CLIMATE INVESTMENT FUNDS

Meeting of the CTF Trust Fund Committee

Washington D.C. (Hybrid)

Thursday, June 23, 2022

CTF RISK REPORT

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PROPOSED DECISION

The CTF Trust Fund Committee reviewed the document, CTF/TFC.28/5, *CTF Risk Report*, and welcomes the progress that has been made in advancing the work of CTF.

The Trust Fund Committee requests the CIF Administrative Unit to continue to identify, assess, monitor and report the key risk exposures to the program.

Contents

1 Introduction

1. As anticipated during the last TFC meetings in January, on February 24th Russia launched a massive-scale invasion which has devastated Ukraine and will lead to widespread implementation disruptions and defaults on CTF loans.
2. As vaccination rates climb, various countries are easing the mitigating measures which have been disrupting project implementation in CIF's recipient countries, however, vaccination rates in CIF recipient countries remain extremely uneven, and pandemic-related implementation challenges persist.

1.1 Ukraine Military Conflict

3. The CIF Administrative Unit now conservatively estimates that defaults will occur on all disbursed amounts for these projects due to the nature of the current military conflict in the nation (See Credit Risk section).
4. Despite some encouraging developments in the past couple of months – Ukraine being able to repeal the attack on the capital and push the invading troops from temporarily occupied areas in the North and Northeast of the country – the situation on the ground remains fluid and volatile, with no resolution in sight. Large parts of the country in the East and Southeast remain under Russian occupation, and many areas experience intense military action. Communication with a number of sub-projects has been extremely difficult. MDBs and some funding recipients have relocated staff out of Ukraine resulting in challenges in accessing timely data on the status of projects as many project funding recipients are slow to respond, or could not be reached at all. Project-level impacts of the war which we have been able to identify at this point are as follows.
5. **USELF -** The ongoing war has impacted the Ukrainian RE sector in a number of ways. Settlements with renewable energy producers still remain a big issue, with payment arrears continuing to build up. Although the accumulated debt to renewables for 2020-2021 has been mostly repaid (with the remaining 10 percent arrears for 2021) after Ukrenergo issued a sustainability linked bond by in November 2021, a new wave of arrears is accumulating. According to the latest Resolution of the Ministry of Energy, during the martial law the level of payments for produced electricity by renewables will be maintained at 15 percent of the feed-in-tariff for solar plants and 16 percent for wind farms. Such level of payments by the Guaranteed Buyer will barely suffice to cover the operating expenses of renewable energy producers.
6. One sub-project is located in Donetsk region, Volnovakha city, which is close to some of the most intense fighting. Most of the staff were evacuated to safer locations in the country during the first days of the war. The biogas plant is not operational at the moment and there is no clarity if it still exists. Reports indicate that Volnovakha city is completely destroyed.
7. **Ukraine District Heating/Green Cities -** All district heating sub-projects are located in western and central Ukraine. These cities have seen air/missile strikes but there has been no other military action or serious damage to recipients' assets so far. Some staff of the DH companies joined the Army and territorial defense, while some left Ukraine. However, all the DH clients

and the corresponding City authorities confirmed that they have sufficient personnel to run the DH facilities.

- Zhytomyr District Heating: one of the several large boiler houses in Zhytomyr was damaged by a shock wave from a nearby missile explosion, but the harm is not significant. Zhytomyr DH Company is replacing windows and repairing the boiler house building.

- Public energy efficiency sub-projects are located in central Ukraine in areas under control of Ukraine with limited or no fighting to date. There has been no serious damage to these recipients' assets so far, but the project implementation activities were stopped due to the ongoing war.

- Trolleybus sub-projects: two of the cities with these were greatly affected by the ongoing war. **Mariupol** has been under siege for three months, and most of the buildings in the city are either destroyed or heavily damaged. The UPTF Mariupol Trolleybus sub-project has experienced a payment default. The damaged mobile network in the city is making communication very difficult and there is no adequate information regarding the extent of damage to the borrower's assets. Reports indicate the city infrastructure is severely damaged due to the regular bombing. The city remains under Russian occupation, and it's currently difficult or impossible to forecast how the situation will develop.

- **Kharkiv** (second-largest Ukrainian city, very close to the border with Russia) has also incurred a great deal of damage and destruction, although in mid-May, a Ukrainian counteroffensive was able to push the invading troops away from the city, putting it outside of direct artillery range and generally stabilizing the situation in and around the city.

8. **Ukraine Agri Waste -** The majority of recipients' assets are safe, and facilities are operational, but there are issues with personnel, fuel, and equipment, among other things. There are various issues impacting overall operations due to disrupted supply chains and blocked ports.

1.2 Update on the Impacts of the COVID-19 Pandemic

9. Disparities in vaccination rates amongst recipient countries persist with many countries in Africa, and Small Island Developing States, achieving lower vaccination rates than in other areas of the world (see Table 1).

Table 1: Recipient country vaccination rates[1]

Americas			
North America Country	Persons fully vaccinated per 100 population*	South America Country	Persons fully vaccinated per 100 population*
Honduras	49.5	Brazil	74.7
Mexico	62.0	Chile	91.3
Nicaragua	70.5	Colombia	69.6
		Ecuador	78.8
		Peru	81.4

Africa		Asia	
Country	Persons fully vaccinated per 100 population*	Country	Persons fully vaccinated per 100 population*
Burkina Faso	7.4	Bangladesh	70.7
Ethiopia	18.5	Cambodia	85.0
Kenya	15.5	Egypt	33.7
Malawi	4.8	India	62.6
Mali	5.3	Indonesia	60.5
Morocco	63.4	Jordan	44.0
Nigeria	7.7	Philippines	62.5
South Africa	30.2	Thailand	73.4
Tanzania	5.8	Vietnam	79.2
Uganda	23.1		

SIDS		Europe	
Country	Persons fully vaccinated per 100 population*	Country	Persons fully vaccinated per 100 population*
Dominica	41.9	Ukraine	34.7
Haiti	1.1	Kazakhstan	53.8
Maldives	71.0	Turkey	63.8
Saint Lucia	29.1		

10. For this reason, all CIF programs continue to face heightened implementation challenges and we continue to see formal project and program restructuring requests, delays, extensions, cancellations and reprioritizing of co-financing sources away from CIF projects, citing complications resulting from the pandemic (e.g. supply chain disruptions, quarantine requirements, mobility restrictions, etc.). We expect these challenges to subside gradually in countries with robust vaccination rates.

[1] Figures in red font represent countries with vaccination rates (two shots) < 40%.

1.3 Risk Exposure Summary

11. Data as of December 31, 2021, was used to flag projects for implementation risk and compare them with projects flagged in the previous CTF Risk Report (which used data as of June 30, 2021 for implementation risk). Certain projects use more updated information, as indicated in the report. Data as of March 31, 2022 was used to assess other risks and compare them with risk assessments in the previous CTF Risk Report (which used data as of September 30, 2021 for those risk assessments).

12. The following matrix summarizes CTF's key risk exposures.

Summary Risk Matrix - CTF			
Risk	**Likelihood**	**Severity**	**Risk Score**
Implementation Risk	Likely	Severe	High
Currency Risk	Possible	Minimal	Low
Credit Risk	Likely	Moderate	High
Resource Availability Risk	Possible	Moderate	Medium

13. Implementation risk for CTF and remains **High**. As of December, 2021, 13 out of 150 projects representing USD 589 million (10 percent) of program funding have been flagged for this risk. The program's implementation risk score has been **High** for the past eight reporting cycles. The pandemic has affected six of the projects which are flagged for this risk.

14. During the reporting period the UK contributed GBP 47 million promissory notes, and the GBP depreciated by 2.4 percent against the USD resulting in an unrealized gain of USD 1 million associated with these notes vs. an unrealized gain of USD 8 million as of the last reporting period. The program's exposure to this risk remains **Low**. It should be noted, however, that as more such promissory notes are received, if these notes remain unencashed for a prolonged period, they will be exposed to greater fluctuations in value. The program's currency risk score has been **Low** for the past four reporting cycles but had been **High** for the preceding four reporting cycles.

15. Credit risk exposure for CTF remains **High** and expected losses for CTF's loan portfolio increased largely due to the update to assumptions for projects currently under implementation in Ukraine where we are now conservatively estimating that defaults will occur on all disbursed amounts for these projects due to the nature of the current military conflict in the nation. An additional EUR 2.7 million loan in Ukraine defaulted during the period, and as of March 31, 2022, five loans were reported to be experiencing payment defaults (thee representing EUR 11 million and two representing USD 14 million). Additionally, a EUR 16 million defaulted loan was sold in 2019. Two additional loans, although not yet experiencing payment defaults, are experiencing significant challenges and are highly likely to experience payment defaults imminently. The program's credit risk score has been **High** for the last six reporting cycles.

16. Resource availability risk remains **Medium**. As of March 31, 2022, CTF's deficit in available resources had decreased to USD 132 million from USD 265 million as reported during the last reporting cycle largely due to additional contributions received from Germany and the UK.

2 Assessment of key risk exposures[2]

17. For CTF, the definition of risk is any threat to the achievement of CTF's objectives. This definition, along with the definition of CTF's objectives, establishes the context for appraising CTF's risk exposures.

2.1 Implementation risk

18. Implementation risk is the risk that a project, once effective, is not implemented in a timely manner. The CIF Administrative Unit now flags a project for implementation risk if the project meets at least one of the following three criteria.

    I. The project has been effective for 36 months but has disbursed less than 20 percent of program funds.

    II. The project is within 15 months of the anticipated date of final disbursement but has disbursed less than 50 percent of program funds.

    III. The anticipated date of final disbursement for the project has been extended, and less than 50 percent of program funds have been disbursed.

19. The CIF Administrative Unit expects the pandemic to continue to impact project implementation. Some projects already flagged for implementation risk are experiencing further delays due to the pandemic. Specific pandemic-related causes include lock downs, mandated quarantines, social distancing measures, travel restrictions (domestic and international), and project restructurings, delays, extensions, cancellations and reprioritizing of co-financing sources away from CIF projects.

20. The MDBs provide this information semi-annually, and the most recent information available is as of December 31, 2021. It is compared with projects flagged in the previous CTF Risk Report (which used data as of June 30, 2021).

21. CTF's risk score for implementation risk is **High** as 13 out of 150 projects representing USD 589 million of program funding have been flagged for this risk. MDBs cited the pandemic as a contributing factor to the implementation challenges faced with following six CTF projects.

    i. **Cebu Bus Rapid Transit Project – Philippines**

    ii. **Ha Noi Sustainable Urban Transport Program - Project 2: Strengthening**

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[2] 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.
- Minimal represents an estimated potential impact < 1% of total pledges and contributions.

However, because the impact on funds exposed to implementation risk may simply be delays in the implementation of projects which are ultimately successful (vs. a complete loss of funding for projects as is the case with currency risk), the following ranges are used to classify implementation risk severity.

- Severe represents an estimated potential impact > 10% of the program's total pledges and contributions.
- Moderate represents an estimated potential impact 5% - 10% of total pledges and contributions.
- Minimal represents an estimated potential impact < 5% of total pledges and contributions.

Sustainable Urban Transport for Hanoi Metro Line 3 – Vietnam

iii. **Morocco - Noor Midelt Phase 1 Concentrated Solar Power Project – MENA Region (AfDB)**

iv. **Shared Infrastructure for Solar Parks - Phase I – India**

v. **District Heating Energy Efficiency Project – Ukraine**

vi. **Rajasthan Renewable Energy Transmission Investment Program – India**

22. Table 2 illustrates the five projects representing USD 319 million of program funding that have been flagged under the first criterion (vs. five projects totaling USD 324 million as of June 30, 2021). Four of the projects which were flagged in the last CTF Risk Report are highlighted in orange.

Table 2: Projects effective for 36 months with less than 20 percent of approved funds disbursed

Country	Project Title	MDB	Funding Amount (USD millions)	Cumulative Disb. as of Dec 31, 2021 (USD millions)	Disbursement Ratio	CTF Committee Approval Date	Effectiveness Date	Months After Effectiveness Date	MDB Co-Financing (USD millions)
Philippines	Cebu Bus Rapid Transit Project	IBRD	25.0	0.0	0%	11/28/2012	12/3/2014	86	116.0
Vietnam	Ha Noi Sustainable Urban Transport Program - Project 2: Strengthening Sustainable Urban Transport for Hanoi Metro Line 3	ADB	49.0	1.2	3%	10/28/2014	7/9/2015	79	4.0
Vietnam	Ha Noi Sustainable Urban Transport Program - Project 1: Ha Noi Metro System Line 3	ADB	50.0	0.4	1%	10/28/2014	5/5/2017	57	64.8
India	Solar Rooftop PV	ADB	174.8	26.5	15%	5/16/2016	7/25/2017	54	330.0
MENA Region	Noor-Midelt Phase 1 Concentrated Solar Power Project	AFDB	20.0	0.0	0%	6/29/2017	10/28/2018	39	0.0

23. **Cebu Bus Rapid Transit Project – Philippines (World Bank):** All CTF funds remain undisbursed. This project has been flagged in each of the last seven reporting cycles.

a. *Reason(s) for delay:* The project is in its eighth year of implementation. Soon after the project became effective, the implementing agency put the project on hold for two years to reevaluate the project alignment with its urban transportation development strategy. In July 2018, the government confirmed its commitment to implementing the project as part of the integrated inter-modal transport system planned for the metropolitan area.

Since then, multiple factors affected the project progress. **In March 2020 the government enforced a quarantine to contain the impact of the COVID-19 pandemic. That slowed implementation of critical project activities, including mobilizing international consultants to support project implementation.** In addition, there has been a high turnover of staff and lack of institutional support for procurement. For example, the DOTr has yet to engage a full-time, long-term procurement specialist, which has negatively affected project procurement activities and further slowed project implementation. Another new factor that will further affect project implementation is the government's lack of general budget for all World Bank projects (except one) in the Philippines for calendar year 2022.

The bidding of a civil work procurement package for four bus stations and 2.6 km of trunk bus corridor for partial operability of BRT system was advertised in the week of February 09, 2021. In August, the implementing agency declared the bidding a failure, after carefully reviewing the bids submitted. The rebidding of civil work package is currently underway, with the bid closing on May 21, 2022.

b. *Measures underway to accelerate implementation:* A seasoned project manager was hired in March 2021 to enhance the project management, and recruitment of additional staff for the project management office (PMO) is on-going. In Late 2021, the project manager left, and an interim project manager is in charge of daily project management.

c. *Estimated timeframe within which the project will have disbursed ≥ 20 percent of CTF funds*: The project's closing date has been extended to June 30, 2023 for both the IBRD loan and CTF loan to ensure that all planned activities are completed and funds fully disbursed. From the progress achieved so far, it is possible that not all project activities will be completed by June 30, 2023. The World Bank will assess the situation in due time to decide the needed actions.

   During the last reporting period, the World Bank estimated that CTF disbursement would reach 46 percent by the end of calendar year 2022 and 91 percent during 2023; however, given the slow progress of the project, the World Bank now estimates that CTF disbursement will reach more than 20 percent during 2023.

d. *Expected disbursement of CTF funds over the next 12 and 24 months*: During the last reporting period, the World Bank estimated disbursements to reach USD 11 million by the end of 2022 and USD 23 million by the end of 2023. It is now revising these estimates to USD 4 million by the end of 2022 and USD 15 million by the end of 2023.

24. **Ha Noi Sustainable Urban Transport Program - Project 2: Strengthening Sustainable Urban Transport for Hanoi Metro Line 3 – Vietnam (ADB):** For the past six years, approximately USD 0.09 million of CTF funds have been disbursed annually. Although ADB had forecasted that USD 1.6 million would be disbursed during the reporting period (October 2021–March 2022), only USD 0.49 million was disbursed. This project has been flagged in each of the last six reporting cycles for low financial performance with only one contract awarded (Design in 2018) since loan effectiveness. At the government's request, the ADB (ADF) loan 3235 was closed in May 2020,[3]

[3] The reasons of the ADF loan closure were: (i) non-performance since the loan effectiveness, and (ii) the government's new policy of not using ODA fund for capacity building and recurrent expenditure (e.g., project management support consultant).

but the CTF loan 8291[4] was extended to June 2023. The EA is discussing the needs to extend the project beyond 2026.

a. *Reason(s) for delay:*

(i) It is heavily dependent on the parent project, Ha Noi Metro Line 3 (ADB/CTF Loan 8302). The metro stations need to be completed and handed over so that the project can carry out the relevant works adjacent to those stations to improve their accessibility. Meanwhile, further delay is expected for the works related to the underground stations. The new completion date of the main metro line 3 is still yet to be confirmed, so there is no basis for the project to trigger its project adjustment to extend the current completion date of December 31, 2022 and extend the loan closing date. In December 2019., the project completion date was first extended from December 31, 2018 to December 31, 2022 following the extended completion date of the main metro line 3 project of December 31, 2022).

(ii) Delays have also been due to the change in the implementing agency and its poor capacity, the government's prolonged project adjustment and loan extension processing, and the **recent COVID-19 impacts, which slowed down the government approval processes.** Prolonged project adjustments have also been due to the change in implementing agency and many changes in the scope of work due to overlaps with various ongoing and planned interventions in the city. Without a confirmed final scope of work for the project, the recruitment of consulting services and procurement of the relevant works could not start. HPC issued two decisions on project scope changes in on October 25, 2018 and May 25, 2021).

(iii) Delayed recruitment of the relevant consulting services has contributed to delays in project outputs 1 and 3. The services were originally financed by both Loan 3235 and Loan 8291 but now will be entirely financed by Loan 8291, subject to an official request from MOF. Recruitment is delayed pending the request from MOF.

b. *Measures underway to accelerate implementation:* To expedite Project 2, the following actions have been/are being taken:

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[4] The government and IA requested ADB to retain the CTF loan to cover the remaining project's scope as it is sufficient after some minor changes. The CTF loan will finance the following:

Output 1: Metro line 3 station access improved

- 03 CS for: design (CS4.1); procurement, supervision and implementation support (CS4.2); and bus restructure, procurement and implementation support (CS2), which is now split into two smaller packages, i.e., CS2.1 (Bus system improvement and procurement support) and CS2.2 (Bus system implementation support);
- Civil works: 02 CW contract packages for improvement of accessibility to the metro line 3 stations, including 2 foot bridges, intersection improvements, pavement/ road surface along line 3 corridor improvement; lighting, security;
- Equipment: CCTV cameras within 100 m catchment area from metro line 3 station;

Output 2: Public transport system improved

- Provision of a clean technology feeder bus feet (approximately 52 buses) to link with main bus control center in Ha Noi

Output 3: Public transport policy developed

- 01 CS package (Station area development program) (see also CTF loan agreement, Schedule 2)

- ADB is working closely with the implementing agency of Loan 8302 (the main metro line 3 project) to expedite the finalization and submission of its project adjustment, including the new completion date, to the central government. ADB fielded a review mission during on March 14-18, 2022 for Loan 8291 to expedite its project adjustment preparation, including a new completion date. As a temporary countermeasure, an updated procurement plan was discussed and agreed with the PMU to repackage the project scope of work in line with the current situation.

- ADB have been closely working with HPC on various changes in project scopes, which it approved on May 25, 2021. Based on the approval, various consulting services and civil works packages have been accelerated..

- During the March 2022 loan review mission, ADB met MOF to facilitate their official request on the financing of consulting services.

- Project disbursement is expected to be improved from Q4 2022, when the two consulting services and the two civil works contract packages commence. ADB anticipates that at least 5 percent of CTF loan will be disbursed by end of 2022.

c. *Estimated timeframe within which the project will have disbursed ≥ 20 percent of CTF funds:* The government was expected to submit a request in May 2019 to extend the project until mid-2023 to align with the schedule of the parent project. However, due to the prolonged loan extension process, ADB did not receive a request and, thus, the CTF loan expired in June 2019. A retroactive extension until June 2023 was since approved, and, based on the updated interface schedule with the parent project and this project, ADB had anticipated that by 2022, 20 percent of the CTF loan amount would be disbursed; however this did not occur.

ADB now expects that 20 percent of the CTF loan fund disbursement can be achieved by end of 2023 when all the three civil works package will have been procured and implemented.

d. *Expected disbursement of CTF funds over the next 12 and 24 months*:

During the last reporting cycle, ADB projected the following:

- 12-month projection: USD 3.2 million
- 24-month projection: USD 15.6 million

ADB has amended their projection to:

- 12-month projection (April 2022–end March 2023): USD 5.2 million
- 24-month projection (April 2022–end March 2024): USD 21.1 million

25. **Ha Noi Sustainable Urban Transport Program - Project 1: Ha Noi Metro System Line 3 – Vietnam (ADB):** This project was flagged in the last two risk reports. For the past five years, approximately USD 0.09 million of CTF funds have been disbursed annually. ADB had expected an extension of loan closing date to June 30, 2023 would be necessary, but now expects an extension to mid-2027 will be necessary to allow completion of underground stations.

    a. *Reason(s) for delay:*
    - CP03 contractor's notice of termination of contract: After the CP03 contractor suspended all physical works at site at the beginning of August 2021, on October 31, 2021, the CP03 contractor submitted a notice of termination of contract.
    - Not yet resolved obstacles (housing and balconies and other structures) for the construction of underground stations
    - Delayed finalization of the compensation and support policy for involuntary resettlement impacts of tunnelling works and the corresponding resettlement plan
    - Interfaces among contract packages
    - Prolonged grievances at Depot and Access lines and outstanding complaints on housing damages incurred by construction works
    - Extension of time, claims, and contractual issues

    b. *Measures underway to accelerate implementation:*
    - Termination of CP03 contract is not yet effective. The implementing agency (MRB) and CP03 contractor are continuing negotiations to address pending contractual issues to resume the work, expected in June 2022.
    - MRB will coordinate with district people committees to resolve obstacles (housing and balconies and other structures) as soon as possible.
    - MRB will accelerate finalization of the compensation and support policy for involuntary resettlement impacts of tunnelling works and the corresponding resettlement plan and submit to ADB for no objection.
    - MRB will follow up on a restructuring of the Grievances Redress Mechanism (GRM) to ensure a simplified and publicly available system.
    - MRB will continue working with contractors, project implementation consultant (PIC) to resolve the contract packages interfaces, extension of time, claims and contractual issues, O&M, etc. to speed up the project progress.

    c. *Estimated timeframe within which the project will have disbursed ≥ 20 percent of CTF funds:* ADB anticipates that by Q1 2023, 20 percent of the CTF loan amount will be disbursed.

    Expected disbursement of CTF funds over the next 12 and 24 months: ADB continues to project that no CTF funds will be disbursed over the next 24 months.

    The original loan proceeds under the ADB OCR loan (L2741) will be disbursed first prior to the disbursement of the CTF loan (L8302) proceeds. Disbursement of CTF loan proceeds will be front-loaded prior to the disbursement of the loan proceeds from ADB's OCR

(L3363 and L3364). As of April 26, 2022, since the last reporting period, USD 1.7 million of ADB's loan 2741-VIE proceeds (covering the advance payment for contract CP03 and loan commitment charges) had been disbursed. The total amount of this ADB loan disbursed is now USD 87.6 million.

26. **Solar Rooftop PV – India (ADB):** This project is flagged under all three criteria.

a. *Reason(s) for delay:* Punjab National Bank (PNB) took time in adopting the institutional policy and guidelines on the solar rooftop financing; hence a systematic approach was not in place at an early stage and there was lack of staff assignments dedicated to the program implementation.

   PNB underwent institutional challenges since it was embroiled in financial fraud cases in 2018, which resulted in changes of PNB management. Subsequently, PNB management's focus was shifted to the core banking operations' restructuring and stabilizing rather than implementing the solar rooftop program. The fraud is not related to CTF, but rather, it is linked to PNB's regular lending operations. As the scale of the fraud was significant, it has caused indirect impacts on the CTF project, including extremely slow decision making, replacement of PNB's staff from the PMU of SRIP, changing priorities of PNB's management.

   Additionally, solar rooftop developers have had difficulties with pledging adequate collateral required under PNB's typical lending requirements.

b. *Measures underway to accelerate implementation:* As per ADB loan regulations, if the borrower is unable to fulfil the stipulated requirements of loan agreement, ADB can suspend borrower's rights to withdraw loan amount. Even after suspension, if performance of the borrower remains unsatisfactory, the loan may be canceled. Out of USD 100 million from Tranche 1 of the Solar Rooftop Multi-tranche Financing Facility (MFF), USD 90.5 million was canceled (USD 75 million effective June 18, 2021 and USD 15.5 million effective July 16, 2021) based on requests from the borrower (PNB) and concurrence of guarantor. As of now, the revised loan size is USD 9.5 million, which is fully disbursed, and ADB has lifted the suspension. The cancelled portion of Tranche 1 of USD 90.5 million and the MFF is being proposed to be taken over by another capable borrower (executing agency Indian Renewable Energy Development Agency (IREDA), based on the government of India's recommendation) to undertake implementation of cancelled portion of first tranche and subsequent two tranches of this MFF.

   MFF availability period will be extended till a reasonable implementable period (under MFF modality, extension of MFF up to a maximum 10 years would require necessary approval of ADB's South Asia Regional Department (SARD) management). As the program did not make much progress in the last five years, it would be prudent to seek an extension up to 10 years to provide reasonable implementation period to the additional borrower, subject to ADB board approval to add another borrower.

IREDA will be added as executing agency in the technical assistance (TA) to ensure effective utilization of TA. Also, TA is being extended up to a reasonable implementable period to match the MFF availability period.

c. *Estimated timeframe within which the project will have disbursed ≥ 20 percent of CTF funds:* ADB expects this will occur by Q3 2022.

d. *Expected disbursement of CTF funds over the next 12 and 24 months:* At present, USD 9.5 million in Tranche 1 disbursed and USD 1.3 million in TA is utilized out of USD 174.8 million allocation. As USD 90.5 million from the first tranche is canceled and an additional borrower is being added for the program, it will be appropriate to provide the next 12- and 24-months disbursement projections after an additional borrower is included for the program.

27. Morocco - Noor Midelt Phase 1 Concentrated Solar Power Project – MENA Region (AfDB):

a. *Reason(s) for delay:* The project is facing delays outside the control of AfDB. Since the award, the implementing entity Moroccan Agency for Sustainable Energy, has held various negotiations meetings with the successful bidder with a view to finalize all contractual documentation that is key.

At the moment the Power Purchase Agreement; the Engineering, Procurement and Construction Contract; the Interim and Long-Term Operations and Maintenance Contract; the Midelt I Specific Convention and the Security documents are yet to be issued and signed. The conclusion of these contracts is of paramount importance as they represent conditions precedent to disbursement.

Fulfilment of these conditions was delayed due to a series of measures and restrictions related to COVID-19 that impacted all project stakeholders, creating uncertainties at the level of the value chain for several important components (e.g., solar PV modules).

b. *Measures underway to accelerate implementation:* With COVID-19 restrictions eased, negotiations are expected to resume and accelerate in the coming months. This should have a positive impact in the fulfilment of all conditions precedent and help accelerate project implementation.

c. *Estimated timeframe within which the project will have disbursed ≥ 20 percent of CTF funds:* 12 months (April 30, 2023)

d. *Expected disbursement of CTF funds over the next 12 and 24 months:*

- 12 months: 30%
- 24 months: 65%

28. All projects which had been flagged under the second criterion, have since been extended and are now flagged under the third criterion.

29. Table 3 illustrates that seven projects representing USD 569 million of program funding have been flagged under the third criterion (vs. five projects representing USD 493 million as of June 30, 2021). All of these projects are highlighted in orange as they were flagged in previous risk report(s).

Table 3: CTF projects with extensions and less than 50 percent of approved funds disbursed

Country	Program / Project Title	MDB	Funding Amount (USD Equv)	Cumulative Disb. as of Dec 31, 2021	Disbursement Ratio	CTF Committee Approval Date	Effectiveness Date	Months After Effectiveness Date	Initial Anticipated Date of Final Disbursement	Extended Anticipated Date of Final Disbursement	MDB Co-Financing (USD millions)
Philippines	Cebu Bus Rapid Transit Project	IBRD	25.0	0.0	0%	11/28/2012	12/3/2014	86	10/1/2021	12/30/2023	116.0
Ukraine	District Heating Energy Efficiency Project	IBRD	50.0	21.6	43%		11/21/2014		2/1/2021	6/30/2023	332.5
Vietnam	Ha Noi Sustainable Urban Transport Program - Project 1: Ha Noi Metro System Line 3	ADB	50.0	0.4	1%	10/28/2014	5/5/2017	57	12/31/2022	6/30/2023	18.2
Vietnam	Ha Noi Sustainable Urban Transport Program - Project 2: Strengthening Sustainable Urban Transport for Hanoi Metro Line 3	ADB	49.0	1.2	3%	10/28/2014	7/9/2015	79	6/1/2019	6/30/2023	4.0
India	Shared Infrastructure for Solar Parks - Phase I	IBRD	25.0	5.6	22%		1/31/2018		11/1/2022	1/31/2023	75.0
India	Solar Rooftop PV	ADB	174.8	26.5	15%	5/16/2016	7/25/2017	54	12/31/2021	1/31/2022	330.0
India	Rajasthan Renewable Energy Transmission Investment Program (Multi-tranche Financing Facility / MFF)	ADB	194.9	73.5	38%	7/29/2013	11/6/2014	87	12/31/2021	9/25/2023	300.0

30. **Cebu Bus Rapid Transit Project – Philippines (World Bank):** This project was also flagged under the first criterion (see preceding description).

31. **District Heating Energy Efficiency Project – Ukraine (World Bank):** Disbursements increased by USD 6 million during the period. This project has been flagged in each of the last eight reporting cycles. The project is at advanced contract implementation stage with no significant new procurement procedures initiated. The key remaining challenges are related to implementation contract management and delays due to the current warfare in the country.

    a. *Reason(s) for delay:* The project progress has been slow for multiple reasons. First, lack of capacities of the subproject companies caused initial delays during the first years of implementation, making insufficient progress in preparing their investment plans and feasibility studies and in tendering. Additionally**,** the COVID-19 pandemic has had significant and multifaceted implications for project implementation, including major delays in the supply of equipment by foreign companies (mostly West European suppliers and limitations in the ability of local teams to carry out planned activities). Due to the pandemic, some activities, such as boiler house reconstruction, missed its implementation time window before the heating season hits. Moreover, project disbursements have also been disrupted by multiple changes in the government between January and May 2020. The complicated procedures to authorize payments involving two ministries have resulted in payment delays to contractors. There were delays in disbursement in 2021, due to limited allocation of loan funds to the project in the initial

2021 State Budget. The allocation was insufficient to cover significantly increased cash requirement compared to previous years and was already fully utilized by the end of April 2020. Lastly, the current war on Ukraine has delayed the implementation progress.

b. *Measures underway to accelerate implementation:* The World Bank team and the government have extended the project closing date to October 2021 to complete ongoing project activities. The government is preparing to extend the project closing date further to October 2024 to complete ongoing project activities. The extension of closing date will be especially important to complete the SCADA in Kharkiv, for which the procurement is temporary put on hold due to the ongoing war. SCADA would have major benefits with demonstration effects in the context of the Ukraine district heating sector. For example, it will play a significant role in informing a follow-on project, Municipal Energy Efficiency project, which will have a district heating component mainly focused on installation of meters and individual heat substations, and replacement of pumping equipment, for which the installation of SCADA will generate significant benefits. It will allow for highly efficient and real-time control of the district heating system operations.

   Additional several disbursements are likely to be processed for major contracts for rehabilitation and modernization of boiler houses.

c. *Estimated timeframe within which the project will have disbursed ≥ 50 percent of CTF funds:* There is no clarity at this time on the timeline for disbursements.

d. *Expected disbursement of CTF funds over the next 12 and 24 months*: There is no clarity at this time on the timeline for disbursements.

32. **Ha Noi Sustainable Urban Transport Program - Project 1: Ha Noi Metro System Line 3 (ADB):** This project was also flagged under the first criterion (see preceding description).

33. **Ha Noi Sustainable Urban Transport Program - Project 2: Strengthening Sustainable Urban Transport for Hanoi Metro Line 3 (ADB):** This project was also flagged under the first criterion(see preceding description).

34. **Solar Rooftop PV – India (ADB):** This project was also flagged under the first criterion (see preceding description).

35. **Rajasthan Renewable Energy Transmission Investment Program – India (ADB):**

    a. *Reason(s) for delay:* The Government of the State of Rajasthan (GOR) deferred the implementation of RRETIP multi-tranche financing facility (MFF) transmission investments due to lower evaluation demand. The government also maintained the possibility to process the loan under a new tranche (Tranche 3) subject to subsequent request made by state power transmission utility RRVPNL and the Government of India (GOI).

b. *Measures underway to accelerate implementation:*
   - The GOR has sought ADB assistance totaling USD 110 million of CTF and USD 70 million ADB-OCR, for RRVPNL under the MFF through the Department of Economic Affairs Ministry of Finance of the GOI.
   - ADB and the GOR are in continuous discussions with the state power transmission utility RRVPNL. The RRVPNL has confirmed that it will use ADB's new procurement framework for the proposed tranche. Unfortunately, **the loan processing was delayed due to severe impact of COVID-19 pandemic in India since early 2020 and the ADB project team completed substantial due diligence and was planning to conduct fact finding mission in April/May 2021. But due to the Honorable Supreme Court interim stay order in April 2021 on construction of overhead transmission lines in Rajasthan, tranche 3 loan processing was put on hold.**

c. *Estimated timeframe within which the project will have disbursed ≥ 50 percent of CTF funds:* ADB had projected that Tranche 3 would be approved by Q2 2022 for the total remaining CTF share in the MFF program, however the timeframe for reaching this milestone remains unclear.

   On April 13, 2022, RRVPNL informed the GOI and ADB of its inability to use the MFF funds within MFF closing date of September 23, 2023 due to the stay order construction of overhead transmission lines. RRVPNL is awaiting the final order (which may take time). The GOR and GOI have filed interlocutory applications in the matter for modification of the order, which are also currently under hearing before the Honorable Supreme Court of India.

d. *Expected disbursement of CTF funds over the next 12 and 24 months:* Under current volatile circumstances in India, it is difficult to provide any specific timeframe.

36. Shared Infrastructure for Solar Parks - Phase I – India (World Bank):

a. *Reason(s) for delay:*
   As of April 2022, CTF disbursements, including both loan and grant, amount to USD 5.63 million, which is 22.5 percent of the total CTF funding approved. **This slow disbursement was due to the impacts of COVID-19 pandemic, suspension of Central Electricity Regulatory Commission (CERC), and uncertainty around fund requirement for Mandsaur solar park, which was dependent on completion of state transmission-owned substation.** Although this project slowed down due to government approval process and COVID-19, these issues have been resolved and the disbursement increased by USD 1.5 million in the last reporting cycle.

   CERC is the authority to give an in-principle approval to the tariff structuring for setting up the solar generation assets that are funded by non-Bank sources within these solar parks. Their approval was critical to provide more comfort to the developers as well as to the off-takers. However, the apex court in India suspended the CERC's operation for a temporary period of time due to a failure in meeting a requirement of appointing a member from the field of law with qualifications of a high court or district judge.

The disbursement for 250 MW Mandsaur solar park was delayed due to the transmission line commissioning, and the funding requirements may be reduced, consequently lowering the CTF disbursement amount. The shared infrastructure facility, in particular the transmission lines, were planned to be constructed in two parts. While the first part was completed and commissioned in 2017, the second part was initially delayed in commissioning a connecting-substation. The substation was commissioned only on September 15, 2021. While the transmission lines were completed now, the IBRD and CTF loan disbursements may be lowered given that this park is eligible for central financial assistance (CFA) from the Government of India. Currently, the implementing agency is seeking a clarity on CFA, and it is likely that the IBRD and CTF funding requirements for Mandsaur park will be reduced with the CFA, from USD 13 million estimated at appraisal to USD 5 million.

b. *Measures underway to accelerate implementation:*

Due to the COVID-19 pandemic and CERC's suspension, multiple extensions were given, initially delaying the tendering process. Currently, the tendering process is complete. Even during the peaks of the pandemic, substantive progress was made, increasing the disbursement by USD 1.5 million in the last reporting cycle. The fourth wave of COVID-19 has set in, but is not yet impacting the sites where the works are ongoing.

Since April 2021, CERC's full-time operation has been resumed and it has accorded necessary approvals required for concluding the tender process for 1,500 MW solar parks in Madhya Pradesh (MP). The bids for solar generation assets of 1,500 MW Agar, Shajapur, and Neemuch (ASN) solar parks in MP have been closed and the contracts are placed for the shared infrastructure facilities of these parks. The site activities have begun without constraints that are impacting the onsite work for the solar parks. However, given the delays, the commissioning of the parks is likely to take place in March 2023, which is beyond the current project closing date of July 2022. The World Bank has received a request from the Government of India to extend the project closing period in two phases: first by 12 months (till July 2023) and then an additional eight-month extension (till March 2024) subject to the progress review to be held around July 2023. The World Bank team is currently working on extending the project closing date.

Further, IREDA, the implementing agency, is also working on additional parks of 2,350 MW in MP and another 1,200 MW in Uttar Pradesh (UP) which may absorb the IBRD and CTF loan savings from Mandsaur solar park. Their commissioning is scheduled in March 2024, which is also beyond the current project closing date. IFC has been hired as a transaction advisor for these parks.

c. *Estimated timeframe within which the project will have disbursed ≥ 50 percent of CTF* *funds:* The project team estimates that by Q3 of FY2023 (March 2023), the disbursements would be more than 50 percent.

d. *Expected disbursement of CTF funds over the next 12 and 24 months:* Subject to extension of closing date to March 2024, the disbursement amount is likely to reach USD 10 million and USD 11 million in the next 12 and 24 months, respectively.

2.1.1 MDB cancellation guidelines and criteria

37. During the December 2017 CIF Trust Fund Committees' and Sub-Committees' meetings, members expressed interest in receiving information pertaining to MDBs' potential decisions to cancel projects. Some MDBs have provided the following links to their guidelines:

- ADB – Project Administration Instructions: Suspension and Cancellation of Loans
- ADB – Externally Financed Grant Regulations Applicable to Grants Financed from a Trust Fund or Other External Sources and Administered by ADB
- AfDB – Revised Guidelines on Cancellation of Approved Loans, Grants and Guarantees
- IBRD - Trust Fund Handbook (see Section 5.9)

2.2 Currency risk via promissory notes

38. Currency risk via promissory notes is 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.

39. During the reporting period the UK contributed GBP 47 million promissory notes, and the GBP depreciated against the USD by two percent, causing the value of CTF's GBP 247 million promissory notes to decrease in value. The unrealized gain associated with these notes declined to USD 1 million from USD 8 million (see Table 4). CTF's exposure to this risk therefore remains **Low**. It should be noted, however, that, as additional GBP-denominated promissory notes are received, and if these notes remain unencashed for a prolonged period, they could be exposed to greater fluctuations in value. The program's currency risk has been **Low** in the last four reporting cycles, and **High** for the preceding four reporting cycles.

Table 4: CTF currency risk exposure summary

Currency Risk Exposure (Millions) as of March 31, 2022							
Program	**Original Amount Pledged/ Received**	**Pledged Amount Outstanding/ Unencashed**	**Realized Currency Gain/ (Loss)**	**Unrealized Currency Gain/ (Loss)**	**Risk Likelihood**	**Risk Severity**	**Risk Score**
CTF	£1,330.0	£247.0	($191.5)	**$1.0**	Possible	Minimal	**Low**

2.3 Resource availability

40. Resource availability risk is 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. The CTF Trust Fund Committee agreed to accept a certain level of this risk, and to permit over-programming by 30 percent of the program's pledged resources in order to accelerate the implementation of

viable projects rather than wait until after unviable projects had been identified and removed from the pipeline. This has proven to be a successful strategy, enabling accelerated project implementation. However, this policy also necessitates that some resource availability risk be incurred.

41. As of March 31, 2022, CTF's deficit in available resources had decreased to USD 132 million from USD 265 million as reported during the last reporting cycle largely due to additional contributions received from Germany and the UK. The risk that CTF will be unable to fund all projects in its pipeline remains **Medium**.

42. To mitigate this risk, the CTF Trust Fund Committee, MDBs, and CIF Administrative Unit have all consistently conveyed the message that resource allocations in CTF are not guaranteed during the initial project preparatory stages and that CTF has adopted an over-programming approach in developing the CTF pipeline for planning purposes. It is not until the CTF Trust Fund Committee approves project funding, that CTF funds are committed for a specific project.

2.4 Credit risk

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

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

45. CTF's primary source of credit risk exposure is incurred through the funds it commits as loans, (approximately 75 percent public sector and 25 percent private sector). Credit risk exposure incurred through other instruments (e.g., guarantees) is minimal.

46. Due to the nature of the ongoing military conflict in Ukraine, the CIF Administrative Unit is now incorporating the assumption that recipients will default on all disbursed amounts to projects in Ukraine. Largely for this reason expected losses for CTF's loan portfolio increased to 6.1 percent.

2.4.1 Public sector exposure

47. All CTF public sector loans are extended directly to externally rated sovereigns or to entities guaranteed by externally rated sovereigns. Presently CTF is exposed to 17 sovereigns with ratings ranging from CCC- (Ecuador) to BBB+ (Mexico, Peru and Philippines).

48. For CIF, public sector rating agency credit ratings have been a very poor predictor of defaults and expected losses. CIF has been operational for over 12 years and has experienced no payment defaults on any of its public sector projects, and this has been the case despite the fact that, at various points, rating agencies have downgraded some recipient countries' ratings to default status. In other words, even when CIF recipient countries have defaulted on loan obligations to their bondholders, these countries have not defaulted on their obligations to CIF. For this reason, the CIFAU no longer uses rating agencies' public sector credit ratings to assess

the credit risk associated with CTF's public sector loan portfolio, and the CIFAU's expected losses for the public sector portfolio are zero (please see Annexes B for recipient countries' expected losses implied by rating agency credit ratings).

49. However, changes to recipient country credit ratings can be a useful indicator of the overall financial and project implementation environments in these countries. Recipient country credit ratings have been relatively stable since March 31, 2021, (see Annex C).

2.4.2 Private sector exposure

50. The remaining 25 percent of CTF's loan commitments are to private sector entities for which publicly available information is limited. The CIF Administrative Unit uses the MDBs' internal risk assessments[5] of the transactions, which are provided in the form of either S&P-equivalent ratings or estimated probabilities of default (PD) and loss given default (LGD) to calculate a weighted average credit rating, PD, LGD, and expected loss rate for the private sector portfolio (see Table 5).

[5] Presently EBRD, IDB Group, 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.

Table 5: Total loan portfolio credit risk exposure summary

Committed Loan Portfolio Credit Risk Exposure (as of 3/31/2022)						
Sector	Portfolio Risk Rating[5]	Total Committed Loans (MM USD equivalent)[1]	Estimated Probability of Default (PD)	Estimated Loss Given Default (LGD)[6]	Expected Loss Rate[3]	Expected Losses (MM USD equivalent)[2]
Public	BB-[8]	3,063.2	0.0%	0.0%	0.0%	0.0
Private	B-[7,4]	771.6	24.8%	50.3%	12.5%	96.2
Defaults	D	42.6	100.0%	76.6%	76.6%	32.6
Ukraine Exposures[9]	**D**	**152.5**	**100.0%**	**76.6%**	**76.6%**	**116.8**
Portfolio		**4,029.8**			**6.1%**	**245.6**

1. Committed loan amounts are provided by the Trustee.

2. Expected losses are in addition to total loan principal reported to be in default.

3. Expected Loss Rate = (PD x LGD) and does not take into account any correlations between the performance of loans within the portfolio.

4. Methodologies used to calculate credit ratings and PDs may differ amongst MDBs, as well as between a given MDB and external rating agencies.

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: After a sharp decline in 2021, defaults will rise modestly this year.*

6. 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: After a sharp decline in 2021, defaults will rise modestly this year* (i.e. LGD = 1 - Average Sr. Unsecured Bond Recovery Rate from the period of 1983-2021).

7. Based on internal credit ratings or PDs assigned to their respective private sector CTF 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 administered by these three MDBs is then applied to the entire portfolio of private sector CTF loans.

8. Based on 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 Fitch, Moody's and S&P ratings is used) as of March 31, 2021. 5-year Average Cumulative Issuer-Weighted Global Defalt Rates from the period of 1983-2021 as published in *Moody's Annual Default Study: After a sharp decline in 2021, defaults will rise modestly this year* .

9. Ukraine Exposures are based on disbursed amounts, not committed amounts because it is assumed that further disbursements will be minimal until there is a material improvement in the operating environment in this country

2.4.3 Update on loans currently experiencing payment defaults

51. As of March 31, 2022, one additional borrower, in Ukraine, defaulted on its loan (EUR 2.7 million) repayment obligations. Now five private sector CTF loans (EUR 2.0 million, EUR 2.7 million, EUR 5.6 million, USD 1.5 million and USD 12.1 million) are experiencing payment defaults. Additionally, a defaulted EUR 15.5 million loan was sold to investors during the first half of FY 2019 (see Table 6).

Table 6: CTF loans experiencing payment defaults

	Amount Outstanding	Total interest payments		Missed Interest Payments		Repaid Delinquent Interest		Missed Principal Repayments		Repaid Delinquent Principal		Default	Paid Default Inerest		Total Amt
Loan Amount	at time of default	prior to default	Currency	Date	Amount	Date	Amount	Date	Amount	Date	Amount	Interest	Date	Amount	Past Due
								5/30/2018	78,077		(38,349)				
								11/30/2018	78,077						
				4/10/2019	11,933		(11,933)	4/10/2019*	1,639,615			2,038		(2,038)	
				5/30/2019	-			5/30/2019	-			9,960		(9,960)	
2,030,000	1,873,846	171,908	EUR	11/29/2019	-			11/29/2019	-			36,385			**1,939,222**
				5/29/2020	-			5/29/2020	-			36,275			
				11/30/2020	-			11/30/2020	-			37,618			
				5/28/2021	-			5/28/2021	-			37,146			
				11/30/2021	-			11/30/2021	-			34,377			
				TOTAL	**11,933**		**(11,933)**		**1,795,769**		**(38,349)**	**193,800**		**(11,998)**	
15,500,000	15,500,000	357,000	EUR	This loan was sold to a syndicate of distressed debt investors in 2018. There is little likelihood of recovering CTF funds.					**15,500,000**						**15,500,000**
1,500,000	1,500,000	325,777	USD	There is little likelihood of recovering CTF funds.					**1,500,000**						**1,500,000**
								8/13/2018	107,692						
				11/13/2018	16,522	11/25/2021	(16,522)	11/13/2018	107,692						
				2/13/2019	27,521	11/25/2021	(17,012)	2/13/2019	107,692						
				5/13/2019	26,091			5/13/2019	107,692			3,663			
				8/13/2019	49,368			8/13/2019	107,692			5,158			
				11/13/2019	25,870			11/13/2019	107,692			6,816			
				2/13/2020	25,320			2/13/2020	107,692			8,251			
5,600,000	5,540,195	98,958	EUR	5/13/2020	24,231			5/13/2020	107,692			9,484			**2,100,319**
				8/13/2020	24,219			8/13/2020	107,692			11,141			
				11/13/2020	23,668			11/13/2020	107,692			12,603			
				2/15/2021	23,621			2/15/2021	107,692			14,380			
				5/13/2021	21,341			5/13/2021	107,692			14,718			
				8/13/2021	44,965			8/13/2021	107,692			17,033			
				11/13/2021	21,933			11/13/2021	107,692			19,176			
				2/15/2022	20,689			2/15/2022	107,692			20,689			
				TOTAL	**375,359**		**(33,534)**		**1,615,383**		**-**	**143,111**		**-**	
				8/1/2017	245,688			8/1/2017	96,528						
				2/1/2018	245,029			2/1/2018	90,495			30,962			
				8/1/2018	241,818			8/1/2018	132,725			21,733			
				2/1/2019	244,325			2/1/2019	90,495			34,567			
				8/1/2019	237,198			8/1/2019	211,154			45,212			
12,065,953	11,872,898	1,660,206	USD	2/1/2020	232,829			2/1/2020	180,989			60,348			**4,880,104**
				8/1/2020	227,825			8/1/2019	271,484			74,477			
				2/1/2021	224,694			2/1/2021	271,484			92,381			
				8/1/2021	217,848			8/1/2021	301,649			111,164			
				2/1/2022	212,769			2/1/2022	301,649			130,586			
				TOTAL	**2,330,023**		**-**		**1,948,651**		**-**	**601,430**		**-**	

52. The following two loans were expected to experience payment defaults imminently as reported a year ago in the June 2021 Risk Report. However, in accordance with the initial loan agreements and corresponding repayment schedules, they have continued to pay all interest payments and principal repayments in full as per the repayment schedules in effect at the time of the initial loans' effectiveness.

   - **(USD 3.0 million)** – Maximum recovery of the CTF loan is being pursued.
   - **(USD 13.2 million)** – A sale of the CTF loan and its prepayment are being pursued. A modest recovery may be realized.

2.5 Fraud and sexual exploitation and abuse

53. At the January 2019 meeting, the CTF Trust Fund Committee requested that the MDBs provide the CIF Administrative Unit information regarding fraud and sexual exploitation and abuse in CTF projects implemented by them, to the extent that such information is provided to their own MDB boards and subject to any necessary legal/confidentiality arrangements prior to disclosure.

54. The MDBs did not report any allegations or instances of fraud, or sexual exploitation and abuse to the CIF Administrative Unit during the period; however, MDBs issue the following annual reports on fraud and corruption highlighting statistics related to their anti-

corruption efforts.

- ADB – Office of Anti-Corruption and Integrity Annual Report
- AfDB – Office of Integrity and Anti-Corruption Annual Report
- EBRD – Integrity and Anti-Corruption Annual Report
- IDB Group – Office of Institutional Integrity Annual Report
- World Bank Group – Integrity Vice Presidency Annual Report

2.6 Forced Labor

55. At the January 2022 TFC Meeting, the Trust Fund Committee requested that the MDBs provide the CIF Administrative Unit information any allegations or instances of forced labor associated with the CIF projects implemented by them. This was in light of the increasing reports of the use of forced labor involving Uyghurs and other ethnic minorities in parts of China in the manufacturing of materials used to produce solar panels. The company Hoshine has been flagged as a polysilicon manufacturer which has employed forced labor, and polysilicon from this supplier is used in the production of most solar panels currently.

56. MDBs have been developing and implementing safeguards to mitigate forced labor risks, but most of MDBs' CIF-backed projects pre-date any enhanced due diligence requirements for solar supply chains. Even where safeguards are applied, it is often not possible to trace who supplies the polysilicon to panel producers. MDBs continue to engage in multi-stakeholder dialog to increase transparency and traceability in solar supply chains.

57. The MDBs did not report any allegations or instances of forced labor to the CIF Administrative Unit during the period.

3 Annex A: CTF Available Resources

CTF TRUST FUND - RESOURCES AVAILABLE for COMMITMENTS *Inception through March 31, 2022* *(USDeq. millions)*		As of March 31, 2022 USDeq.
		Total
Cumulative Funding Received		
Contributions Received		
Cash Contributions		5,567.07
USD converted to Euro for Euro commitments		(0.23)
Unencashed promissory notes	j/	325.07
Total Contributions Received		5,891.91
Investment Income and Other Resources		
Investment Income		319.77
Other income	a/	23.42
Total Other Resources		343.19
Total Cumulative Funding Received (A)		**6,235.10**
Cumulative Funding Commitments		
Projects/Programs		6,966.20
MDB Project Implementation and Supervision services (MPIS) Costs		57.22
Cumulative Administrative Expenses		120.34
Total Cumulative Funding Commitments		7,143.76
Administrative Expense Cancellations	b/	(6.54)
Projects/Programs, MPIS Cancellations	c/	(1,733.13)
Net Cumulative Funding Commitments (B)		**5,404.08**
Funding Availability(A - B)		**831.02**
Country Engagement Budget reserve FY23	d/	**(0.42)**
Special initiatives		-
Currency Risk Reserves- GESP	e/	**(39.36)**
Currency Risk Reserves- ACT	e/	**(9.40)**
Unrestricted Fund Balance for Trustee Commitments -Projects/Programs and Admin (C)		**781.83**
Net investment income available for Admin Budget commitments and the loan losses (D)		**228.97**
Unrestricted Funding Available for Projects/Programs commitments (E = C - D)	f/	**552.87**
Unrestricted Funding Available for Projects/Programs commitments -DPSP III and other old programs	f/	224.90
Unrestricted Funding Available for Projects/Programs commitments -GESP	f/	212.24
Unrestricted Funding Available for Projects/Programs commitments -ACT	f/	115.72
Anticipated Commitments for Projects/Programs		
Projects/Programs Funding and Fees- CTF Dedicated Private Sector Programs (DPSP)- Phase III		-
Projects/Programs Funding and Fees- CTF Dedicated Private Sector Programs (DPSP)- Phase IV - **GESP**		685.33
Total Anticipated Commitments (F)	k/	**685.33**
Available Resources for Projects/Programs (G = E -F)		**(132.46)**
Potential Future Resources		
Contribution Receivable	m/	1,225.61
Pledges	l/	-
Release of Currency Risk Reserves	f/	48.76
Total Potential Future Resources (H)		**1,274.37**
Potential Available Resources for Projects/Programs (G+H)		**1,141.91**
Potential Net Future Resources for Admin Expenses and Loan Losses		
Projected Investment Income from Apr 2022 to FY26 (I)	g/	69.30
Projected Administrative Budget (FY23-27) (J)	h/	53.75
Potential Net investment income available for Admin Expenses and Loan losses (K= I -J)		**15.55**
Potential Available Resources for Admin Expenses and Loan Losses (D + K)	i/	**244.52**

a/ Return of funds pursuant to the Financial Procedures Agreements for Investment income from MDB's.

b/ The admin budget cancellations includes the unused admin budget refunds, Country Programming Budget revisions/cancellations by

c/ Cancellation of program and project commitments approved by the committee

d/ The amount of USD 0.5 million approved by TFC in June 2019 for the multi-year country programing budget and the balance in reserve estimate provided by CIFAU for the period FY23.

e/ Amounts withheld to mitigate over-commitment risk resulting from the effects of currency exchange rate fluctuations on the value of outstanding non-USD denominated promissory notes.

f/ In January 2019, the CTF Trust Fund Committee agreed that any remaining resources in CTF that can be made available for further programming may be used to fund more projects/programs under DPSP III. Subsequently all the resources were programmed. In January 2021 the committee made the decision to use the cancelled available resources after June 30, 2020 as follows. "The CTF Trust Fund Committee notes the proposal to use canceled resources within the time period set out in the document for the CTF Futures Window to support projects that follow the Dedicated Private Sector Program III (DPSP III) approach or projects in the Global Energy Storage Program (GESP) pipeline.The CTF Trust Fund Committee approves the proposal for immediate effect, on the condition that the available funds within the CTF Futures Window are split equally between DPSP III projects and GESP projects and each project proposed to be funded through the

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

h/ FY22 Budget commitment approved by TFC in June 2021 was USD 10.05 million for Administrative service . There was an addtional supplemental budget approved by January 2022 TFC for 0.7 million. The amount approved for FY22 Administrative Services was extrapolated for 5 years.Projected administrative budget includes resources for administrative services provided by the CIF AU, Trustee and

i/ Losses on outgoing CTF Financial Products will be shared as stipulated by the Principles regarding Contributions to the CTF and covered to the extent available from the Net income (net investment income, interest and guarentee fees received in excess of 0.75%).

j/ This amount represents the USD equivalent of the UK's GBP 244.10 million outstanding PNs.

k Anticipated commitment pipeline information provided by CIFAU

l/ Pledge made by Canada during COP26 - Loans to ACT program

m/ Contribution receiveable from United Kingdom GBP 155.9 million and from Germany EUR 205 million

4 Annex B: CTF Expected Losses Based on Rating Agencies' Public Sector Credit Ratings

Committed Loan Portfolio Credit Risk Exposure (as of 3/31/2022)						
Sector	**Portfolio Risk Rating[5]**	**Total Committed Loans (MM USD equivalent)[1]**	**Estimated Probability of Default (PD)**	**Estimated Loss Given Default (LGD)[6]**	**Expected Loss Rate[3]**	**Expected Losses (MM USD equivalent)[2]**
Public	BB-[8]	3,063.2	9.3%	58.4%	5.4%	166.4
Private	B-[7,4]	771.6	24.8%	50.3%	12.5%	96.2
Defaults	D	42.6	100.0%	76.6%	76.6%	32.6
Ukraine Exposures[9]	**D**	**152.5**	**100.0%**	**76.6%**	**76.6%**	**116.8**
Portfolio		**4,029.8**			**10.2%**	**412.0**

1. Committed loan amounts are provided by the Trustee.

2. Expected losses are in addition to total loan principal reported to be in default.

3. Expected Loss Rate = (PD x LGD) and does not take into account any correlations between the performance of loans within the portfolio.

4. Methodologies used to calculate credit ratings and PDs may differ amongst MDBs, as well as between a given MDB and external rating agencies.

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: After a sharp decline in 2021, defaults will rise modestly this year.*

6. 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: After a sharp decline in 2021, defaults will rise modestly this year* (i.e. LGD = 1 - Average Sr. Unsecured Bond Recovery Rate from the period of 1983-2021).

7. Based on internal credit ratings or PDs assigned to their respective private sector CTF 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 administered by these three MDBs is then applied to the entire portfolio of private sector CTF loans.

8. Based on 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 Fitch, Moody's and S&P ratings is used) as of March 31, 2021. 5-year Average Cumulative Issuer-Weighted Global Defalt Rates from the period of 1983-2021 as published in *Moody's Annual Default Study: After a sharp decline in 2021, defaults will rise modestly this year* .

9. Ukraine Exposures are based on disbursed amounts, not committed amounts because it is assumed that further disbursements will be minimal until there is a material improvement in the operating environment in this country

5 Annex C: Rating Changes for Public Sector Loan Recipients

	3/31/2022				9/30/2021			
Country	**S&P**	**Moody's**	**Fitch**	**Lowest Rating**	**S&P**	**Moody's**	**Fitch**	**Lowest Rating**
Burkina Faso	CCC+	NR	NR	CCC+	B	NR	NR	B
Colombia	BB+	Baa2	BB+	BB+	BB+	Baa2	BB+	BB+
Ecuador	B-	Caa3	B-	CCC-	B-	Caa3	B-	CCC-
Egypt	B	B2	B+	B	B	B2	B+	B
India	BBB-	Baa3	BBB-(N)	BBB-	BBB-	Baa3	BBB-(N)	BBB-
Indonesia	BBB(N)	Baa2	BBB	BBB	BBB(N)	Baa2	BBB	BBB
Honduras	BB-	B1	NR	B+	BB-	B1	NR	B+
Maldives	NA	Caa1	B-	CCC+	NA	Caa1	CCC	CCC
Mexico	BBB(N)	Baa1(N)	BBB-	BBB-	BBB+(N)	Baa1(N)	BBB-	BBB-
Morocco	BB+	Ba1(N)	BB+	BB+	BB+	Ba1(N)	BB+	BB+
Peru	BBB	Baa1	BBB	BBB	BBB+	Baa1	BBB+(N)	BBB+
Philippines	BBB+	Baa2	BBB(N)	BBB	BBB+	Baa2	BBB(N)	BBB
South Africa	BB-	Ba2	BB-	BB-	BB-	Ba2(N)	BB-(N)	BB-
Tanzania	NR	B2	NR	B	NR	B2	NR	B
Turkey	B+(N)	B2(N)	BB+(N)	B	B+	B2(N)	BB-	B
Ukraine	B-(N)	Caa2	CCC	CCC	B	B3	B(P)	B-
Vietnam	BB(P)	Ba3(P)	BB(P)	BB-	BB(P)	Ba3(P)	BB(P)	BB-

The Climate Investment Funds

The Climate Investment Funds (CIF) were established in 2008 to mobilize resources and trigger investments for low carbon, climate resilient development in select middle and low income countries. To date, 14 contributor countries have pledged funds to CIF that have been channeled for mitigation and adaptation interventions at an unprecedented scale in 72 recipient countries. The CIF is the largest active climate finance mechanism in the world.

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