

CLIMATE INVESTMENT FUNDS

CTF/TFC.6/4
October 28, 2010

Meeting of the CTF Trust Fund Committee
Washington, D.C.
November 12, 2010

TRUSTEE REPORT ON FINANCIAL STATUS OF THE CTF

Proposed Decision by CTF Trust Fund Committee

The CTF Trust Fund Committee welcomes the report of the Trustee on the CTF Trust Fund document, CTF/TFC.6/4 and takes note of the status of pledges, contributions and total receipts to the CTF; the funding availability of the CTF Trust Fund; and the update of activities undertaken by the Trustee to manage the CTF Trust Fund.

The Trust Fund Committee welcomes the efforts of contributors to take steps to advance their payments to the Trust Fund.

INTRODUCTION

1. This report provides the Trust Fund Committee of the Clean Technology Fund (CTF) with information on the financial status of the CTF Trust Fund. The paper is divided into six sections. Following the introduction in this Section I, Section II presents the pledges to the CTF, the status of contributions, and total receipts; Section III discusses the endorsed CTF Investment Plans; Section IV reports on the total funding decisions made by the CTF Trust Fund Committee; Section V shows funding availability of the CTF Trust Fund; and Section VI reports on the update of activities undertaken by the Trustee to manage the CTF Trust Fund.

PLEDGES, CONTRIBUTIONS AND RECEIPTS

2. Table 1 presents the pledges to the CTF valued on the basis of exchange rates of September 30, 2010. Pledges represent a donor'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 further discussed in the next section. The total amount pledged to the CTF is USD eq. 4.4 billion¹. Since the last meeting of the CTF Trust Fund Committee in March 2010, there have been no new pledges to the CTF.

CLEAN TECHNOLOGY FUND				
Table 1: Pledges				
as of September 30, 2010				
(in millions)				
<u>Contributor</u>	<u>Contribution Type</u>	<u>Currency</u>	<u>Amount</u>	<u>USD eq. a/</u>
Australia	Grant	AUD	100	97
France	Loan	EUR	203	277
Germany	Loan	USD	615	615
Japan	Grant	JPY	92,655	1,112
Spain	Capital	EUR	80	109
Sweden	Grant	SEK	600	90
United Kingdom b/	Capital	GBP	385	613
United States c/	Grant	USD	1,492	1,492
			4,405	
<p>a/ Valued on the basis of exchange rates of September 30, 2010</p> <p>b/ Amount pledged under the Strategic Climate Fund and allocated to the Clean Technology Fund.</p> <p>c/ The total pledge made by the United States to the CIFs remains \$2 billion; the allocation across the programs is indicative and based on an extrapolation of current U.S. allocations.</p>				

¹ This includes the amount allocated to the Clean Technology Fund by the United Kingdom through the Strategic Climate Fund.

3. Contributions represent the amount that contributors have agreed to contribute to the CTF under Contribution or Loan Agreements/Arrangements with the Trustee. Contributors may make a contribution to the CTF in the form of (i) a Grant Contribution, (ii) a Capital Contribution, or (iii) a Loan Contribution. Grant or Capital Contributions to the Trust Fund may be paid by means of payment in cash, or with the agreement of the Trustee, by the delivery to the Trustee of promissory notes payable on demand or similar obligations in a form acceptable to the Trustee in accordance with the terms of the Contribution Agreements/Arrangements with the Trustee. Loan Contributions are paid by means of payment in cash in accordance with the terms of the Loan Agreement with the Trustee. Receipts represent payments received by the Trustee.

4. Table 2 shows the status of contributions and receipts to the CTF Trust Fund. Effective contributions represent conversion of pledges into commitments by way of countersigned Contribution or Loan Agreements/Arrangements. As of September 30, 2010, the Trustee had finalized Contribution or Loan Agreements/Arrangements with seven contributors for the total amount of USD eq. 2.8 billion, and had received USD eq. 2.1 billion in total from those contributors.

CLEAN TECHNOLOGY FUND			
Table 2: Status of Contributions and Receipts			
as of September 30, 2010			
(in millions)			
Contributor	Contribution Type	Effective	Receipts
Australia	Grant	100	75
Germany	Loan	615	615
Japan	Grant	92,655	32,429
Spain	Capital	80	30
Sweden	Grant	600	500
United Kingdom	Capital	385	385
United States	Grant	300	300

5. France signed its Loan Agreement with the Trustee on October 8, 2010 for the amount of EUR 203 million. The Loan Agreement provides that this amount will be paid to the Trustee on December 1, 2010.

CTF INVESTMENT PLANS ENDORSED BY THE CTF TRUST FUND COMMITTEE

6. CTF Investment Plans, developed under the leadership of, and agreed with, the relevant government; outline the proposed use of CTF resources in recipient countries in major sectors of the economy through a joint MDB program. Investment Plans are submitted to the CTF Trust Fund Committee to endorse the further development of activities for CTF financing and to facilitate prioritization of the pipeline of projects. The value of the amount pledged to the CTF forms the basis for endorsement of Investment

Plans by the CTF Trust Fund Committee. As noted above, the value of CTF pledges as of September 30, 2010 is USD 4.4 billion.

7. To date, the CTF Trust Fund Committee has endorsed 13 Investment Plans for a total amount of proposed CTF funding of USD 4.35 billion (Table 3). The balance available for new Investment Plans is USD 44 million as of September 30, 2010. It is important to note that the balance available will fluctuate due to the exchange rates, additional budget approval and investment income.

8. During the Meeting of the CTF Trust Fund Committee in March 2010, the Trust Fund Committee agreed that Chile and Nigeria should be invited to complete the preparation of their investment plans and submit them to the Trust Fund Committee for endorsement, but that funding of the projects therein will be contingent upon the availability of funds beyond what is planned for in the current pipeline. Nigeria has submitted its Investment Plan for consideration by the CTF Trust Fund Committee at the November 2010 meeting. Chile has not yet submitted an Investment Plan. If the Investment Plan for Nigeria is endorsed at the November 2010 meeting, the amount of the proposed CTF funding for that Investment Plan would exceed the balance available for new Investment Plans, as noted in paragraph 7 above.

CLEAN TECHNOLOGY FUND
Table 3: Investment Plan Balance

as of September 30, 2010

(in USD millions)

Total Pledged Amount a/	4,405
(-) Investment Plans Endorsed	4,350
(-) Cumulative Budget Approval	19
(+) Investment Income	9
Balance for new IPs	44

Country/Region	Amount Endorsed	Project Approved
Colombia	150	-
Egypt	300	150
Indonesia	400	-
Kazakhstan	200	-
Mexico	500	319
Middle East and North Africa	750	-
Morocco	150	-
Philippines	250	20
South Africa	500	-
Thailand	300	40
Turkey	250	172
Ukraine	350	-
Vietnam	250	30
Total	4,350	731

a/ Valued on the basis of exchange rates of September 30, 2010

FUNDING DECISIONS

9. The cumulative funding decisions for projects included in the endorsed Investment Plans and administrative budgets made by the CTF Trust Fund Committee as of September 30, 2010 amount to USD 750 million (Table 4). Of the amount of endorsed Investment Plans of USD 4.35 billion, the CTF Trust Fund Committee approved funding for 12 projects totaling USD 731 million, representing 17% of the total endorsed amount. Table 4 also shows the breakdown of the project approvals by the MDBs. The project proposals pending approval as of September 30, 2010 or submitted to the CTF Trust Fund Committee after September 30, 2010 are not included in the table.

CLEAN TECHNOLOGY FUND	
Table 4: Cumulative Funding Decisions	
Inception to September 30, 2010	
(in USD millions)	
Projects and Fees	731
ADB	-
AfDB	-
EBRD	50
IBRD	500
IDB	53
IFC	127
Administrative Budget	19
Total	750

FUNDING AVAILABILITY

10. Table 5 shows the Funds held in Trust for the CTF as of September 30, 2010 (USD eq. 1.9 billion), based on the cumulative receipts and cash transfers since inception. This amount is brought forward to Table 6 to calculate the Funding Availability for the CTF Trust Fund. Funding availability for the CTF Trust Fund Committee refers to Funds held in Trust with no restrictions less funding decisions pending cash transfers and amounts pending funding decisions. Accordingly, the net funding availability in the CTF Trust Fund as of September 30, 2010 amounts to USD eq. 773 million.

CLEAN TECHNOLOGY FUND	
Table 5: Schedule of Receipts and Cash Transfers	
Updated as of September 30, 2010	
(in USD millions)	
<u>1. Cumulative Receipts</u>	2,092
a. Cash receipts and encashed promissory notes	1,674
b. Unencashed promissory notes a/	409
c. Investment income earned on undisbursed balance	9
<u>2. Cumulative Cash Transfers</u>	227
a. Projects and Fees	213
b. Administrative Budget	14
<u>3. Funds held in Trust (3 = 1 - 2)</u>	<u>1,864</u>
<hr/> a/ Valued on the basis of exchange rates of September 30, 2010	

CLEAN TECHNOLOGY FUND
Table 6: Schedule of Funds Available
Updated as of September 30, 2010
(in USD millions) a/

<u>1. Funds held in Trust</u>		1,864
a. Cash and Investments	1,456	
b. Unencashed Promissory Notes	409	
<u>2. Financial Reserve</u> b/		61
<u>3. Funds held in Trust with no restrictions (3 = 1 - 2)</u>		<u>1,803</u>
<u>4. Funding decisions pending disbursement</u>		523
a. Projects and Fees	517	
b. Administrative Budget	5	
<u>5. Amounts pending CTF Trust Fund Committee funding decisions</u>		508
<u>6. Funds available to support CTF Trust Fund Committee funding decisions (6 = 3 - 4 - 5)</u>		<u><u>773</u></u>

a/ Valued on the basis of exchange rates of September 30, 2010.

b/ Represents amount reserved to cover foreign exchange fluctuations and minimum liquidity requirements.

UPDATE ON TRUSTEE ACTIVITIES

11. Investment Management: Table 7 illustrates the composition of instruments in which the CTF Trust Fund portfolio was invested as of September 30, 2010. Assets held in trust by the World Bank (as the Trustee) are maintained in a commingled investment portfolio (the “Pool”) for all trust funds administered by the World Bank. The assets in the Pool are managed in accordance with the investment strategy established for all trust funds administered by the World Bank. The Pool is actively managed so that the probability of incurring negative returns is no more than 1% over the applicable investment horizon.

CLEAN TECHNOLOGY FUND

Table 7. Asset Mix of the Trust Fund Portfolio
as of September 30, 2010

<u>Asset Class</u>	<u>Percentage</u>
Govt	19%
Mortgage-backed Security	0%
Asset-backed Security	7%
Agency	3%
Sovereign/Govt Gtd	10%
Money Markets/Fin. Inst	60%
Corporates	0%
	<u>100%</u>

12. As of September 30, 2010, the CTF Trust Fund has earned investment income of approximately USD 9 million on the undisbursed balance of the Trust Fund. The investment income return since inception was approximately 1.54%.

13. **Accounting and Reporting:** The Trustee completed the audit of the cash-based financial statements for the CTF Trust Fund for the year ended December 31, 2009 in March 2010. The audited financial statements were sent to the Committee members along with the external auditor's report, and also posted on the CIF website. For the calendar year 2010, the Trustee will prepare the audited financial statements under the special purpose basis of accounting, as previously communicated to the CTF Trust Fund Committee.

14. **Systems Development:** The Trustee is continuing on with the CIF Trustee system development, which has benefited from extensive consultation with CIF Administrative Unit and MDBs over the past year. The system is being developed in phases and the first phase is planned to launch in January 2011. The second phase will commence in March/April 2011. The project is on-time and currently the Trustee does not foresee any budget issues. The Trustee is also supporting the systems development of the CIF Administrative Unit to ensure a smooth implementation of sharing data between the Trustee and the CIF Administrative Unit.