

CLIMATE INVESTMENT FUNDS

JOINT CTF-SCF/TFC.15/Inf.2

October 28, 2015

Joint Meeting of the CTF and SCF Trust Fund Committees

Washington, D.C.

Monday, November 9, 2015

REPORT ON THE FINANCIAL STATUS OF THE CTF

Clean Technology Fund (CTF)

Financial Report

Prepared by the Trustee

As of September 30, 2015



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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, 2015, 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, 2015; (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, 2015¹

Pledges and Contributions:

As of September 30, 2015, nine donors pledged USDeq. 5.3 billion to the CTF Trust Fund, of which USDeq. 5.1 billion was confirmed through signed Contribution/Loan Agreements/Arrangements. Of the total amount of Contribution/Loan Agreements/Arrangements, the Trustee has received USDeq. 5.1 billion in cash and promissory notes, of which USD 17 million was received between July 1, 2015 and September 30, 2015.

Investment Income:

Since inception through September 30, 2015, the CTF Trust Fund earned investment income of approximately USD 107 million on the undisbursed balance of the Trust Fund.

Trustee Commitments:

The Trustee makes commitments in the CTF Trust Fund based on based on the funding approvals of the CTF Trust Fund Committee. Cumulative net commitments made by the Trustee amounted to USDeq. 4.4 billion. This represents an increase of USDeq. 0.08 billion since July 1, 2015. Of the total amount approved, USDeq. 4.28 billion was for projects and project preparation activities, USD 29 million was for MDB costs for project implementation and supervision services (MPIS costs), and USD 49 million was for administrative expenses of the CTF.

Cash Transfers:

Cash transfers were made to MDBs² on an as-needed basis to meet their projected disbursement requirements. The Trustee has transferred USDeq. 2.2 billion, of which USDeq. 93 million has been transferred between July 1, 2015 and September 30, 2015. As a result, USDeq. 2.2 billion remains payable to MDBs as of September 30, 2015.

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, 2015 amounted to USDeq. 3.05 billion, out of which USDeq. 127 million is withheld for commitment purposes to mitigate the effects of foreign exchange rate movements on outstanding commitments.

¹ Figures may not add 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).



1. CTF Trust Fund Summary – Inception through September 30, 2015

In USD millions

	Total	% of Total
<u>Donor Pledges and Contributions</u>		
Contributions	5,128	97%
Pledges	171	3%
Total Pledges and Contributions	5,299	100%
<u>Cumulative Resources</u>		
<u>Resources received</u>		
Cash Receipts	4,281	79%
Unencashed promissory notes	847	16%
Investment Income earned	107	2%
Reflows	20	0%
Total Resources Received	5,255	97%
<u>Resources not yet received</u>		
Contributions not yet paid	0	0%
Pledges	171	3%
Total resources not yet received	171	3%
Total Potential Resources	5,425	100%
<u>Cumulative Net Funding Commitments</u>		
Projects	4,285	98%
MPIS Costs	29	1%
Administrative Budgets	49	1%
Total Net Funding Commitments	4,363	100%
Principal and Interest Due to Loan contributors in the next 12 months	7	
Principal and Interest Paid to the Loan Contributors	36	
Total	43	

Note: Totals may not add up accurately due to rounding



2. Pledges and Contributions -Summary

In USD millions

Contributor	Contribution Type	Currency	in Contribution Currency			in USD eq. a/		
			Pledges Outstanding	Contributions Finalized	Total	Pledges Outstanding	Contributions Finalized	Total
Australia	Grant	AUD	-	100	100	-	86	86
Canada	Loan	CAD	-	200	200	-	199	199
France	b/ Loan	EUR	-	203	203	-	228	228
Germany	c/ Loan	EUR	-	500	500	-	615	615
Japan	d/ Grant	USD	-	1,000	1,000	-	1,056	1,056
Spain	Capital	EUR	-	80	80	-	106	106
Sweden	Grant	SEK	-	600	600	-	80	80
United Kingdom	e/ Capital	GBP	-	930	930	-	1,437	1,437
United States	f/ Grant	USD	171	1,321	1,492	171	1,321	1,492
						171	5,128	5,299

a/ Represents realized amounts plus unrealized amounts valued on the basis of exchange rates as of September 30, 2015.

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.

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.

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

f/ 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 summary of pledges outstanding and contributions finalized 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.
- As of September 30, 2015, the total Pledges and Contribution amounts are USD eq. 5.3 billion. The Trustee had entered into Contribution/Loan Agreements/Arrangements with nine donors amounting to USDeq. 5.13 billion, and the pledges outstanding is USD 0.17 billion from U.S.



3. Pledges and Contributions - Details

In USD millions

Contributor	Contribution Type	Pledges and Contribution Receivable USDeq. a/	Contribution Paid-in		Total Pledges and Contributions USD eq.
			PNs Outstanding USDeq. a/	Cash Receipts USDeq. b/	
Australia	Grant	-	-	86	86
Canada	Loan	-	-	199	199
France	c/ Loan	-	-	228	228
Germany	Loan	-	-	615	615
Japan	Grant	-	-	1,056	1,056
Spain	Capital	-	-	106	106
Sweden	Grant	-	-	80	80
United Kingdom	Capital	-	847 d/	590	1,437
United States	Grant	171	-	1,321	1,492
		171	847	4,281	5,299

a/ Valued based on the end of reporting period exchange rates.

b/ Includes cash receipts and encashed promissory notes.

c/ The contribution from France is kept in EUR. The USD equivalent amount is valued based on the end of reporting

d/ This amount represents USD equivalent of GBP 557 million

The above table shows the details of Total Pledges and Contributions as of September 30, 2015

The trustee received USDeq. 4.28 billion in cash and USDeq. 847million in promissory notes from the 9 donors.

- Of the total amount received from donors, USDeq. 2.54 billion (50%) was received as grant contributions, USDeq. 1.54 billion (30%) as capital contributions, and USDeq. 1.04 billion (20%) as loan contributions.
- Pledges outstanding amount to USDeq. 171 million.



4. Asset Mix and Investment Income

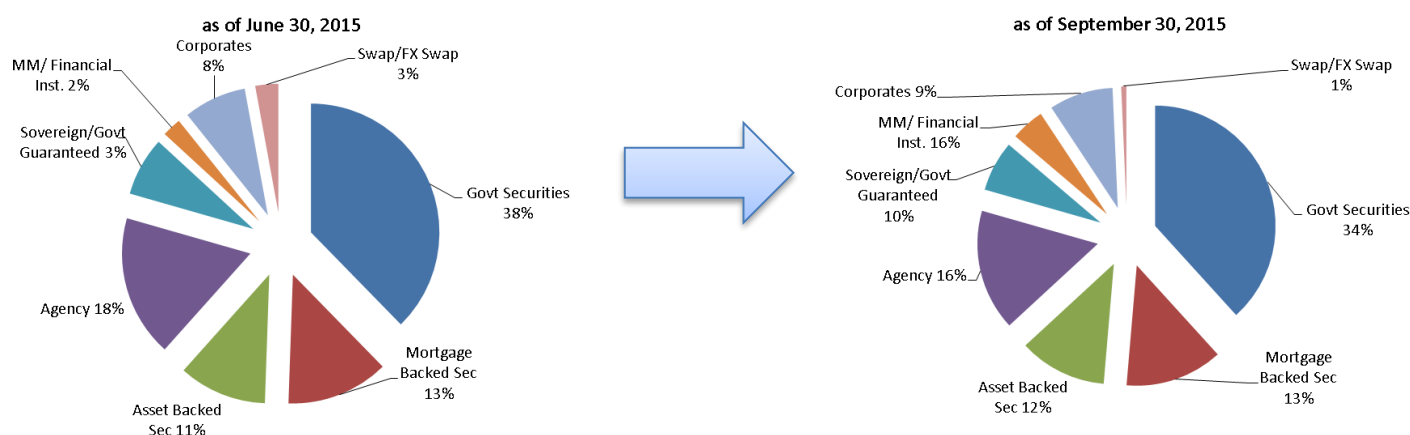
The undisbursed cash balance of the CTF Trust Fund is maintained in a commingled investment portfolio (“Pool”) for all trust funds managed by IBRD. The Pool is managed actively and conservatively with capital preservation as the over-arching objective.

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.

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), agency, money market/financial instruments and asset backed securities. The allocations have been relatively stable over time.

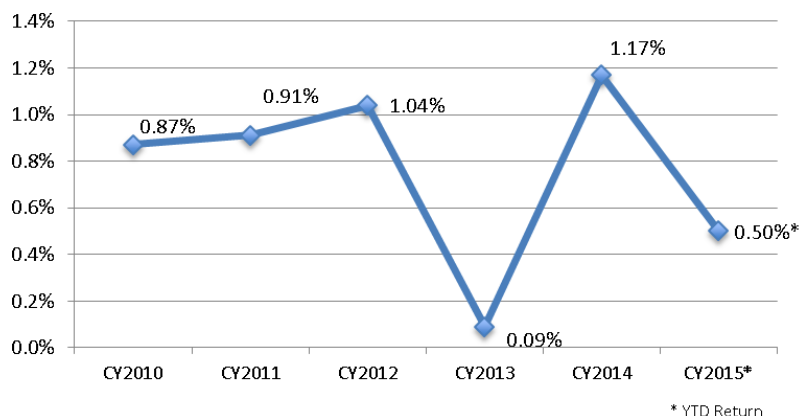


³ Mark-to-market returns or losses represent returns or losses generated through an accounting entry rather than the actual sale of a security.



INVESTMENT RETURNS

CTF Trust Fund investment returns were modest for calendar year-to-date 2015 with a cumulative return of 0.5%. 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.



On July 1st, 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% confidence.

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 would result in 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 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"), and 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.

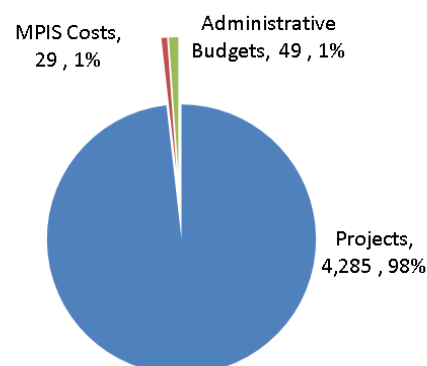


5. Cumulative Net Commitments

In USD millions

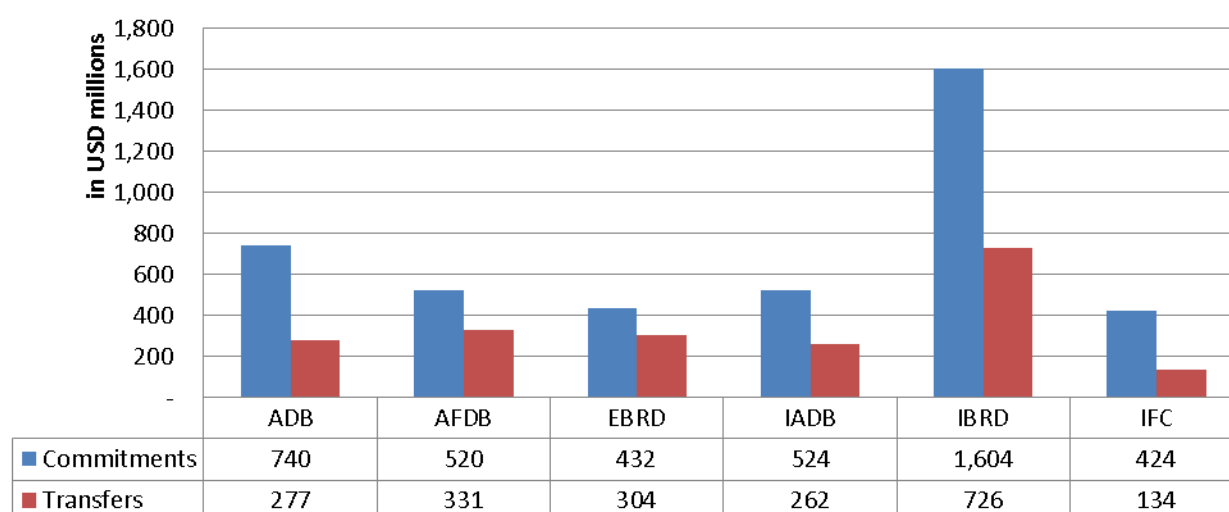
Total Net Commitments by the Trustee by Activity

Since inception to September 30, 2015, commitments made by the Trustee based on the funding approvals of CTF Trust Fund Committee totaled USD eq. 4.4 billion. Projects, including project preparation grants, represent about 98%, MPIS costs 1%, administrative budgets 1%, and the Trustee and the MDBs 1%.



Net Project and Program Commitments by MDB

37% of the cumulative commitments for projects (including related MPIS) were for implementation by IBRD, followed by ADB (17%), IADB (13%), AFDB (12%), IFC (10%) and EBRD (10%) have cumulative commitments to date.



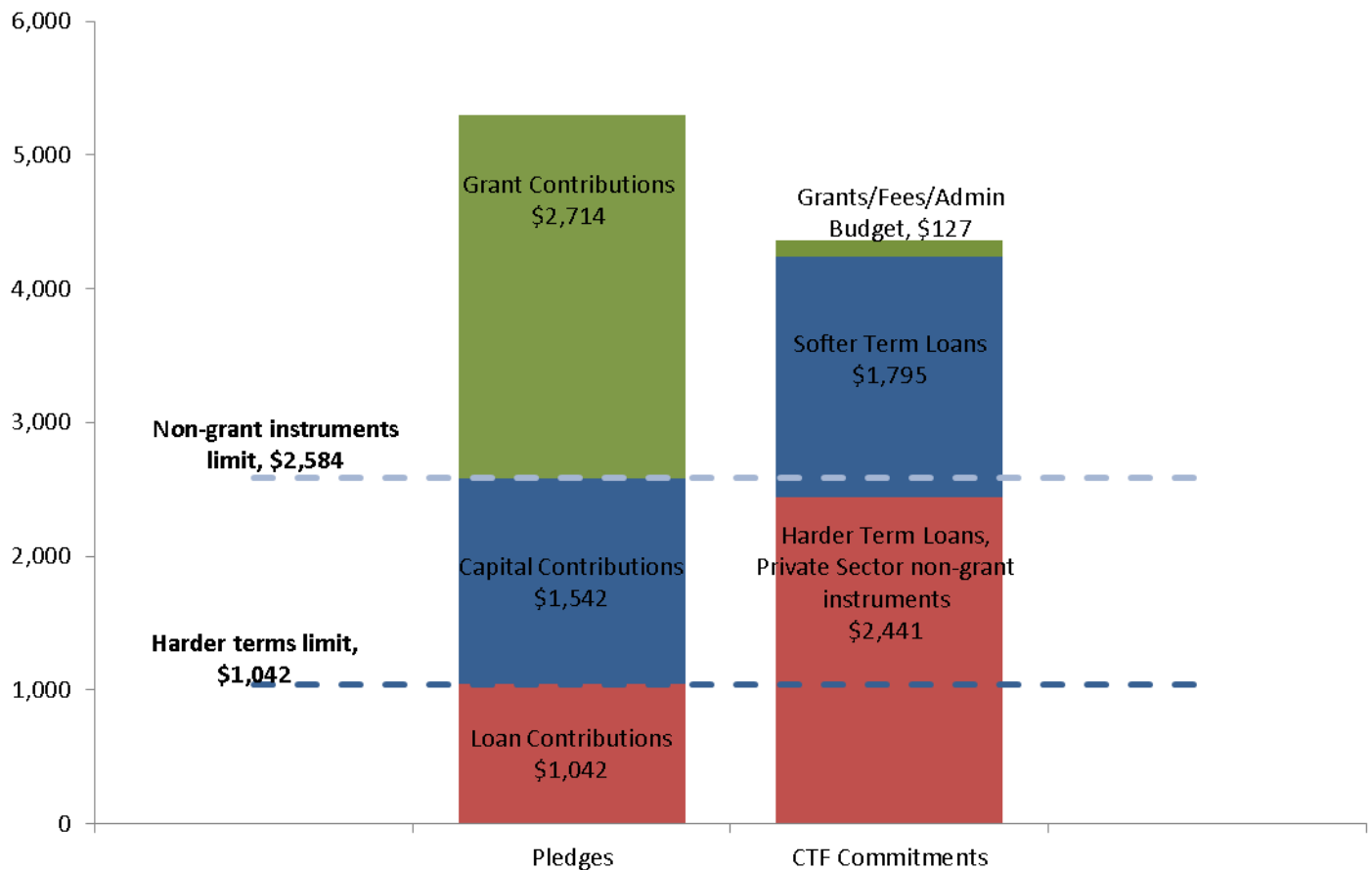


CTF FUNDING LIMITS

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.





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

In USD millions

	As of September 30, 2015 (a)	As of June 30, 2015 (b)	Change (c) = (a) - (b)
1. Cumulative Receipts	5,255	5,262	(7)
a. Cash receipts and encashed promissory notes	4,281	4,264	17
b. Unencashed promissory notes	847	876	(29)
c. Investment income earned on undisbursed balance	107	102	5
d. Reflows	20	20	0
2. Cumulative Cash Transfers	2,204	2,110	93
a. Projects	2,095	2,010	86
b. MPIS Costs	24	23	1
c. Administrative Budget	48	42	6
d. Debt service payments to Loan Contributors	36	36	0
3. Funds held in Trust (3 = 1 - 2)	3,051	3,151	(100)
a. Cash and Investments	2,204	2,276	
b. Unencashed promissory notes	847	876	
4. Restricted Funds	127	139	(12)
5. Funds held in Trust with no restrictions (5 = 3 - 4)	2,924	3,012	(88)
6. Trustee Commitments pending cash transfer	2,196	2,209	(14)
a. Projects and MPIS Costs	2,195	2,209	(14)
b. Administrative Budget	1	1	0

a/ Valued on the basis of exchange rates as of September 30, 2015

Note: Totals may not add up accurately due to rounding

Highlights for the period July 1, 2015 through September 30, 2015:

- **Funds Held in Trust** represent cumulative receipts less cumulative cash transfers, and amount to USDeq. 3.05 billion as of September 30, 2015. Funds Held in Trust decreased by USDeq. 100 million since July 1, 2015 primarily due to:
 - Decrease in cumulative receipts during the reporting period by USDeq. 7 million largely due the decrease of the value of unencashed promissory notes that arose from exchange rate movements; and
 - Increase in cash transfers to the MDBs during the reporting period of USDeq. 93 million.
- **Trustee Commitments Pending Cash Transfer** amount to USDeq. 2.2 billion, representing a decrease of USDeq. 14 million since July 1, 2015.