CLIMATE INVESTMENT FUNDS

Joint CTF-SCF/TFC.18/6
December 7, 2017

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

Agenda 6

RISK REPORT OF THE CTF AND SCF

I. Highlights

1. Since the last TFC Meetings in June, the three-year Admin Expense Reserve reported at the SCF-level has been increased to five years and now reported under each of the SCF program-level Resource Availability calculations. This has increased the total reserve (net of estimated investment income) from USD 26.2 million at end-March 2017 to USD 53.1 million at end-September 2017. The inclusion of this reserve requirement in the program-level Resource Availability calculations has resulted in a severe negative impact (USD 41 million) on the FIP's Available Resources.

2. CTF's available resources increased substantially to USD 422 million from a deficit of USD 40 million in March due to the implementation of CTF's pipeline management and cancelation policy.

3. In May 2017, the UK encashed GBP 240 million of promissory notes it contributed to the CTF causing a significant decline in CTF's currency risk exposure.

4. In July 2017, the UK encashed GBP 64 million of promissory notes it contributed to the SREP causing a significant decline in SREP's currency risk exposure.

5. In June 2017, a payment default occurred relating to a private sector project involving less than USD 0.5 million of CTF funds.

6. Since the last TFC Meetings in June, the CIF AU has extended an offer of employment to the successful candidate for the Risk Analyst position, who has in turn accepted the offer.

7. This paper provides an update on assessments of the more significant risk exposures facing the CIF programs. Information as of June 30, 2017, was used to flag projects for Implementation Risk. Information pertaining to the other risks is as of September 30, 2017.

Definition of Risk: Any threat to the achievement of the corresponding CIF program's objectives.

8. This definition, along with the definition of the CIF program's objectives, establish the context for the ERM Framework.

9. Presently, the following represent the four most material risks to which the CIF's programs are exposed.

   i. Implementation Risk – CTF and SCF
   ii. Currency Risk via Promissory Notes – CTF and SCF
   iii. Resource Availability Risk – CTF and SCF
   iv. Credit Risk – CTF

10. The following section provides an update on these risk exposures.[1]

II. Assessment of Key Risk Exposures – CTF

i. Implementation Risk – the risk that, after a project becomes effective, it is not implemented in a timely manner

11. The CIF AU flags a project for implementation risk if the project meets at least one of the following two criteria.

    I. The project has been Effective for 36 months, but has disbursed < 20% of approved funds.
    II. The project is within 15 months of Closing (i.e. the date by which all CTF funds are to be disbursed), but has disbursed < 50% of approved funds.

12. The MDBs provide this information semi-annually, and the most recent information available is as of June 30, 2017.

13. Differences exist between the terminology which is used for public vs. private sector projects. This must be clarified before exposure to this risk can be reported for private sector projects. The CIF AU will endeavor to include this information in the risk dashboards on an aggregated basis going forward, however, based on the experience so far private sector projects tend to disburse funds on a more timely basis after they become effective.

14. Table 1 illustrates that, four projects (vs. three as of December 31, 2016) representing USD 500M (vs. USD 355M as of December 31, 2016) of approved funding have been flagged under the first criterion. Of these five projects, two had also been flagged as of December 31, 2016, (One Wind Energy Plan, and Eskom CSP). A third project (Distribution Efficiency Project in Vietnam) which had been flagged as of December 31, 2016, has increased disbursements substantially to over 40% of MDB approved funding and is no longer flagged for implementation risk.

15. The CTF's risk score for implementation risk is High.

[1] Severity, in the risk scoring process, is determined (where possible) based on the estimated impact of a risk as a percentage of the program's total pledges and contributions.
Severe represents an estimated potential impact > 5% of the program's total pledges and contributions.
Moderate represents an estimated potential impact 1% < 5% of total pledges and contributions.
Severe represents an estimated potential impact < 1% of total pledges and contributions.

Table 1. CTF Public Sector Projects which have been Effective for 36 months, but have Disbursed < 20% of Approved Funds

Project Title	Country	MDB	MDB approved funding	Cumulative disbursement (as of Jun 2017)	% disbursed	MDB approval date	Months since MDB approval	Effectiveness date	Months since Effectiveness
Strategic Public Transportation Systems (SETP) Program	Colombia	IDB	20.0	3.2	15.9%	Sep-11	70.0	Jan-14	41.2
One Wind Energy Plan	Morocco	AfDB	125.0	20.3	16.2%	Jun-12	61.0	Dec-12	54.4
Market Transformation through Introduction of Energy Efficient Electric Vehicles Project	Philippines	ADB	13.1	0.2	1.8%	Dec-12	55.0	Dec-13	43.0
Eskom Renewable Support Project - CSP	South Africa	AfDB	50.0	-	0.0%	May-11	74.0	Sep-11	69.2
		IBRD	200.0	-	0.0%	Oct-11	69.0	Jul-12	59.2

16. Strategic Public Transportation Systems (SETP) Program – Columbia: Delays in 2013 and 2014 were due to the national government's process for budget allocation to municipalities. Difficulties at the municipal level, including access to land, resettlements, lack of engineering blueprints, challenges associated with modifications to utility infrastructure, and changes in local administrations resulted in further delays. Execution began in 2015 and most of the CTF resources have been used in public space and infrastructure for non-motorized mobility such as pedestrian walks and the cycle route on 30th Street in Santa Marta. Disbursements are scheduled to reach 32.2% by the end of the year, with two disbursements planned for the municipalities of Pasto and Santa Marta.

17. One Wind Energy Program – Morocco: AfDB expects disbursements to increase strongly over the next six months, and in cooperation with the Borrower has agreed to extend the closing date by four years from December 31, 2017, to December 21, 2021.

18. The delays are primarily due to complexities with the procurement processes (e.g. PPP, a single lot, multi-donor context (AfDB, EIB, UE, KFW)). The time elapsed between the launch of the prequalification of the project and the provisional award took 53 months which was well beyond initial expectations. The delay in the start-up of the STEP in Abdelmoumen was also due to the fact that the first pre-qualification process of this project was cancelled, leading to a delay of nearly 48 months in the procurement process. The process is now at its final stage and AfDB expects the contract will now be signed before year end.

19. Market Transformation through Introduction of Energy Efficient Electric Vehicles Project – Philippines: Difficulty in securing firm demand under the original project design has led to low disbursements. The partial loan cancellation and subsequent revision of project implementation arrangements also contributed to the deviation from disbursement projections. ADB and the government are working together to proceed to distribute the e-trikes under the approved amended implementation approach to trigger initial disbursement before the end of 2017.

20. Eskom Renewable Energy Project CSP – South Africa: Following a finding that the bids for the original CSP proposal were non-responsive, Eskom developed an alternative proposal to replace the original CSP component that seeks to install battery storage capacity alongside new investments in renewable energy projects. The proposal combines investments in battery storage alongside the existing Sere Wind project, the upcoming distributed solar PV

to be implemented by Eskom and REIPPP projects by private developers that had stalled. The development objective of the project remains unchanged and the key result indicators remain in line with those originally proposed. The World Bank and AfDB are reviewing this proposal and intend to submit a revised joint proposal to the CTF TFC within the coming weeks. Following CTF TFC consideration, the World Bank will restructure the existing Eskom project(s).

21. Table 2 illustrates that four projects (vs. three as of December 31, 2016) representing USD 545M (vs. USD 475M as of December 31, 2016) of approved funding have been flagged under the second criterion. Of these five projects, three had also been flagged as of December 31, 2016, (Wind Power Development Project, One Wind Energy Plan, and Eskom CSP).

Table 2. CTF Public Sector Projects within 15 months of Closing, but which have disbursed < 50% of approved funds

Project Title	Country	MDB	MDB approved funding	Cumulative disbursement (as of Jun 2017)	% disbursed	MDB approval date	Months since MDB approval	Financial closure date	Months before Financial closure
Strategic Public Transportation Systems (SETP) Program	Colombia	IDB	20.00	3.18	15.9%	Sep-11	70.0	Jun-18	12
Wind Power Development Project	Egypt	IBRD	150.00	55.57	37.0%	Jun-10	85.0	Dec-17	6
One Wind Energy Plan	Morocco	AfDB	125.00	20.30	16.2%	Jun-12	61.0	Dec-17	3
Eskom Renewable Support Project - CSP	South Africa	AfDB	50.00	-	0.0%	May-11	74.0	Dec-18	15
		IBRD	200.00	-	0.0%	Oct-11	69.0	Dec-16	(6)

22. <u>Wind Power Development Project – Egypt:</u> The project team has submitted a request for the Regional Vice President's in-principle approval to extend the project closing date from December 31, 2017, to June 30, 2019, which, if approved, will cause this project to no longer be flagged for implementation risk.

23. The low disbursement stems from the delay in the use of project savings following the project restructuring in 2014. These issues have now been addressed. Disbursements are expected to pick-up during Q1 FY18.

ii. Currency Risk via Promissory Notes – the risk that fluctuations in currency exchange rates will cause the value of the foreign currency in which a promissory note is denominated to decline.

24. The primary source of currency risk exposure for the CTF remains the outstanding (unencashed) foreign currency denominated promissory notes. GBP-denominated promissory note contributions to the CTF total almost GBP 1.130 billion. Since March 31, 2017, the portion of these promissory notes which remain outstanding declined from GBP 757 million to GBP 517 million, due to a GBP 240 million encashment in May.

25. Since the June Risk Report (which presented exposure information as of March 31, 2017), the value of the GBP has fluctuated in value relative to the USD by up to 7.4% and has modestly increased in value by 4.1%.

26. Table 3 illustrates that it is very likely that the CTF will realize a moderate (relative to the size the program) decline in available resources due to the currency risk exposures via GBP-denominated promissory notes. Additionally, due to the encashment during this period, the realized gains/(decline) in the value of the promissory notes had declined from a gain of USD 24 million in March 2017, to a realized decline of USD 47 million (i.e. the encashed promissory notes had declined in value by USD 71 million by the time that they were encashed).

Table 3: CTF Currency Risk Exposure Summary

Currency Risk Exposure (Millions) as of September 30, 2017							
Program/ Subprogram	**Original Amount Pledged/ Received**	**Pledged Amount Outstanding/ Unencashed**	**Realized Currency Gain/ (Loss)**	**Unrealized Currency Gain/ (Loss)**	**Risk Likelihood**	**Risk Severity**	**Risk Score**
CTF	£1,130.00	£517.07	($47.27)	($100.48)	Very Likely	Moderate	**High**

iii. Resource Availability Risk – the risk that the Trustee will not have sufficient resources, under a respective CIF program, to commit to fund all projects in the program's pipeline.

27. From a risk management perspective, currency risk reserves and pledges which have not yet been received are treated as being unavailable for committing to fund projects because these two sources of funds may not be available if the corresponding currency declines substantially or the pledge is never received. Resource availability risk, if not addressed, may result in unmet recipient expectations, and damage to the CIF's reputation.

28. To mitigate this risk, the TFC, MDBs, and CIF AU have all consistently conveyed the message that resource allocations in CTF are not guaranteed during the initial project preparatory stages, until the project/program is approved by the TFC. Additionally, the TFC agreed to close the CTF's pipeline, and only projects which were submitted to the TFC by June 30, 2017 were considered for approval. This, coupled with several project cancellations, has resulted in resource availability increasing from a deficit of USD 40 million in March to a USD 422 million surplus.

Table 4 illustrates the CTF's available resources (see also Annex A).

Table 4: CTF Resource Availability Risk Summary

Available Resources as of September 30, 2017				
Program/ Subprogram	**Available Resources for Projects/Programs ($Million)***	**Risk Likelihood**	**Risk Severity**	**Risk Score**
CTF	$422.50	Very Unlikely	Minimal	Low

iv. Credit Risk – the risk that a CTF financing recipient will become unwilling or unable to satisfy the terms of an obligation to an MDB in its capacity as an originator and servicer of the CTF's outgoing financing.

29. Exposure to this risk could lead to insufficient available resources in the CTF for the Trustee to repay loan contributors. Additionally the viability and success of a project can be affected by a recipient's financial solvency.

30. The primary source of credit risk exposure for the CTF is incurred through the funds it commits for public sector (75% of the portfolio) and private sector (25% of the portfolio) loans. Credit risk exposure incurred through other instruments (e.g. guarantees) is minimal.

31. In June, an event of payment default involving less than USD 0.5M of CTF funds occurred relating to a private sector project. The MDB has provided this information in accordance with the requirements outlined in Paragraphs 38 and 39 of the *CTF Financing Products, Terms and Review Procedures for Private Sector Operations*, and, to the CIF AU's knowledge, the MDB has followed all requirements outlined in Paragraphs 38 and 39.

32. Please note that the project remains operational, and the MDB is closely supervising the project and actively engaged in finding a solution to a technical problem that caused the event. The MDB and other lenders to the project believe that the best course of action at this point is to support the path to long-term technical and financial viability of the project through resolving the technical issues. Therefore, no acceleration or enforcement of other rights are anticipated at this time.

Public Sector Exposure

33. All CTF public sector loans are extended directly to externally rated sovereigns, or to entities guaranteed by externally rated sovereigns. Presently the CTF is exposed to 11 sovereigns with ratings ranging from triple-C (Ukraine) to Single-A (Mexico). The CIF AU uses the five-year probability of default (PD)[2] and loss given default (LGD) associated with each rating

[2] As published in Moody's Annual Default Study: Corporate Default and Recovery Rates, 1920-2015.

category to estimate the expected loss rate[3] associated with the public sector loan portfolio (see Table 5).

Table 5: CTF Public Sector Loan Commitments Credit Risk Exposures by Country

Public Sector CTF Loan Portfolio - Credit Risk (September 30, 2017)							
			Credit Rating				Expected
Beneficiary Country	Loan Amount	S&P	Moody's	Fitch	DP	LGD	Loss Rate
Colombia	89,265,000	BBB(N)	Baa2	BBB	1.679%	55.6%	
Egypt, Arab Republic of	149,750,000	B-	B3	B	22.184%	61.6%	
India	714,000,000	BBB-	Baa3(P)	BBB-	1.679%	55.6%	
Indonesia	125,000,000	BBB-	Baa3(P)	BBB-(P)	1.679%	57.7%	
Mexico	401,014,000	BBB+	A3(N)	BBB+	1.679%	55.6%	
Morocco	633,950,000	BBB-	Ba1(P)	BBB-	8.812%	57.7%	
Philippines	57,201,690	BBB	Baa2	BBB-(P)	1.679%	55.6%	
South Africa	350,000,000	BB+(N)	Baa3(N)	BB+	8.812%	57.7%	
Turkey	150,000,000	BB(N)	Ba1(N)	BB+	8.812%	57.7%	
Ukraine	148,425,000	B-	Caa2(P)	B-	35.572%	61.0%	
Vietnam	177,900,000	BB-	B1(P)	BB-(P)	22.184%	61.6%	
Total Exposure	**2,996,505,690**						
Weighted Average			**BB**		**8.3%**	**57.4%**	**4.8%**

34. Since the last Risk Report as of March 31, 2017, the following rating actions were taken on CTF's public sector loan recipients' credit ratings.

   i. Columbia – Fitch removed the negative outlook on the BBB rating.
   ii. Indonesia – S&P removed the negative outlook on the BBB- rating.
   iii. Mexico – S&P removed the negative outlook on the BBB+ rating.
   iv. South Africa
      I. Moody's downgraded the rating from Baa2 to Baa3 with a negative outlook.
      II. S&P downgraded the rating from BBB- to BB+ with a negative outlook.
      III. Fitch downgraded the rating from BBB- to BB+.
   v. Turkey – Moody's placed a negative outlook on the Ba1 rating.
   vi. Ukraine – Moody's upgraded the rating from Caa3 to Caa2 with a positive outlook.
   vii. Vietnam
      I. Moody's placed a positive outlook on the B1 rating.
      II. Fitch placed a positive outlook on the BB- rating.

35. Additionally, since the last Risk Report as of March 31, 2017, the following commitment activity took place.

   I. A USD 14.5 million loan to Haiti was converted to a grant.

[3] Expected Loss Rate = PD x LGD.

II. A USD 30 million loan to India was cancelled, but another USD 28 million loan to India was committed.
III. A USD 50 million loan to Morocco was committed.

36. The weighted average credit rating of the public sector portfolio remains BB with an expected loss rate of 4.8%.

Private Sector Exposure

37. The remaining 25% of the CTF's loan commitments are to private sector entities for which publicly available information is much more limited. The CIF AU therefore uses the MDBs' internal risk assessments[4] of the transactions, which are provided in the form of either S&P-equivalent ratings or estimated PDs, to calculate a weighted average credit rating, PD, LGD and expected loss rate for the private sector portfolio (see Table 6).

Table 6: CTF Public and Private Sector Loan Commitments Credit Risk Exposure Summary

Loan Portfolio Credit Risk Exposure (as of September 30, 2017)									
Sector	Portfolio Risk Rating	Total Committed Loans (MM USD equivalent)	Estimated Probability of Default (PD)[6]	Estimated Loss Given Default (LGD)[1]	Expected Loss Rate[2]	Expected Losses (MM USD equivalent)[3]	Actual Losses and Provisions[4] (MM USD equivalent)	# of Defaulted or Impaired Loans	Actual Losses and Provisions vs. Total Committed Loans
Public	BB[5]	2,968.0	8.3%	57.4%	4.8%	142.5	0	0	0%
Private	B+[7,8]	1,018.0	19.5%	52.5%	10.2%	102.2	19.5	3	1.9%

1. LGDs are based on the Portfolio Risk Rating's mapping to the LGD associated with Moody's credit rating equivalent as published in Moody's Annual Default Study: Corporate Default and Recovery Rates, 1920-2015 (i.e. LGD = 1 - Average Sr. Unsecured Bond Recovery Rate from the period of 1982-2015)
2. Expected Loss Rate = PD x LGD, and does not take into account any correlations between the performance of loans within the portfolio
3. Expected Losses are in addition to Actual Losses
4. Includes portions of loans which have been written down
5. Derived based on the mapping of the portfolio's Estimated PD to the corresponding rating agency credit rating as published in *Moody's Annual Default Study: Corporate Default and Recovery Rates, 1920-2015*
6. Represents the weighted average PD (weighted by loan amount) associated with the external rating agency credit rating assigned to each recipient (in the case of split ratings, the PD associated with the lowest of Moody's and S&P ratings is used) as of September 30, 2017. 5-year Average Cumulative Issuer-Weighted Global Default Rates from the period of 1983-2015 as published in *Moody's Annual Default Study: Corporate Default and Recovery Rates, 1920-2015* are used.
7. Based on internal credit ratings or PDs assigned to their respective private sector CIF loans by reporting MDBs (EBRD, IDB and IFC), weighted by loan amount. The resulting credit rating for the combined portfolio of private sector CTF loans originated and serviced by these three MDBs is then applied to the entire portfolio of private sector CTF loans.
8. Methodologies used to calculate credit ratings and PDs may differ between MDBs, as well as between a given MDB and the external rating agencies.
9. Information pertaining to Committed Loans is obtained from the Trustee.

III. ASSESSMENT OF KEY RISK EXPOSURES – FIP

i. Implementation Risk – the risk that, after a project becomes effective, it is not implemented in a timely manner

38. Table 7 illustrates that, one project (vs. one as of December 31, 2016) representing USD 16.5M (vs. USD 11.5M as of December 31, 2016) of approved funding has been flagged under the first criterion. The project which had been previously flagged as of December 31st,

[4] Presently EBRD, IDB and IFC provide internal credit ratings or PDs assigned to their respective private sector CTF loans or loan portfolios. The resulting credit rating for the combined portfolio of private sector CTF loans originated and serviced by these three MDBs is then applied to the entire portfolio of private sector CTF loans.

(Gazetted Forests Participatory Management Project for REDD+ (PGFC/REDD+)) has increased disbursements above 20% and is therefore no longer flagged.

39. The FIP's risk score for implementation risk is Medium.

Table 7. FIP Public Sector Projects which have been Effective for 36 months, but have Disbursed < 20% of Approved Funds

Project Title	Country	MDB	MDB approved funding	Cumulative disbursement (as of Jun 2017)	% disbursed	MDB approval date	Months since MDB approval	Effectiveness date	Months since Effectiveness
Forest Information to Support Public and Private Sectors in Management Initiatives	Brazil	IDB	16.5	1.8	11.0%	Dec-13	42.6	Jun-14	36.7

40. Forest Information to Support Public and Private Sectors in Management Initiatives – Brazil: Although the project became effective in June 2014, execution did not begin until January 2016 due to bureaucratic delays. Since January 2017, execution has accelerated significantly, disbursements have increased from 0.7% to 11%, and an accelerated implementation plan has been agreed upon.

41. Table 8 illustrates that the same project (vs. two as of December 31, 2016) representing USD 16.5.5M (vs. USD 57M as of December 31, 2016) of approved funding has been flagged under the second criterion. Financing Low Carbon Strategies in Forest Landscapes – Mexico had been flagged as of December 31, 2016, but the financial closure date for the project was extended to January 2020 so it is no longer flagged for implementation risk. Forests and Climate Change Project - Mexico had also been flagged as of December 31, 2016, but disbursements have increased substantially to more than 70% of MDB approved funding so it is no longer flagged.

Table 8. FIP Public Sector Projects within 15 months of Closing, but which have disbursed < 50% of approved funds

Project Title	Country	MDB	MDB approved funding	Cumulative disbursement (as of Jun 2017)	% disbursed	MDB approval date	Months since MDB approval	Financial closure date	Months before Financial closure
Forest Information to Support Public and Private Sectors in Management Initiatives	Brazil	IDB	16.5	1.8	11.0%	Dec-13	42.6	Jun-18	11.6

ii. Currency Risk via Promissory Notes – the risk that fluctuations in currency exchange rates will cause the value of the foreign currency in which a promissory note is denominated to decline.

42. The primary source of currency risk exposure for the FIP remains the outstanding (unencashed) foreign currency denominated promissory notes. GBP-denominated promissory note contributions to the FIP total GBP 223 million. Since March 31, 2017, the portion of these promissory notes which remain outstanding was unchanged at GBP 180 million.

43. Since March 31, 2017, the value of the GBP has fluctuated in value relative to the USD by up to 7.4% and has modestly increased in value by 4.1%. This caused the unrealized decline in the value of the FIP's promissory notes to decrease to GBP 37 million from GBP 54 million in March (see Table 9). It remains very likely that the FIP will realize a severe (relative to the size the program) decline in available resources due to the currency risk exposures via GBP-denominated promissory notes.

Table 9: FIP Currency Risk Exposure Summary

Currency Risk Exposure (Millions) as of September 30, 2017							
Program/ Subprogram	Original Amount Pledged/ Received	Pledged Amount Outstanding/ Unencashed	Realized Currency Gain/ (Loss)	Unrealized Currency Gain/ (Loss)	Risk Likelihood	Risk Severity	Risk Score
FIP	£223.00	£179.60	$1.48	($37.26)	Very Likely	Severe	**High**

Resource Availability Risk – the risk that the Trustee will not have sufficient resources, under a respective CIF program, to commit to fund all projects in the program's pipeline.

44. From a risk management perspective, currency risk reserves and pledges which have not yet been received are treated as being unavailable for committing to fund projects because these two sources of funds may not be available if the corresponding currency declines substantially or the pledge is never received. Resource availability risk, if not addressed, may result in unmet recipient expectations, and damage to the CIF's reputation.

45. Following consultations among the CIFAU and the Trustee, two new line items have been added to the calculation of Available Resources.

IV. Admin Expense Reserve: At the CIF's inception, investment income was anticipated to exceed administrative expenses. However, due to a significant decline in interest rates, and declining trust fund balances as the SCF disburses funds for project implementation, investment income is expected to be materially insufficient to cover the administrative expenses, and this is expected to persist into the future.

The CIF AU and Trustee deem it prudent now to set aside the equivalent of a five-year administrative expenses reserve (net of forecasted investment income) to meet the need for resources for the operations of the CIF AU, MDBs and Trustee as they continue to ensure the implementation of the SCF programs into the future.

In accordance with the SCF Contribution Agreements, administrative expenses must be allocated to all SCF Programs on a pro rata basis based on the fund balance in each SCF Program. These expenses must be paid with grant resources. Given the existing funding situation in the SCF programs, by FY22 the FIP is expected to be the only program with a fund balance. Therefore the pro-rata allocation requirement is expected to impact the FIP disproportionately going forward, as it will be required to fund all SCF administrative expenses for as long as it remains the only program with an outstanding fund balance.

V. Country Programming Reserve: A new line item has been added to each program, to set aside amounts for Country Programming, both for the current FY18 and projected amounts for FY19-23. This has a much more modest impact on the FIP (USD 2.3 million) than the Admin Expense Reserve.

46. During the period, March 31 – September 30, 2017, FIP's available resources declined further from a deficit of USD 61 million to a deficit of USD 88 million primarily due to the inclusion of a 5-year Administrative Expense Reserve. The impact of this was somewhat offset by the appreciation of the GBP during the period.

47. Table 10 illustrates the FIP's available resources (see also Annex A).

Table 10: FIP Resource Availability Risk Summary

Available Resources as of September 30, 2017				
Program/ Subprogram	**Available Resources for Projects/Programs ($Million)***	**Risk Likelihood**	**Risk Severity**	**Risk Score**
FIP	($87.6)	Likely	Severe	**High**

*Available Resources for Projects/Programs represesent Unrestricted Fund Balance for Project/Program Commitments less Total Anticipated Commitments, as reflected in Annex A.

48. As of September 30, 2017, USD 37 million of the current shortfall in available resources can be attributed to unrealized declines in the value of the FIP's GBP-denominated promissory notes. An additional USD 36 million can be attributed to the reserves set aside to mitigate over-commitment risk which could result from further declines in the GBP. The shortfall could potentially affect the new pilot countries which were recently approved but which have not yet submitted investment proposals.

IV. ASSESSMENT OF KEY RISK EXPOSURES – PPCR

i. Implementation Risk – the risk that, after a project becomes effective, it is not implemented in a timely manner

49. Table 11 illustrates that, seven projects (vs. seven as of December 31, 2016) representing USD 116.5 million (vs. USD 95.0 million as of December 31, 2016) of approved funding have been flagged under the first criterion.[5] Of these seven projects, five had also been flagged as

[5] Although the project in Yemen was also flagged as of June 30th, because this project has since been cancelled, it has been removed.

of December 31st.[6] The Climate Information System and PPCR Program Coordination project in Yemen is no longer flagged as it has been cancelled, and Mainstreaming Climate Resilience into Development Planning - Cambodia has increased disbursements above 20% and is therefore no longer flagged.

50. The PPCR's risk score for implementation risk is High.

Table 11. PPCR Public Sector Projects which have been Effective for 36 months, but have Disbursed < 20% of Approved Funds

Project Title	Country	MDB	MDB approved funding	Cumulative disbursement (as of Jun 2017)	% disbursed	MDB approval date	Months since MDB approval	Effectiveness date	Months since Effectiveness
Enhancement of Flood and Drought Management in Pursat Province	Cambodia	ADB	9.8	1.7	17.8%	Dec-12	54.6	Jun-14	36.3
Climate Proofing of Agricultural Infrastructure and Business-focused Adaptation	Cambodia	ADB	9.5	1.3	13.5%	Jun-13	48.1	Nov-13	43.6
GMS Southern Economic Corridor Towns Development Project	Cambodia	ADB	9.4	0.7	7.7%	Dec-12	54.7	Apr-13	50.8
Climate Information Development and Forecasting Project (PDIPC)	Niger	AFDB	13.0	1.8	13.8%	Sep-12	57.0	Aug-13	47.0
Water Resources Mobilization and Development Project (PROMOVARE)	Niger	AFDB	22.0	4.3	19.7%	Sep-12	57.0	Aug-13	47.0
Enhancing Climate Resilience for West Coast Road Project	South Pacific-Samoa	IBRD	14.8	1.4	9.3%	Dec-12	54.4	Apr-13	50.2
Private Sector Support to Climate Resilience in Zambia	Zambia	AFDB	38.0	3.4	9.1%	Oct-13	44.4	Jun-14	37.0

51. Enhancement of Flood and Drought Management in Pursat Province - Cambodia: Reasons for delays include (i) delay in procurement of civil works, (ii) administrative, (iii) delay in preparation of detailed Resettlement Plans for the Barrage, Main Canal and the secondary and tertiary canals which affected the start of the construction of civil works. However, despite these delays, disbursements have now reached 41% of MDB approved funding so this project no longer poses an implementation risk.

52. ADB expects disbursements to increase further with the recruitment of the Financial Management Specialist to support the Central Project Management Unit (CPMU). Staff has been assigned for the CPMU and the two PIUs. Several rounds of meetings (last meeting on 6 September 2017) and a follow-up with the General Department of Resettlement (GDR)/IRC have been held. The revised Resettlement Plan 1 and detailed measurement survey data for Resettlement Plan 2 are expected to be approved by the end of 2017.

53. Climate Proofing of Agricultural Infrastructure and Business-focused Adaptation - Cambodia: Delays were mainly due to the adjustment on consulting services, and to complete preparatory activities. The Ministry of Economy and Finance, the EA of the project, had disagreements with the team leader of the consulting firm, NIRAS, which was recruited to

[6] Climate Proofing of Agricultural Infrastructure and Business-focused Adaptation - Cambodia,
GMS Southern Economic Corridor Towns Development Project - Cambodia,
Climate Information Development and Forecasting Project (PDIPC) - Niger,
Water Resources Mobilization and Development Project (PROMOVARE) - Niger, and
Enhancing Climate Resilience for West Coast Road Project - South Pacific-Samoa

assist implementation of the project. The Government suspended the contract for six months until the firm replaced the team leader, and requested adjustments in consulting inputs. The consulting service provides implementation support for policy development and assists in implementation of the program.

54. In January 2017, agreement was reached between NIRAS and the PMO to close the contract of NIRAS by May 2017 because consultancy arrangements under NIRAS were unsuitable for the program. The PMO decided to refocus on overall program management and coordination and recruited individual consultants to implement the project. The Government had to develop the TORs and budget estimates for each position, and submit them to ADB for review.

55. Additionally, very few EOIs were received for the implementation of the crop insurance component (for undertaking feasibility study and the design, establishment and pilot testing of the weather-index crop insurance, should it be found feasible). The Government, therefore, had to adjust the TORs to make the subproject more attractive in order to attract more EOIs.

56. Contracts for rehabilitating two irrigation subprojects and construction work, and for land leveling were awarded in Q2 2017. Advertisement of EOIs for the weather-index crop insurance component were completed, consultants were mobilized in Q3 2017, and an initial feasibility study of weather indexed crop insurance is to be completed by Q4 2017. With the completion of all project preparatory activities, the approved workplan for 2017 and procedures in place, the program is expected to be on track by the end of 2017.

57. GMS Southern Economic Corridor Towns Development Project - Cambodia: Delays in consultant recruitment and in finalizing detailed engineering designs have led to slower disbursements.

58. Project implementation is currently progressing well despite initial implementation delays. A contract with an estimated cost of USD 12 million is expected to be awarded in December 2017, and another contract with an estimated cost of USD 10 million is expected to be awarded in February 2018. These contracts are co-financed under the climate change loan/grant. Thus, ADB expects to have significant improvement in disbursements in Q1, 2018 after the award of these contracts.

59. Additionally, the closing date of loan/grant has been extended from June 2019 to June 2021, and the project will therefore not be flagged under the second criterion.

60. Climate Information Development and Forecasting Project (PDIPC) – Niger: The project has suffered several delays caused by the low capacity of the PIU, staff turnover, and low level of progress of the procurement plan. So far, 23 contracts were concluded, including nine works' contracts, eight for goods and six for services. However, the works' contracts have not yet begun to be implemented.

61. The budget performance of the project remains unsatisfactory and requires improvements. There is also need to strengthen the accounting supervision function. AfDB recommended the recruitment of an accounting supervisor to ensure supervision of both the PDIPC and PROMOVARE projects (see below). The internal control system of the project has significant weaknesses which has resulted so far in (i) exceeding contractual deadlines; (ii) long processing times for direct payment requests; (iii) limitations in monitoring the implementation of conventions and protocols signed with partners; and (iv) limited identification of project risks. In the last supervision mission, AfDB made several recommendations including to set up monitoring tools to: (a) monitor contracts with suppliers and service providers, (b) monitor protocols signed with partner structures; and (c) empower the Administrative and Financial Officer and the Monitoring and Evaluation Officer to ensure consistency in the implementation of operations by October 31, 2017.

62. It remains very likely that the project will not reach its expected objectives by the end of 2018, and that an extension will be necessary.

63. <u>Water Resources Mobilization and Development Project (PROMOVARE) – Niger</u>: The project experienced initial problems which obstructed its progress during the first two years, and its effective start date was June 2015. The delays are primarily due to a cumbersome approval processes and the low procurement and financial management capacity of the Project Implementation Unit (PIU). The work for the construction of the mini-dam started on March 8, 2017, and the execution rate is currently 44%. However, work was suspended for five months due to the rainy season and the unforeseen presence of limestone soil which will require additional studies and revision of the budget.

64. Progress has also been slow on the construction of 54 km of rural roads, due to the firm's obsolete machines. AfDB requested the PIU to ensure that the company has the appropriate equipment. The construction of the 10 cereal banks, 19 shops, and three warehouses also suffered delays due to difficulties in mobilizing the financial counterpart from the government side.

65. Project management staff turnover has been very high, which has been causing instability in the project implementation. For each of the sub-components, AfDB has prepared an action plan for accelerating the implementation of project activities. However, AfDB no longer believes that the project will reach its physical and financial objectives by the end of 2018 and will recommend a one-year extension to January 2020.

66. <u>Enhancing Climate Resilience for West Coast Road Project – South Pacific-Samoa:</u> Disbursements have now increased to almost 35%. The design is now largely complete, and the bidding documents are being finalized and expected to go out early December with an advance payment of 20% of the works expected to be made in April 2018. Once the construction starts, IBRD expects the disbursements to increase rapidly.

67. Given the project's current problem status, IBRD has been working with the Government to put together an Action Plan to address major capacity shortfalls within the Government. Most of these actions are now complete and a few of the ISR ratings (FM and procurement) have recently been upgraded as a result.

68. IBRD is also restructuring the project at the request of the Government, and this will include a 22-month extension of the closing date. IBRD believes this extension is absolutely necessary to give the project enough time for the works to be completed and enable the project to meet its PDO.

69. Private Sector Support to Climate Resilience in Zambia: The low disbursement rate of the project is due to the PIU's lack of knowledge of procurement procedures. Additionally, the project coordinator position has been vacant for two years and there have been significant delays in engaging district facilitators.

70. Also, the communities submitted poor quality proposals which required multiple rounds of reviews before approval was possible. The transitional process of the project implementation team from the Ministry of Finance to the Ministry of National Development Planning in line with the 2016 National Policy on Climate Change caused further delays. Activities at the district level were delayed due to elections as well as the rainy season.

71. AfDB expects the project activities to pick up with the approval of more than 260 Micro Projects and disbursement rate is expected to reach 26.3% by the end of 2017.

72. Table 12 illustrates that the three projects (vs. four as of December 31, 2016) representing USD 23 million (vs. USD 48 million as of December 31, 2016) of approved funding have been flagged under the second criterion. One of these projects (Building Capacity for Climate Resilience) had also been flagged as of December 31, 2016. The three other projects[7] which had been flagged as of December 31, 2016, are no longer flagged for this criterion.

Table 12. PPCR Public Sector Projects within 15 months of Closing, but which have disbursed < 50% of approved funds

Project Title	Country	MDB	MDB approved funding	Cumulative disbursement (as of Jun 2017)	% disbursed	MDB approval date	Months since MDB approval	Financial closure date	Months before Financial closure
Building Capacity for Climate Resilience	Tajikistan	ADB	6.0	2.5	41.5%	Jun-12	60.9	May-17	(1.6)
Environmental Land Management and Rural Livelihoods - AF	Tajikistan	IBRD	2.0	0.2	10.0%	Jun-15	24.0	May-18	10.0
Enhancing Climate Resilience for West Coast Road Project	South Pacific-Samoa	IBRD	14.8	1.4	9.3%	Dec-12	54.4	Aug-18	14.0

[7] Climate Proofing of Agricultural Infrastructure and Business-focused Adaptation (Cambodia) is no longer flagged because the financial closure date has been extended to March 2020.
Provincial Roads Improvement Project - Climate Proofing of Roads in Prey Veng, Svay Rieng, Kampong Chhnang and Kampong Speu Provinces (Cambodia) is no longer flagged because the financial closure date has been extended to December 2018.
Roads & Bridges Management and Maintenance Project - APL2 (Mozambique) is no longer flagged because disbursements increased significantly from 6% to almost 60% of MDB approved funding.

73. Building Capacity for Climate Resilience (Tajikistan): Early progress was delayed by frequent turnover of the consultant team leader.

74. Environmental Land Management and Rural Livelihoods – AF (Tajikistan): A detailed work plan on remaining and new project activities was agreed with the Implementation Group to ensure timely completion and full disbursement within the project closing date. Project savings of approximately USD 0.49 million from the three components under the original project will be used to support additional investments.

ii. Currency Risk via Promissory Notes – the risk that fluctuations in currency exchange rates will cause the value of the foreign currency in which a promissory note is denominated to decline.

75. The PPCR's exposure to currency risk is minimal as almost all promissory notes have been encashed.

Table 13: PPCR Currency Risk Exposure Summary

Currency Risk Exposure (Millions) as of September 30, 2017							
Program/ Subprogram	Original Amount Pledged/ Received	Pledged Amount Outstanding/ Unencashed	Realized Currency Gain/ (Loss)	Unrealized Currency Gain/ (Loss)	Risk Likelihood	Risk Severity	Risk Score
PPCR	£361.00	£9.78	($50.10)	($2.20)	Very Likely	Minimal	Low

Resource Availability Risk – the risk that the Trustee will not have sufficient resources, under a respective CIF program, to commit to fund all projects in the program's pipeline.

76. During the period, March 31 – September 30, 2017, PPCR's available resources increased from a deficit of USD 4 million to a positive balance of USD 12 million primarily due to the cancellation of a project in Yemen. Table 14 illustrates the PPCR's available resources (see also Annex A).

Table 14: PPCR Resource Availability Risk Summary

Available Resources as of September 30, 2017				
Program/ Subprogram	Available Resources for Projects/Programs ($Million)*	Risk Likelihood	Risk Severity	Risk Score
PPCR	$11.8	Very Unlikely	Minimal	Low

*Available Resources for Projects/Programs represesent Unrestricted Fund Balance for Project/Program Commitments less Total Anticipated Commitments, as reflected in Annex A.

V. Assessment of Key Risk Exposures – SREP

i. Implementation Risk – the risk that, after a project becomes effective, it is not implemented in a timely manner

77. Table 15 illustrates that, one project (vs. none as of December 31, 2016) representing USD 15M of approved funding has been flagged under the first criterion.

78. The SREP's risk score for implementation risk is Medium.

Table 15. SREP Public Sector Projects which have been Effective for 36 months, but have Disbursed < 20% of Approved Funds

Project Title	Country	MDB	MDB approved funding	Cumulative disbursement (as of Jun 2017)	% disbursed	MDB approval date	Months since MDB approval	Effectiveness date	Months since Effectiveness
Rural Electrification Hybrid Systems	Mali	IBRD	15.4	0.8	5.6%	Dec-13	42.6	Jun-14	36.4

79. Rural Electrification Hybrid Systems: The SREP funding is linked to the financing of equipment and infrastructure for the mini-grids, whose construction phase is subject to the completion of preliminary activities, which have experienced significant delays: (i) it took over a year to complete the feasibility and the detailed engineering studies of the sub-projects, as they were not conducted during the project preparation phase, (ii) the implementation unit on the government side did not have adequate capacity to manage such complex bidding processes and thus, there were a number of issues related to project management and adherence to procurement policies which had to be addressed. For all these reasons the tendering process took significantly longer than expected.

80. The contracts have now been awarded, but disbursement of the SREP funds will remain low over the next months as preliminary activities such as the implementation of the Resettlement Action Plan and the preparation of the Environmental and Social Management Plan must be completed by the contractors. After June 2018, disbursements are expected to rapidly increase as construction activities will be well underway.

81. SREP does not have any projects with material funding which have been flagged under the second criterion.

ii. Currency Risk via Promissory Notes – the risk that fluctuations in currency exchange rates will cause the value of the foreign currency in which a promissory note is denominated to decline.

82. The primary source of currency risk exposure for the SREP remains the outstanding (unencashed) foreign currency denominated promissory notes. GBP-denominated promissory note contributions to the SREP total almost GBP 268 million. Since March 31, 2017, the portion of these promissory notes which remain outstanding declined from GBP 241 million to GBP 177 million, due to a GBP 64 million encashment in July.

83. Since March 31, 2017, the value of the GBP has fluctuated in value relative to the USD by up to 7.4% and has modestly increased in value by 4.1%.

84. Table 16 illustrates that it is very likely that the SREP will realize a severe (relative to the size the program) decline in available resources due to their currency risk exposures via GBP-denominated promissory notes.

85. Additionally, due to the encashment during this period, the realized gains/(decline) in the value of the promissory notes had declined from a USD 1 million gain in March 2017, to a realized decline of USD 15 million.

Table 16: SREP Currency Risk Exposure Summary

Currency Risk Exposure (Millions) as of September 30, 2017							
Program/ Subprogram	Original Amount Pledged/ Received	Pledged Amount Outstanding/ Unencashed	Realized Currency Gain/ (Loss)	Unrealized Currency Gain/ (Loss)	Risk Likelihood	Risk Severity	Risk Score
SREP	£268.00	£177.30	($15.29)	($40.42)	Very Likely	Severe	**High**

Resource Availability Risk – the risk that the Trustee will not have sufficient resources, under a respective CIF program, to commit to fund all projects in the program's pipeline.

86. During the period, March 31 – September 30, 2017, SREP's available resources increased from a deficit of USD 140 million to a deficit of USD 81 million. Table 17 illustrates the SREP's available resources (see also Annex A). However, due to the SREP's now sealed pipeline, it is very unlikely that the program will have insufficient resources to fund all projects in the sealed pipeline.

Table 17: SREP Resource Availability Risk Summary

Available Resources as of September 30, 2017				
Program/ Subprogram	Available Resources for Projects/Programs ($Million)*	Risk Likelihood	Risk Severity	Risk Score
SREP**	($81.4)	Very Unlikely	Minimal	Low

*Available Resources for Projects/Programs represesent Unrestricted Fund Balance for Project/Program Commitments less Total Anticipated Commitments, as reflected in Annex A.

**SREP's resource availability is based on both the sealed and reserve pipelines.

87. To mitigate this risk, the TFC, MDBs, and CIF AU have all consistently conveyed the message that resource allocations in SREP are not guaranteed during the initial project preparatory stages, until the project/program is approved by the TFC. Additionally, the SREP has now adopted a sealed pipeline approach and this has reduced the size of the pipeline.

88. As of September 30, 2017, USD 56 million of the current shortfall in available resources can be attributed to realized and unrealized declines in the value of the SREP's GBP-denominated promissory notes. An additional USD 36 million can be attributed to the reserves set aside to mitigate over-commitment risk which could result from further declines in the GBP.

VI. NEXT STEPS

89. As the CIF AU continues to implement the CIF's ERM Framework, the CIF AU will endeavor to undertake the following actions and initiatives.

I. Circulate a paper for TFC approval, proposing risk tolerance levels for each risk which is identified, assessed, monitored and reported via the risk dashboards.
II. Work with the MDBs to clarify terminology for the private sector equivalent of Effective Date and Financial Closing Date, and explore whether the CIF AU may gather these data points and aggregate private sector projects' exposure to implementation risk.
III. Implement the following updates to the CTF Dashboard's credit risk exposure assessments.

viii. Recalibrate the probabilities of default and loss given default associated with each credit rating based on Moody's Annual Default Study: Corporate Default and Recovery Rates, 1920-2016
ix. Update the weighted average PD, LGD and Expected Loss Rate calculations to reflect PDs and LGDs associated with each individual rating notch (e.g. BB+, BB, BB-, etc.) rather than those associated with each letter rating classification (BB- to BB+, B- to B+)

IV. Assess, monitor and report interest risk exposures (on the risk dashboards) incurred through private sector lending activities (all public sector loans are fixed rate loans).

ANNEX A – RESOURCE AVAILABILITY

CTF TRUST FUND - RESOURCES AVAILABLE for COMMITMENTS *Inception through September 30, 2017* *(USDeq. 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		**(1.59)**
Currency Risk Reserves	d/	**(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**
Potential Future Resources (FY18-FY21)		
Contributions not yet paid		-
Pledges		-
Release of Currency Risk Reserves	d/	103.79
Total Potential Future Resources (H)		**103.79**
Potential Available Resources for Projects/Programs (G+H)		**526.29**

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/ 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.

FIP TRUST FUND - RESOURCES AVAILABLE for COMMITMENTS *Inception through September 30, 2017* *(USD millions)*		**Total**	**Capital**	**Grant**
Cumulative Funding Received				
Contributions Received				
Cash Contributions		501.1	80.7	420.4
Unencashed promissory notes	b/	240.4	174.8	65.6
Total Contributions Received		741.5	255.5	486.0
Other Resources				
Investment Income earned -up to Feb 1, 2016	c/	14.5		14.5
Reflows from MDBs		0.2	0.2	
Total Other Resources		14.7	0.2	14.5
Total Cumulative Funding Received (A)		**756.2**	**255.6**	**500.6**
Cumulative Funding Commitments				
Projects/Programs		438.7	108.8	329.9
MDB Project Implementation and Supervision services (MPIS) Costs		25.0	-	25.0
Administrative Expenses-Cumulative to 1st Feb 2016	c/	25.5	-	25.5
Total Cumulative Funding Commitments		489.2	108.8	380.4
Project/Program,MPIS and Admin Budget Cancellations	d/	(16.2)	(15.0)	(1.2)
Net Cumulative Funding Commitments (B)		**473.0**	**93.8**	**379.2**
Fund Balance (A - B)		**283.2**	**161.8**	**121.4**
Currency Risk Reserves	e/	**(36.1)**	**(26.2)**	**(9.8)**
Unrestricted Fund Balance (C)		**247.1**	**135.6**	**111.5**
Future Programming Reserves:				
Proposed FY18 Country Programming Budget		(0.6)		(0.6)
Projected Country Programming Budget reserve FY19-23	f/	(1.7)		(1.7)
Admin Expenses-Reserve for FY 19-23 (net of estimated investment inco	g/	(40.8)		(40.8)
Unrestricted Fund Balance (C) after reserves		**204.1**	**135.6**	**68.5**
Anticipated Commitments (FY18-FY21)				
Program/Project Funding and MPIS Costs		291.7	156.8	134.9
Total Anticipated Commitments (D)		**291.7**	**156.8**	**134.9**
Available Resources (C - D)		**(87.6)**	**(21.2)**	**(66.4)**
Potential Future Resources (FY18-FY21)				
Pledges	a/	0.3		0.3
Release of Currency Risk Reserves	e/	36.1	26.2	9.8
Total Potential Future Resources (E)		**36.4**	**26.2**	**10.2**
Potential Available Resources (C - D + E)		**(51.2)**	**5.0**	**(56.2)**

a/ The balance of the pledge amount from the U.S

b/ This amount represents USD equivalent of GBP 179.6 million.

c/ From Feb 1, 2016, Investment income across all SCF programs has been posted to a notional Admin "account", from which approved Administrative Budget expenses for the Trustee, Secretariat and MDBs are committed. In accordance with the terms of the Contribution Agreements, if amounts in the notional Admin account are not sufficient to cover Administrative Budgets, the shortfall is pro-rated across programs, based on fund balances. The Country Programming budgets are recorded under individual programs.

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

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/ Effective from the September 2017 reporting period, the Trustee has added a reserve to provide for country programming budget for five years. The amount of this reserve is estimated by the CIFAU.

g/ Effective from the September 2017 reporting period, the Trustee has added a reserve to cover Admin Expenses as Admin expenses are expected to exceed investment income significantly going forward. The amount of this reserve is estimated by the CIFAU and Trustee using the 5-year forecast of the Admin Budget less the 5-year estimate of Investment Income. Pro-rata estimates across three SCF programs are based on projected fund balances, per the terms of the Contribution Agreements.

PPCR TRUST FUND - RESOURCES AVAILABLE for COMMITMENTS *Inception through September 30, 2017* *(USD millions)*		Total	Capital	Grant
Cumulative Funding Received				
Contributions Received				
Cash Contributions		1,126.0	393.9	732.1
Unencashed promissory notes	a/	13.1	13.1	-
Total Contributions Received		1,139.1	407.0	732.1
Other Resources				
Investment Income earned -up to Feb 1, 2016	b/	18.8	-	18.8
Reflows from MDBs		0.2	0.2	
Total Other Resources		19.0	0.2	18.8
Total Cumulative Funding Received (A)		**1,158.1**	**407.1**	**751.0**
Cumulative Funding Commitments				
Projects/Programs		1,041.2	379.7	661.6
MDB Project Implementation and Supervision services (MPIS) Costs		36.5	-	36.5
Administrative Expenses-Cumulative to 1st Feb 2016	b/	68.5	-	68.5
Total Cumulative Funding Commitments		1,146.2	379.7	3.0
Project/Program Cancellations	c/	(36.3)	(6.6)	(29.7)
Net Cumulative Funding Commitments (B)		**1,109.9**	**373.1**	**736.8**
Fund Balance (A - B)		**48.2**	**34.1**	**14.2**
Currency Risk Reserves	d/	**(2.0)**	**(2.0)**	-
Unrestricted Fund Balance (C)		**46.3**	**32.1**	**14.2**
Future Programming Reserves:				
Proposed FY18 Country Programming Budget		(0.5)		(0.5)
Projected Country Programming Budget reserve FY19-23	e/	(2.0)		(2.0)
Admin Expenses-Reserve for FY 19-23 (net of estimated investment income)	f/	(2.4)		(2.4)
Unrestricted Fund Balance (C) after reserves		**41.3**	**32.1**	**9.2**
Anticipated Commitments (FY18-FY21)				
Program/Project Funding and MPIS Costs		29.5	23.1	6.4
Total Anticipated Commitments (D)		**29.5**	**23.1**	**6.4**
Available Resources (C-D)		**11.8**	**9.0**	**2.8**
Potential Future Funding (FY18-FY21)				
Pledges		-		
Contributions not yet paid (Receivable from UK)	g/	16.1		16.1
Release of Currency Risk Reserves	d/	2.0	2.0	
Total Potential Future Resources (E)		**18.0**	**2.0**	**16.1**
Potential Available Resources (C - D + E)		**29.8**	**11.0**	**18.8**

a/ This amount represents USD equivalent of GBP 9.8 million.

b/ From Feb 1, 2016, Investment income across all SCF programs has been posted to a notional Admin "account", from which approved Administrative Budget expenses for the Trustee, Secretariat and MDBs are committed. In accordance with the terms of the Contribution Agreements, if amounts in the notional Admin account are not sufficient to cover Administrative Budgets, the shortfall is pro-rated across programs, based on fund balances. The Country Programming budgets are recorded under individual programs.

c/ This refers to cancellation of program and project commitments approved by the committee.Also includes any commitment cancellations to adjust changes to the previous approvals.

d/ 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.

e/ Effective from the September 2017 reporting period, the Trustee has added a reserve to provide for country programming budget for five years. The amount of this reserve is estimated by the CIFAU.

f/ Effective from the September 2017 reporting period, the Trustee has added a reserve to cover Admin Expenses as Admin expenses are expected to exceed investment income significantly going forward.The amount of this reserve is estimated by the CIFAU and Trustee using the 5-year forecast of the Admin Budget less the 5-year estimate of Investment Income. Pro-rata estimates across three SCF programs are based on projected fund balances, per the terms of the Contribution Agreements.

g/ This amount represents USD equivalent of GBP 12 million.

SREP TRUST FUND - RESOURCES AVAILABLE for COMMITMENTS *Inception through September 30, 2017* *(USD millions)*		Total	Capital	Grant
Cumulative Funding Received				
Contributions Received				
Cash Contributions		513.2	41.9	471.3
Unencashed Promissory Notes	a/	237.3	237.3	-
Total Contributions Received		750.5	279.1	471.3
Other Resources				
Investment Income earned -up to Feb 1, 2016	b/	9.9		9.9
Other Income		-		
Total Other Resources		9.9		9.9
Total Cumulative Funding Received (A)		**760.4**	**279.1**	**481.2**
Cumulative Funding Commitments				
Projects/Programs		543.5	151.8	391.7
MDB Project Implementation and Supervision services (MPIS) Costs		19.1	-	19.1
Administrative Expenses-Cumulative to 1st Feb 2016	b/	14.2	-	14.2
Total Cumulative Funding Commitments		576.9	151.8	425.1
Project/Program, MPIS and Admin Budget Cancellations	c/	(41.2)	(30.5)	(10.7)
Net Cumulative Funding Commitments (B)		**535.7**	**121.3**	**414.4**
Fund Balance (A - B)		**224.6**	**157.8**	**66.8**
Currency Risk Reserves	d/	**(35.6)**	**(35.6)**	
Unrestricted Fund Balance		**189.1**	**122.2**	**66.8**
Future Programming Reserves:				
Proposed FY18 Country Programming Budget		(1.5)		(1.5)
Projected Country Programming Budget reserve FY19-23	e/	(1.4)		(1.4)
Admin Expenses-Reserve for FY 19-23 (net of estimated investment income)	f/	(9.9)		(9.9)
Unrestricted Fund Balance (C) after reserves		**176.3**	**122.2**	**54.1**
Anticipated Commitments (FY18-FY21)				
Program/Project Funding and MPIS Costs	g/	257.7	145.6	112.1
Total Anticipated Commitments (D)		**257.7**	**145.6**	**112.1**
Available Resources (C - D)		**(81.4)**	**(23.4)**	**(58.0)**
Potential Future Resources (FY18-FY21)				
Release of Currency Risk Reserves	d/	35.6	35.6	
Total Potential Future Resources (D)		**35.6**	**35.6**	
Potential Available Resources (C - D + E)		**(45.8)**	**12.2**	**(58.0)**

a/ This amount includes USD equivalent of GBP 177.3 million from the UK.

b/ From Feb 1, 2016, Investment income across all SCF programs has been posted to a notional Admin "account", from which approved Administrative Budget expenses for the Trustee, Secretariat and MDBs are committed. In accordance with the terms of the Contribution Agreements, if amounts in the notional Admin account are not sufficient to cover Administrative Budgets, the shortfall is pro-rated across programs, based on fund balances. The Country Programming budgets are recorded under individual programs.

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

d/ 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.

e/ Effective from the September 2017 reporting period, the Trustee has added a reserve to provide for country programming budget for five years. The amount of this reserve is estimated by the CIFAU.

f/ Effective from the September 2017 reporting period, the Trustee has added a reserve to cover Admin Expenses as Admin expenses are expected to exceed investment income significantly going forward. The amount of this reserve is estimated by the CIFAU and Trustee using the 5-year forecast of the Admin Budget less the 5-year estimate of Investment Income. Pro-rata estimates across three SCF programs are based on projected fund balances, per the terms of the Contribution Agreements.

g/ Includes both sealed and Reserve pipeline