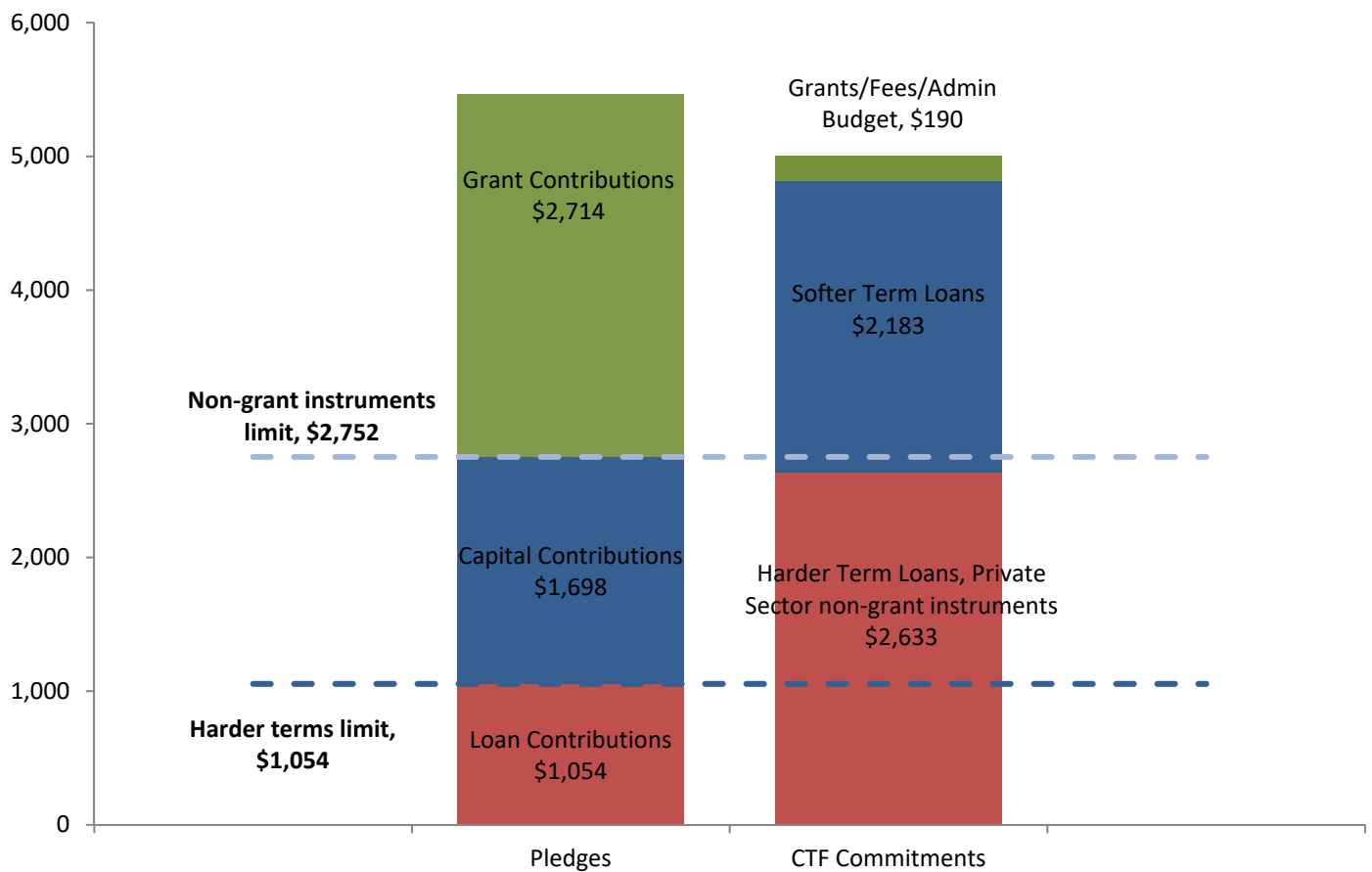


CTF FUNDING LIMITS

In accordance with the Principles regarding Contributions to the CTF, outgoing financing cannot be more concessional than contributed funds, i.e:

- (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.





4. Funds Held in Trust with No Restrictions and Commitments Pending Cash Transfer

In USDeq. millions

	As of September 30, 2017 (a)	As of March 31, 2017 (b)	Change (c) = (a) - (b)
1. Cumulative Receipts	5,633	5,529	104
a. Cash receipts and encashed promissory notes	4,774	4,441	333
b. Unencashed promissory notes	692	943	(251)
c. Investment income earned on undisbursed balance	167	145	22
2. Cumulative Cash Transfers	2,863	2,758	105
a. Projects	2,767	2,671	96
b. MPIS Costs	30	30	0
c. Administrative Budget	66	57	9
3. Funds held in Trust (3 = 1 - 2)	2,771	2,772	(1)
a. Cash and Investments	2,079	1,829	
b. Unencashed promissory notes	692	943	
4. Restricted Funds	104	141	(38)
5. Funds held in Trust with no restrictions (5 = 3 - 4)	2,667	2,630	37
6. Trustee Commitments pending cash transfer	2,146	2,095	51
a. Projects and MPIS Costs	2,143	2,093	50
b. Administrative Budget	1	2	(1)
c. Country programing budget reserve FY18-FY23	2		
7. Funds available to support Trustee Commitments	521	535	(14)
8. Net Balance Available for Payments to the loan contributors from Reflows received from MDBs b/	69	55	14
of which the funds restricted for payments to loan contributors in next 12 months	8	8	-

a/ Valued on the basis of exchange rates as of September 30, 2017

b/The net balance of Reflows received from the MDBs and the payments made to the loan contributors. The breakdown of amounts by reflows and payments to loan contributors is shown in the table below

Note: Totals may not add up due to rounding

	As of September 30, 2017 (a)	As of March 31, 2017 (a)	Change (a)- (b)
<u>1. Reflows and payments to loan contributors</u>			
a. Reflows - Interest and Principal reflows received from MDBs	121	102	20
b. Debt service payments to Loan Contributors	52	47	5
<u>Net Balance of reflows and payments to loan contributors</u>	69	55	14



Highlights for the period March 31, 2017 through September 30, 2017:

- **Funds Held in Trust** represent cumulative receipts less cumulative cash transfers, and amount to USDeq. 2.77 billion as of September 30, 2017. Funds Held in Trust decreased by USDeq. 1 million since April 1, 2017 primarily due to:
 - the receipt of additional investment income earned during the period totaling USD 22 million
 - *the 7% appreciation of GBP over USD from April 1, 2017 created a net increase in Funds Held in Trust by USD 83 million in receipts and promissory notes.*
 - Offset by the cash transfers to MDBs of USDeq. 105 million during the period
- **Trustee Commitments Pending Cash Transfer** amount to USDeq. 2.1 billion, increased by USDeq. 51 million since April 1, 2017.
- **Funds available to support Trustee commitments** amount to USDeq. 521 million, representing a decrease of USDeq. 14 million since April 1, 2017.
- **Funds available to support payments to loan contributors** amount to USDeq. 69 million, of which the amount restricted to cover the payments in the next 12 months is USDeq. 8 million.
- The funds restricted to cover the impact of foreign exchange fluctuations on commitments made by the Trustee amounted to USDeq. 104 million.

5. Overall realized and unrealized gains or losses for the Promissory Notes held in Non-USD currencies.

In millions

CIF Promissory Notes in non-USD currencies - Exchange Rate Gain/Loss as of 9/30/2017

Donor/Program	Currency	Amount in Currency			Amount in USD eq.			Currency Exchange rate changes in USD eq.		
		Promissory Note (PN) received	PN Encashment	PN Unencashed	Promissory Note (PN) @Receipt date	PN Encashment (FXR)	PN Unencashed as of March 31 2017	Realized - PN Encashments	Unrealized-PN Unencashed	Promissory Note vs (Encashments-unencashed)
Japan		92,655	92,655	0	1,129	1,056	0	(73)	0	(73)
CTF	JPY	92,655	92,655	0	1,129	1,056	0	(73)	0	(73)
United Kingdom		1,130	613	517	1,740	900	692	(47)	(100)	(148)
CTF	GBP	1,130	613	517	1,740	900	692	(47)	(100)	(148)
Grand Total					2,869	1,957	692	(119.9)	(100.5)	(220)