

CLIMATE INVESTMENT FUNDS

JOINT CTF-SCF/TFC.16/Inf.2
May 16, 2016

Joint Meeting of the CTF and SCF Trust Fund Committees
Oaxaca, Mexico
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REPORT ON THE FINANCIAL STATUS OF THE CTF



Clean Technology Fund (CTF)

Financial Report

Prepared by the Trustee

As of March 31, 2016



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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 March 31, 2016, 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 March 31, 2016; (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 March 31, 2016¹

Pledges and Contributions:

As of March 31, 2016, nine contributors pledged USDeq. 5.55 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, of which USDeq. 0.18 billion was received between January 1, 2016 and March 31, 2016.

Investment Income:

Since inception through March 31, 2016, the CTF Trust Fund earned investment income of approximately USD 118 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. 4.73 billion. This represents an increase of USDeq. 0.16 billion since January 1, 2016. Of the total amount approved, USDeq. 4.65 billion was for projects and project preparation activities, USD 30 million was for MDB costs for project implementation and supervision services (MPIS costs), and USD 50 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. 2.42 billion, of which USDeq. 90 million was transferred between January 1, 2016 and March 31, 2016. As a result, USDeq. 2.30 billion remains payable to MDBs as of March 31, 2016.

Cash transfers related to the debt service payments to loan contributors is USDeq. 40 million as of March 31, 2016.

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 March 31, 2016 amounted to USDeq. 3.17 billion, out of which USDeq. 153 million is withheld for commitment purposes to mitigate the effects of foreign exchange rate movements on outstanding commitments and USDeq. 8 million to pay the principal and interest payments due to the loan contributors in the next 12 months.

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).



1. CTF Trust Fund Summary – Inception through March 31, 2016

In USD millions

	Total	% of Total
<u>Donor Pledges and Contributions</u>		
Contributions	5,546	100%
Pledges	-	0%
Total Pledges and Contributions	5,546	100%
<u>Cumulative Resources</u>		
<u>Resources received</u>		
Cash Receipts	4,455	78%
Unencashed promissory notes	1,018	18%
Investment Income earned	118	2%
Reflows	40	1%
Total Resources Received	5,631	99%
<u>Resources not yet received</u>		
Contributions not yet paid	73	1%
Pledges	-	0%
Total resources not yet received	73	1%
Total Potential Resources	5,704	100%
<u>Cumulative Net Funding Commitments</u>		
Projects	4,647	98%
MPIS Costs	30	1%
Administrative Budgets	50	1%
Total Net Funding Commitments	4,727	100%
Principal and Interest Due to Loan contributors in the next 12 months	8	
Principal and Interest Paid to the Loan Contributors	40	
Total	48	

Note: Totals may not add up 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	-	231	231
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	-	1,130	1,130	-	1,681	1,681
United States	f/ Grant	USD	-	1,492	1,492	-	1,492	1,492
							5,546	5,546

a/ Represents realized amounts plus unrealized amounts valued on the basis of exchange rates as of March 31, 2016

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 Agence Francaise de Developpement (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.

Note: Totals may not add up due to rounding

- 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 March 31, 2016, total pledges and contributions amounted to USDeq. 5.55 billion based on Contribution/Loan Agreements/Arrangements entered into by the Trustee with nine contributors.



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	Loan	-	-	231 c/	231
Germany	Loan	-	-	615	615
Japan	Grant	-	-	1,056	1,056
Spain	Capital	-	-	106	106
Sweden	Grant	-	-	80	80
United Kingdom	Capital	73 d/	1,018 e/	590	1,681
United States	Grant	-	-	1,492	1,492
		73	1,018	4,455	5,546

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

b/ Includes cash receipts and encashed promissory notes.

c/ Represents the EUR 203 million Loan contributions valued on the basis of exchange rates as of March 31, 2016

d/ This contribution receivable amount represents USD equivalent of GBP 50.5 million

e/ This amount represents USD equivalent of GBP 706.6 million

Note: Totals may not add up due to rounding

- The above table shows the details of Total Pledges and Contributions as of March 31, 2016. The trustee received USDeq. 4.46 billion in cash and USDeq. 1.02 billion in promissory notes from nine contributors.
- Of the total amount received from contributors, USDeq. 2.71 billion (50%) was received as grant contributions, USDeq. 1.71 billion (31%) as capital contributions, and USDeq. 1.05 billion (19%) as loan contributions.
- As of March 31, 2016, contribution receivable amounted to USDeq. 73 million.



4. Asset Mix and Investment Income

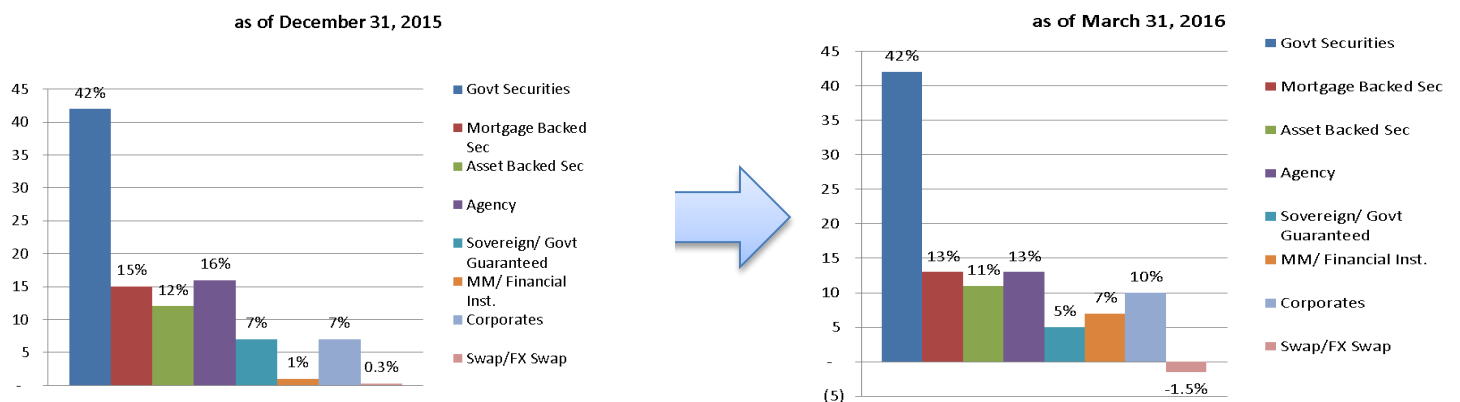
The undisbursed cash balance of the CTF Trust Fund is maintained in a commingled investment portfolio (“Pool”) for all trust funds managed by IBRD. The Pool is managed actively and conservatively with capital preservation as the over-arching objective.

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.

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, mortgage backed securities (MBS), agency, asset backed securities and corporate bonds. The allocations have been relatively stable over time.



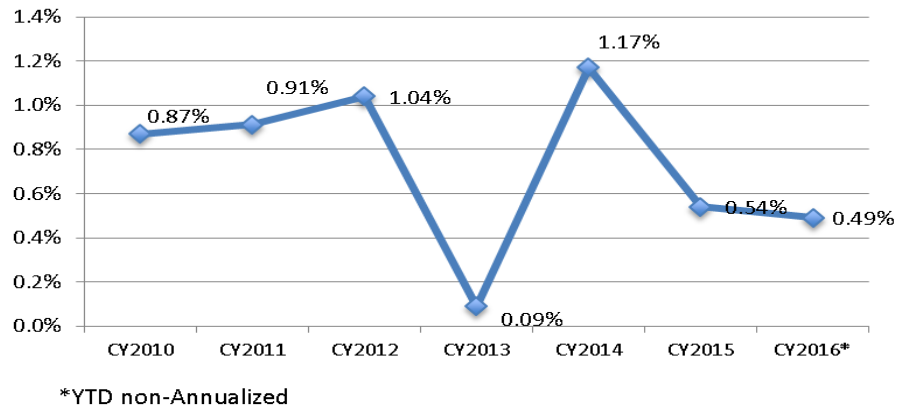
Note: The negative position in swaps is primarily due to changes in foreign currency exchange (FX) rates in cross currency basis swaps. Such swap instruments are used to implement currency hedges on bond positions within the portfolio. These hedges remain in place.

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 been modest for calendar year-to-date 2016 with a cumulative return of 0.49% 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 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 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 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”), and 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.

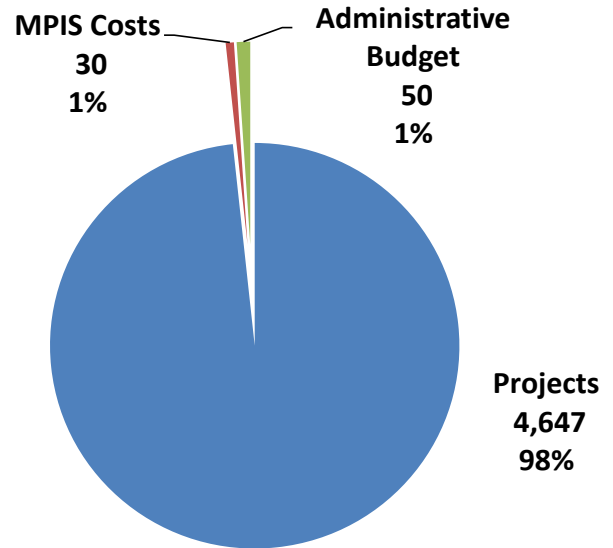


5. Cumulative Net Commitments

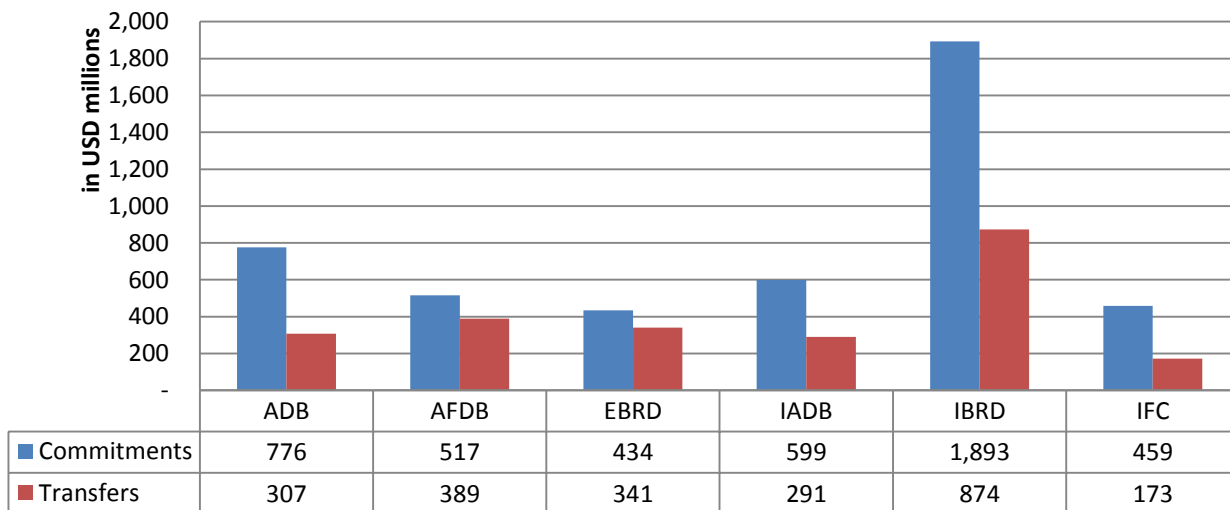
In USD millions

Total Net Commitments by the Trustee by Activity

Since inception to March 31, 2016, commitments made by the Trustee based on the funding approvals of CTF Trust Fund Committee totaled USD eq. 4.73 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



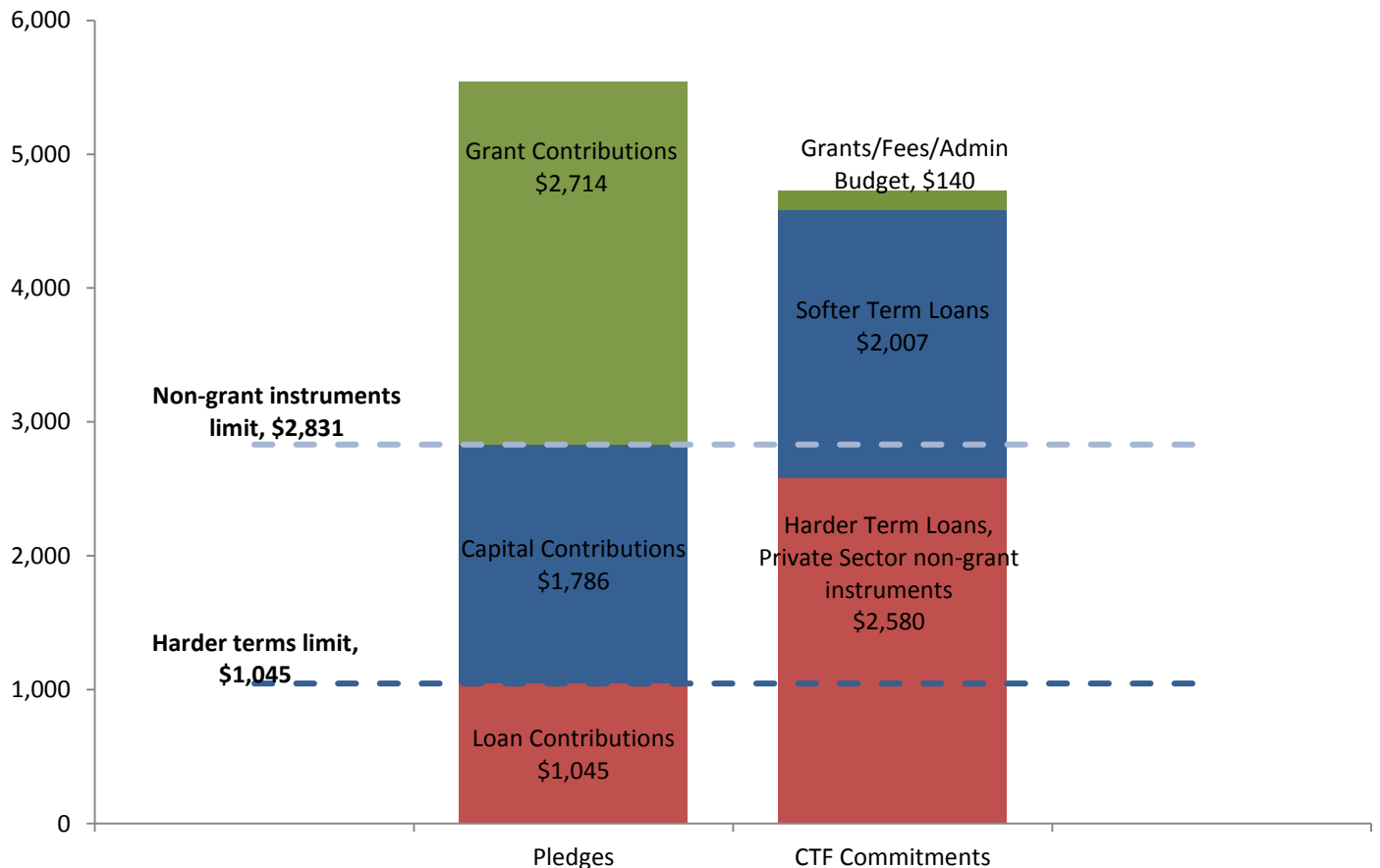


CTF FUNDING LIMITS

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.





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

In USD millions

	As of March 31, 2016 (a)	As of December 31, 2015 (b)	Change (c) = (a) - (b)
1. Cumulative Receipts	5,631	5,466	165
a. Cash receipts and encashed promissory notes	4,455	4,275	181
b. Unencashed promissory notes	1,018	1,047	(29)
c. Investment income earned on undisbursed balance	118	108	10
d. Reflows	40	36	4
2. Cumulative Cash Transfers	2,463	2,373	90
a. Projects	2,346	2,256	90
b. MPIS Costs	28	28	-
c. Administrative Budget	49	49	(0)
d. Debt service payments to Loan Contributors	40	39	0
3. Funds held in Trust (3 = 1 - 2)	3,168	3,093	75
a. Cash and Investments	2,150	2,046	
b. Unencashed promissory notes	1,018	1,047	
4. Restricted Funds	161	165	(4)
5. Funds held in Trust with no restrictions (5 = 3 - 4)	3,007	2,928	79
6. Trustee Commitments pending cash transfer	2,304	2,233	72
a. Projects and MPIS Costs	2,303	2,232	71
b. Administrative Budget	2	1	0

a/ Valued on the basis of exchange rates as of March 31, 2016

Note: Totals may not add up due to rounding

Highlights for the period January 1, 2016 through March 31, 2016:

- **Funds Held in Trust** represent cumulative receipts less cumulative cash transfers, and amount to USDeq. 3.17 billion as of March 31, 2016. Funds Held in Trust increased by USDeq. 75 million since January 1, 2016 primarily due to:
 - receipt of additional contributions and investment income earned during the period totaling USD 191 million; and
 - offset by cash transfers to MDBs and loan contributors of USDeq. 90 million during the period and decrease in the value of unencashed promissory notes by USD 29 million that arose from the current valuation of uncashed promissory notes.
- **Trustee Commitments Pending Cash Transfer** amount to USDeq. 2.30 billion, representing an increase of USDeq. 72 million since January 1, 2016.