Meeting of the CTF Trust Fund Committee

Brasilia, Brazil (Hybrid)

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CTF RISK REPORT

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PROPOSED DECISION

The CTF Trust Fund Committee reviewed the document, CTF/TFC.30/04, *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.

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1 Introduction

1.1 War in Ukraine

1. The duration of the war remains indefinite, and the regions of the country which Russia targets militarily are unpredictable and can change at any time. Obtaining timely information on the status of CTF's projects remains challenging.
2. The CIF Administrative Unit continues to conservatively estimate that defaults will occur on all disbursed amounts for all projects in Ukraine. That being said, one of the projects which entered default due to the war is showing signs of resuming scheduled interest payments and principal repayments.
3. Particularly in the south and east, MDBs continue to report implementation delays to CTF's projects in the country with the need potential need for extension, restructuring or cancellation. Some projects located in Russian occupied areas of Ukraine have been damaged or destroyed, are under Russian control, and may be cancelled. Some projects which have been returned to Ukrainian control need repairs or reconstruction and are under assessment. Pipeline projects are largely on hold. The financial position of most clients is severely strained.

1.2 South Africa and Eskom

4. CTF has committed USD 432 million to 7 projects in South Africa. Additionally, USD 500 million has been allocated to fund ACT projects in the country. Given CTF's significant existing and anticipated investments in South Africa, most of which directly or indirectly involve Eskom (the country's public utility), the CIF Administrative Unit has periodically provided updates to the TFC pertaining to concerns relating to corruption, the political environment and the finances of the utility and country and will continue to do so while these concerns persist.
5. Recently the Financial Action Task Force (FATF) included South Africa on its grey list of countries with structural deficiencies in monitoring, preventing, and combating money laundering, terrorism financing, and illicit financial flows. The ANC continues to face numerous allegations of corruption which Ministers within the South African government continue to deny or dismiss. After millions of dollars in allegedly stolen cash was found hidden on President Ramaphosa's private farm, the ANC re-elected him as the party leader.
6. Eskom's CEO, De Ruyter, was ousted in February following an explosive interview on the corruption and organised crime within Eskom. During the interview he alleged significant theft of fuel oil and coal, and procurement fraud at Eskom led by at least four criminal cartels linked to Ramaphosa's party, but police, state security services, local politicians and the ANC disregard these allegations. During the interview, De Ruyter characterized Eskom as a feeding trough for the ANC and that the ANC is involved in the rampant corruption at Eskom. The Parliament voted against the formation of a committee to probe the allegations of corruption and criminal cartels at Eskom.
7. Governance of Eskom has become unclear. Its CFO is now acting CEO but appears to have little influence of the affairs of the utility. The COO, who fostered reform is retiring. Three ministers now oversee Eskom. The Minister of Mineral Resources and Energy, who appears to favor coal

over renewables, has the greatest influence of the utility's governance. The Minister of Public Enterprises had exhibited a tough stand against corruption across all state enterprises, but has gone silent. A Ministry of Electricity was created, but the government has not defined a mandate for this ministry, and it appears to be receiving little cooperation from the Minister of Mineral Resources and Energy. S&P noted their concern with the multiplicity of ministries to which Eskom now reports.

8. Load-shedding and severe rolling blackouts continue to plague the country with electricity being limited to four hours twice per day at times due to capacity losses in ageing power plants, extensive unmet maintenance requirements, and operational faults at Medupi and Kusile.

9. Uncertainty, mismanagement and corruption have led to the deterioration of Eskom's finances The rating agencies now rate it triple-C, and its rating is supported largely by government announcements of continued support for the utility. Otherwise, the utility would be unviable. Additional challenges facing Eskom include significant arears in payments from municipalities, as well as insufficient tariffs to cover Eskom's costs. Although a tariff increase was awarded recently, South Africa's President has discouraged its implementation, and customers are unlikely to be able to afford the increase. Meanwhile South Africa's public sector unions have won a 7.5% wage hike. Conversely, Eskom's governmental support requirements represent one of the most significant negative factors affecting the South Africa's finances (currently rated double-B).

1.3 Risk Exposure Summary

10. Data as of December 31, 2022, 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, 2022, for implementation risk). Certain projects use more updated information, as indicated in the report. Data as of March 31, 2023, 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, 2022, for those risk assessments).

11. 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	Minimal	Low

12. CTF's risk score for implementation risk is **High** as 13 out of 152 projects representing USD 719 million (10.9 percent) of program funding have been flagged for this risk. The CIF Administrative Unit added two additional criteria for flagging projects to capture projects experiencing delays in effectiveness, and projects with inordinately distant anticipated dates of final disbursement. The program's implementation risk score has been **High** for the past 10 reporting cycles.

13. During the reporting period the GBP appreciated by 11.8 percent against the USD resulting in a decline in the unrealized loss associated with CTF's GBP denominated notes from USD 50

million to USD 17 million. The program's exposure to this risk remains **Low**. It should be noted, however, that as more such promissory notes are received, exposure to this risk will increase. The program's currency risk score has been **Low** for the past six reporting cycles but had been **High** for the preceding four reporting cycles.

14. Resource availability risk decreased and remained **Low**. As of March 31, 2023, CTF's surplus in available resources increased substantially from USD 121 million to USD 608 largely due to further receipts of pledged contributions, and USD 29 million of project cancellations.

15. Credit risk exposure for CTF remains **High**. Since Russia's invasion of Ukraine, five CTF private sector loans representing EUR 5.8 million have defaulted and the CIFAU continues to conservatively estimate that defaults will occur on all disbursed amounts for projects in this country due to the nature of the war in the nation. As of March 31, 2023, 13 loans were reported to be experiencing payment defaults. The program's credit risk score has been **High** for the last seven reporting cycles.

2 Assessment of key risk exposures[1]

16. 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

17. Implementation risk is the risk that a project, once effective, is not implemented in a timely manner. The CIF Administrative Unit added two additional criteria for flagging projects to capture projects experiencing delays in effectiveness, and projects with inordinately distant anticipated dates of final disbursement. The CIF Administrative Unit now flags a project for implementation risk if the project meets at least one of the following five criteria:

    I. The TFC committed funds to the project 4 years ago, but the project still is not effective.

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

    III. The project is within 15 months of the anticipated date of final disbursement but has

[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.
- 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 that 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.

disbursed less than 50 percent of program funds.

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

V. The project has been effective for at least 5 years with less than 50 percent of approved funds disbursed, and the anticipated date of final disbursement is more than 10 years after the effectiveness date.

18. The MDBs provide this information semi-annually, and the most recent information available is as of December 31, 2022. In some cases, MDBs more recent information, as indicated in the report. It is compared with projects flagged in the previous CTF Risk Report (which used data as of June 30, 2022).

19. CTF's risk score for implementation risk is **High** as 12 out of 152 projects representing USD 685 million of program funding have been flagged for this risk.

20. Table 1 illustrates the two projects (representing USD 67 million of program funding) that have been flagged under the first criterion.

Table 1: Projects with program funds committed for at least 4 years but not yet effective

Country	Project Title	MDB	Funding Amount (USD millions)	Cumulative Disb. as of December 31, 2022 (USD millions)	Disbursement Ratio	CTF Committee Approval Date	Years After Commitment Date
Indonesia	Renewable Energy Program (REP)	IFC	37.5	0.0	0%	8/9/2017	5.4
Kenya	DPSP II: Concessional Finance Program for Geothermal Generation	AfDB	29.7	0.0	0%	4/6/2016	6.7

21. Renewable Energy Program (REP) – Indonesia (IFC):

a. *Reason(s) for delay:* After several years of intensive work advancing a ground-breaking waste-to-energy project, progress came to a standstill in 2021 as COVID delays eventually derailed negotiations aimed at ensuring bankability improvements to the project agreements and adequate risk allocation between the project parties. Several other pipeline projects targeted by the REP have either been unable to proceed or are taking longer to develop due to regulatory and policy uncertainty in Indonesia.

b. *Measures underway to accelerate implementation:* To improve the deployment of CTF resources for private sector in Indonesia, IFC reallocated REP resources within its pipeline. The CTF funding under the Program is expected to support an advanced RE + storage project for which IFC has secured a mandate for financing. Various measures are underway to accelerate implementation and IFC Board approval is currently expected by October 31, 2023.

c. *Estimated timeframe within which the project will have disbursed ≥ 20 percent of CTF funds:*

By July 2024.

d. *Expected disbursement of CTF funds over the next 12 and 24 months:* 100% of the loan is expected to be drawn by May 2025.

22. DPSP II: Concessional Finance Program for Geothermal Generation – Kenya (AfDB):

a. *Reason(s) for delay:* The implementation of the Menengai geothermal program faced delays outside AfDB control that were linked to negotiations between the Project Developers and the Kenyan Authorities which are impacting the ability of the projects to reach financing close.

b. *Measures underway to accelerate implementation:* Reasons for delay are outside AfDB control. As a co-lender to the project with CTF and our own resources, AfDB continues participating and monitoring discussions between Project Developers, the Government of Kenya and prospective lenders. The Financial Documentation to one of the sub-projects that is benefiting from USD 20 million of the program have now been signed and lenders are waiting the Project Developer to meet all conditions precedent so that construction and disbursements can start. AfDB continues discussions with the Project Developer of the second and final project under this program.

c. *Estimated timeframe within which the project will have disbursed ≥ 20 percent of CTF funds:* 18 months.

d. *Expected disbursement of CTF funds over the next 12 and 24 months:* 70%

23. Table 2 illustrates the four projects (representing USD 269 million of program funding) that have been flagged under the second criterion. All the projects were flagged in the last Risk Report and 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 December 31, 2022 (USD millions)	Disbursement Ratio	CTF Committee Approval Date	Effectiveness Date	Months After Effectiveness Date
Philippines	Cebu Bus Rapid Transit Project	IBRD	25.0	0.0	0%	11/28/2012	12/3/2014	96
Vietnam	Ha Noi Sustainable Urban Transport Program - Project 2: Strengthening Sustainable Urban Transport for Hanoi Metro Line 3	ADB	49.0	4.5	9%	10/28/2014	7/9/2015	89
India	Solar Rooftop PV	ADB	175.0	11.6	7%	5/16/2016	7/25/2017	65
MENA Region	Noor-Midelt Phase 1 Concentrated Solar Power Project	AfDB	20.0	0.0	0%	6/29/2017	6/12/2017	66

24. **Cebu Bus Rapid Transit Project – Philippines (World Bank):** This project was also flagged under the fourth criterion (see below for description).

25. **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 fourth criterion (see below for description).

26. **Solar Rooftop PV – India (ADB):** This project was also flagged under the fourth criterion (see below for description).

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 with the successful bidder to finalize all contractual documentation that are key to launching the procurement process and eventually starting disbursements.

       Currently, 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 have yet to be finalized and executed. The conclusion of these contracts is a condition precedent to the start of project implementation.

       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:* Negotiations between key stakeholders are ongoing.

    c. *Estimated timeframe within which the project will have disbursed ≥ 20 percent of CTF funds:* 10 months (December 30, 2023)

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

       - 12 months: 25%
       - 24 months: 55%

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

29. Table 3 illustrates that seven projects representing USD 567 million of program funding have been flagged under the fourth criterion. All 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	Project Title	MDB	Funding Amount (USD Millions)	Cumulative Disb. as of December 31, 2022 (USD Millions)	Disbursement Ratio	CTF Committee Approval Date	Effectiveness Date	Initial Anticipated Date of Final Disbursement	Extended Anticipated Date of Final Disbursement
Philippines	Cebu Bus Rapid Transit Project	IBRD	25.0	-	0%	11/28/2012	12/3/2014	10/1/2021	6/30/2023
Vietnam	Ha Noi Sustainable Urban Transport Program - Project 2: Strengthening Sustainable Urban Transport for Hanoi Metro Line 3	ADB	49.0	4.5	9%	10/28/2014	7/9/2015	6/1/2019	6/30/2023
Vietnam	Ha Noi Sustainable Urban Transport Program - Project 1: Ha Noi Metro System Line 3	ADB	50.0	11.1	22%	10/28/2014	5/5/2017	12/31/2022	6/30/2023
India	Solar Rooftop PV	ADB	175.0	11.6	7%	5/16/2016	7/25/2017	12/31/2021	6/30/2023
India	Shared Infrastructure for Solar Parks - Phase I	IBRD	25.0	5.8	23%	1/13/2016	1/31/2018	11/1/2022	7/31/2023
India	Rajasthan Renewable Energy Transmission Investment Program (Multi-tranche Financing Facility / MFF)	ADB	195.0	73.6	38%	7/29/2013	11/6/2014	12/31/2021	9/25/2023
Ukraine	Second Power Transmission Project	IBRD	48.4	12.4	26%	11/4/2014	6/9/2015	10/1/2020	12/31/2023

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

    a. _Reason(s) for delay:_ The project was substantially delayed in the initial years, due to changes in leadership at the national and local levels following elections in June 2016 which put project implementation on hold for an extended period, and the consequent delays in procurement and mobilization of key consultants. Even after the implementation resumed in September 2018, the project once again faced delays as the COVID-19 pandemic and the quarantine protocols limited deployment of international and local consultants in the field and slowed down the activities of the government staff involved in the project.

       Considering these delays, the first restructuring (approved in June 2021) extended the project loan closing date by two years, up to June 30, 2023. Subsequently, the project made some progress in engaging key consultants. This momentum, however, was soon lost due to frequent staff turnover in the Department of Transportation (DOTr, the project implementing agency) and delays in filling critical positions at the project leadership level, and the absence of regular allocations from the annual budget of the GOP, which, in turn, delayed the procurement of and/or payments to the key consultants. Furthermore, the initial round of procurement for the first civil works package (Civil Works Package 1 or CW1) failed due to non-responsive bids, and the contract with the DED consultant was suspended for a prolonged period.

    b. _Summary of MDB's cancellation guidelines and rationale for not canceling the project:_ In the last 6-9 months, the Cebu BRT project has shown significant implementation progress. During the latest Implementation Support Mission in November 2022, a notable improvement was observed in the performance of the project, especially since the new administration following elections assumed office in July 2022. The project secured the budget allocation for CY2022, CW1 had been awarded and a dedicated Project Manager was appointed at the DOTr - BRT National Program Management Office (NPMO). Also, a critical amendment to the contract of the Engineering Design has been processed, thereby clearing the path of expediting the completion of the design of the civil works package. The project also received strong endorsement and support from all levels of the government: President Marcos mentioned Cebu BRT as a priority project in his first State of the Nation Address, the Mayor of Cebu City reaffirmed his commitment and support to the project and the Cebu Provincial Council's accorded approval for the revised project scope.

Based on these positive developments, the rating of the Implementation Progress was upgraded from "Moderately Unsatisfactory" to "Moderately Satisfactory" in the latest Implementation Support Review archived on December 22, 2022. At the same time, it became clear that a substantial portion of the project activities will not be completed by the closing dates of the loan financing from AFD (March 31, 2023) and CTF and WB (June 30, 2023). Furthermore, the project has been progressing in its implementation with 20% of IBRD funding disbursed as of April 2023. Since a substantial portion of the project activities will not be completed by the closing date, the government intends to make a formal request to extend the closing date to December 2025 to achieve Project Deliverable Objective (PDO). The Bank is expected to soon receive a request from the Government for a restructuring and loan extension to allow the project adequate time to complete all the balance activities and achieve its Project Development Objective. The Bank team will be processing this request and a draft restructuring paper would be submitted to the CIF Admin Unit to seek the approval from the CTF Trust Fund Committee. In the meantime, the Task Team has prepared a memo for the 2nd loan extension and restructuring in coordination with the Country Management Unit and has secured RVP's in-principle approval for the same.

As per the World Bank's Directive for Investment Project Financing, either the World Bank or the Borrower may decide to cancel an unwithdrawn amount of Loan in accordance with the provisions of the Loan legal agreement signed between the World Bank and the recipient. In addition, the World Bank may suspend the right of the borrower to make withdrawals from the loan account under specific conditions which will then lead to cancellation of the loan amount. As these conditions are not applicable to the project at hand, it does not warrant a cancelation or suspension of funds by the World Bank. Moreover, as previously stated, the situation faced by the World Bank's regional team is a delay in disbursement of CTF funding due to a delay in implementation.

c. *Measures underway to accelerate implementation:* A detailed action plan has been agreed between DOTr and The World Bank and AFD to cover all remaining key activities to be completed by the proposed extended loan closing date (December 2025). The progress of implementation of this detailed action plan is being monitored regulatory, and the project has continued to improve its performance with notable progress on some of the key elements of the detailed action plan which were envisaged to be either completed or have made substantial progress by now.

d. *Estimated timeframe within which the project will have disbursed ≥ 50 percent of CTF funds*:

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 revised the estimate 20 percent during 2023. This did not occur either. The World Bank now estimates that USD 5 million will be disbursed by Q3 2024.

e. *Expected disbursement of CTF funds over the next 12 and 24 months*: Two reporting cycles ago, 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 then revised these estimates in June 2022 to USD 4 million by the end of 2022 and USD 15 million by the end of 2023.

   The World Bank now estimates that USD 9.9 million will be disbursed in the next 12 months by Q4 of FY24, and an additional USD 9.7 million by Q4 of FY25.

31. **Ha Noi Sustainable Urban Transport Program - Project 2: Strengthening Sustainable Urban Transport for Hanoi Metro Line 3 – Vietnam (ADB) (Loan 8291):** This project has been flagged in each of the last eight reporting cycles.
32. At the government's request, the ADB (ADF) loan 3235 was closed in May 2020.[2] After the anticipated 2019 closure of the CTF loan 8291[3] ADB retroactively extended it to June 2023. ADB stated in the last Risk Report that it expected to extend the CTF loan to December 2025, but ADB now plans to extend it to June 2026.

   a. *Reason(s) for delay:*
   The project was delayed due to: (i) the changes compared to the original scope of work to align it with a number of other domestically funded work components along the project corridor, and (ii) heavy dependency on the Ha Noi Metro Rail System Project (Line 3: Nhon-Ha Noi Station Section) where most of this project's civil works can only be constructed once the Line 3 station construction work is near to its completion, particularly at underground stations.

   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 to December 31, 2022. It has since been extended again to June 30, 2023.

   b. *Summary of MDB's cancellation guidelines and rationale for not canceling the project:* The instructions on loan cancellation by ADB can be found in ADB's PAI 4.02, paras. 12-17.[4] However, in this case, ADB's PAI 4.03, paras. 8-15, the instructions relating to loan closing date extension, would be more relevant.[5] According to the PAI 4.03, para. 9, **the loan**

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[2] The ADF loan closed due to non-performance since the loan effectiveness and the government's new policy of not using ODA fund for capacity building and recurrent expenditure (e.g., project management support consultant).

[3] The government and IA requested ADB to retain the CTF loan to cover the remaining project's scope as it was sufficient after some minor changes.

[4] Project Administration Instructions (PAI) 4.02: Suspension and Cancellation of Loans (adb.org)

[5] Project Administration Instructions: Loan Closing Dates (adb.org)

closing date can be extended if it is justifiable to achieve the project outcome and outputs.

The rationale for not cancelling the project is: (i) the causes of the delay have been removed after extensive consultation with the government (see section c), and (ii) the project is progressing with the following measures (see section c) agreed between ADB and the counterparty.

The Ha Noi People's Committee (HPC) and Ha Noi Transport Construction Investment Project Management Unit (HTPMU) are committed to completing the project. Buses to be procured under the project will be electric buses, fully aligning with the government's aspiration for the transition to green energy and mitigation of GHG emissions from transport sources. The second loan extension enables the project to fully achieve its outcome and outputs.[6]

c. *Measures underway to accelerate implementation:* The following actions are being undertaken to further catch up the delay.

(i) Dependency on the Ha Noi Metro Rail System Project (the Line 3 project) was significantly reduced. ADB agreed with HTPMU on a new demarcation of works between the present project and the Line 3 project. HTPMU carved out three civil works packages totaling USD 4.1 million awaiting the Line 3 project progress, thereby allowing the remaining civil works of USD 10.2 million to proceed immediately. HTPMU awarded USD 8.7 million in December 2022 and will award the remaining USD 1.5 million within Q3 2023.[7]

(ii) For buses and equipment purchase (estimated USD 15.6 million to USD 28.7 million), HTPMU is at shortlisting stage for a consultant to design the bus system (estimated USD 0.6 million). After finalizing the design, in 2024 HTPMU will procure a supplier for delivery, and testing and operation in 2025. HTPMU expects completion of the separated USD 4.1 million civil works packages by Q4 2025. ADB and HPC regularly review and discuss measures to accelerate the progress.

ADB closely monitors the progress and regularly discusses any measures to accelerate the progress. ADB Country Director expressed his concerns on the slow progress to high-level government authorities during the ADB country portfolio review meeting and to the HPC leader at this project's groundbreaking ceremony in October 2022. The government and HPC leader reiterated their commitment to extend the project completion date in

[6] HPC approved the adjusted government's project document in January 2023 and adjusted project feasibility study to extend the project completion date in March 2023. In the same month, HTPMU and ADB reached agreement on the second loan extension until 30 June 2026 and HPC officially requested MOF for the second CTF loan extension. MOF is receiving comments from relevant ministries on the loan extension request so that the necessary process will be completed by 30 June 2023.

[7] Accounting for more than 50% of the total civil works value.

order to achieve the desired results.

d. *Estimated timeframe within which the project will have disbursed ≥ 50 percent of CTF funds:* ADB had anticipated that by 2022, 20 percent of the CTF loan amount would be disbursed, however this did not occur. The project team estimates that more than 50 percent of the CTF funds will be disbursed by the end of Q3 2025. The disbursement could be earlier depending on the actual contract value for bus and equipment. As of April 27, 2023, total disbursements reached USD 7.9 million (16%).

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

In the January 2022 Risk Report, ADB projected the following:

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

In the June 2022 Risk Report, ADB 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

As of December 31, 2022 ADB revised their projection to:

- 12-month projection (to December 31, 2023): USD 9.5 million to USD 10.5 million
- 24-month projection (to December 31,2024): USD 15.6 million to USD 18.8 million

The funds can be fully disbursed before mid-2026 and ADB has approved a second extension of the CTF loan agreement's closing date from June 30, 2023, to June 30, 2026.

33. **Ha Noi Sustainable Urban Transport Program - Project 1: Ha Noi Metro System Line 3 – Vietnam (ADB) (Loan 8302):** This project was flagged in the last four risk reports.

a. *Reason(s) for delay:* The Construction Package 03 (CP03) contract was signed on October 30,2015, but the works only commenced in February 2017 due to delayed site handover.[8] The contract progressed for 4.5 years until the contractor suspended their works on July 31, 2021, due to the employer's failure to comply with its material contractual obligations, including site access and payments, followed by a notice of contract termination submitted by the contractor on 30 October 2021. The actual physical progress of the package is 32.2 percent. The project's disbursement arrangement made the original ADB OCR loan disburse prior to the additional financing loan in which the CTF fund is allocated.

b. *Summary of MDB's cancellation guidelines and rationale for not canceling the project:* The instructions on loan cancellation by ADB can be found in ADB's PAI 4.02, paras. 12-17. However, in this case, ADB's PAI 4.03, paras. 8-15, the instructions relating to loan closing date extension, would be more relevant. According to the PAI 4.03, para. 9, the loan closing date can be extended if it is justifiable to achieve the project outcome and outputs.

[8] The project only finances the CP03 contract package that is the tunnel section of the Ha Noi Line 3 metro line.

The rationale for not cancelling the project is: (i) the causes of the delay have been removed (see section c), and (ii) the CTF funds disbursement was accelerated by front-loading it over the original ADB OCR loan.[9] **All the project co-financiers, i.e., AFD, DGT and EIB, support the extensions of their financing agreements to complete the project.[10]**

c. *Measures underway to accelerate implementation:* In 2022, ADB facilitated the negotiation between the CP03 contractor and HPC, and successfully reached agreement on the following two pending items for resumption of the works.[11] The contractor gradually resumed the works from October 26, 2022, and fully from 16 March 2023. The parties are addressing the remaining issues.

(i) Access to the site. HPC resolved with the relevant authorities to complete the pending land acquisition and compensation for the underground section and enabled the contractor to access the site of the underground section as required by the contractor in October 2022.

(ii) Claims for Additional Payment and Extension of Time. A dispute board (DB) triggered an effective resolution in addition to the resolution by the Engineer's determination.[12]

On April 26, 2022, the DB issued its decision on the dispute related to the 1st claim, and the payment was made.

On August 15, 2022, the DB issued its decision on the methodology for calculation of the quantum under the dispute related to the 2nd claim, and accordingly the contractor submitted claim amounts of USD 8 million for the Engineer's determination, and the payment was partially made.

For the 3rd claim, on September 15, 2022, the Engineer determined an extension of time of 56.3 months, i.e., a new completion date of 31 October 2026, and accordingly determined a correspondent additional payment of USD 14.2 million, and the payment was made.

d. *Estimated timeframe within which the project will have disbursed ≥ 50 percent of CTF funds:* The project team estimates that more than 50 percent of the CTF funds will be disbursed by December 31, 2023. As of May 20, 2023, total disbursements under Loan 8302 have reached USD 15.9 million (31.8 percent)

e. *Expected disbursement of CTF funds over the next 12 and 24 months:* ADB expects that

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[9] To accelerate CTF disbursement, ADB approved front-loading of the CTF funds disbursement over the original OCR loan on August 24, 2022. As of April 27, 2023, USD 11.1 million was disbursed from the CTF funds.

[10] In October 2022, Ha Noi People's Committee (HPC), the project executing agency, submitted an official project adjustment proposal to the Prime Minister (PM) for his approval. Upon completion of the government's internal procedure, MOF will send an official request for the second CTF loan extension to ADB.

[11] ADB engaged the senior procurement expert to analyze the gaps between the Vietnamese laws and the signed contract and facilitated the negotiation. ADB also fielded review missions in March, June, October, and December 2022.

[12] Within 84 days after receiving a dispute (in relation to the claims), the DB will give its decision which is binding to both contract parties

USD 28.0 million – USD 35.0 of the CTF funds will be disbursed by December 31, 2023 (next 12 months), and all CTF funds will be disbursed by June 30, 2024 (next 24 months).

34. **Solar Rooftop PV – India (ADB):**

a. *Reason(s) for delay:* The project executing agency, Punjab National Bank (PNB), has been unable to implement the program effectively due to internal reasons. While PNB had the demonstrated capacity at the time of its inclusion in the program to develop a dedicated team to implement solar rooftop financing, it took a long time in adopting the institutional policy and guidelines. Despite the institutional commitment, a systematic approach was not in place at an early stage and there was lack of staff assignments dedicated to the program implementation.

PNB was also embroiled in financial fraud cases in 2018, which resulted in changes in PNB management. While project implementation is not related to these cases in any way, PNB management's focus was shifted to restructuring and stabilizing the core banking operations rather than implementing the solar rooftop program.

b. *Summary of MDB's cancellation guidelines and rationale for not canceling the project:* Due to slow progress in utilizing the disbursed funds and pipeline build up, ADB has had a series of consultations with the Government of India. As a result, ADB suspended and canceled the Multi-tranche Financing Facility (MFF) tranche containing the CTF loan of USD 90.5 million toward PNB effective June 2021 as per the relevant ADB guidelines. To still achieve the MFF's intended outcome of increased solar rooftop capacity, the government of India requested ADB to include both the State Bank of India (SBI) and National Bank for Agriculture and Rural Development (NABARD) as additional borrowers and executing agencies under this MFF for the remaining program implementation. These financial institutions are expected to take over the program implementation, based on their (i) historical record of solar rooftop financing, (ii) proven technical and financial capacity to identify and promote similar projects, and (iii) subproject pipeline being tied up with key state entities. SBI and NABARD have already agreed in principle to take over implementation, subject to ADB's approval. ADB is internally processing a major change of the MFF facility that is proposed for restructuring with the additional borrowers and an extension of the MFF availability period for 3.25 years. **With this change, the program's outputs and outcome will still achieve the original impact**. There are no substantial and material changes in the MFF program in relation to the following aspects: (i) the strategic direction of the road map; (ii) the policy framework that ensures the viability or sustainability of the program; (iii) the sector covered by the investment program; and (iv) the investment types contemplated under the investment program.

c. *Measures underway to accelerate implementation:* ADB has been collaborating with a number of focal state power distribution companies and state governments in India, and their nodal renewable energy development agencies with the aim of aligning financing available under the MFF with the investment needs of the focal states.[13] These state entities have specific targets to install rooftop solar systems and plan to invest them by themselves or help private investors recover investment costs through electricity bills to the customers. These arrangements with state entities will improve credit risk profile of the residential rooftop solar investments. They are allowed to aggregate a larger number and size of rooftop solar systems and sell solar power in bulk to distribution companies. Eventually, this business approach can benefit distribution companies in (i) reducing distribution losses, especially from the residential customers; (ii) meeting the regulatory requirements of renewable purchase obligations; and (iii) procuring additional solar power without losing the existing retail customers. Thus, the program's focus has been shifted from the financial institution's own initiative to the state entity's partnership towards subsequent program implementation.

   Based on the focal state development approach, SBI and NABARD have identified pipelines of residential solar rooftop subprojects to finance. They are among the best-performing public financial institutions in India with sound and comprehensive corporate governance systems. Each institution's financial position is adequate in terms of capital adequacy, asset quality, management, earnings, liquidity, and sensitivity to market risk—following ADB's guidelines. SBI has already financed solar rooftop facilities equivalent to 600 megawatts (MW) with the World Bank, and NABARD has also been financing similar facilities that is equivalent to 267 MW with the Green Climate Fund. Both SBI and NABARD have project implementation units whose staff are familiar with solar rooftop subproject pipeline development and implementation. To expedite the operations, they plan to on-lend to other nonbanking financial companies widely to support solar rooftop financing needs, along with their housing loans. It is possible for them to provide their borrowers with longer financing terms than other commercial banks in similar transactions.

d. *Estimated timeframe within which the project will have disbursed ≥ 50 percent of CTF funds:* ADB is processing the above options for continuing to implement the MFF with additional borrowers. Following this step, restructuring of the MFF can be processed accordingly. Once ADB approves the restructuring a clearer implementation timeline and disbursement estimates will be shared.

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

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[13] The focal states include Gujarat, Delhi, Kerala, Telangana, Chandigarh, Uttar Pradesh, and Andhra Pradesh. For example, Telangana and Uttar Pradesh have 550 MW and 850 MW for pipeline subprojects, respectively. Telangana's state distribution company plans to invest and own rooftop solar systems and provide the corresponding residential customers with power generated from them. Uttar Pradesh intends to help residential customers repay their investment costs to financial institutions through monthly electricity bills.

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

a. *Reason(s) for delay:* The Government of Rajasthan (GOR) deferred the implementation of proposed subprojects under RRETIP multi-tranche financing facility (MFF) transmission investments.

b. *Summary of MDB's cancellation guidelines and rationale for not canceling the project:* Following extensive consultations, the Department of Economic Affairs, Ministry of Finance Govt. of India, has advised ADB to drop the processing of envisaged Tranche 3 under the MFF and to close MFF. Therefore, the MFF amount, including the remaining USD 110 million of CTF funds will be cancelled with the closure of MFF. ADB due process will be followed, and these funds will be returned to CTF.

c. *Measures underway to accelerate implementation:*
- The GOR has sought ADB assistance totaling USD 110 million from CTF and USD 70 million from ADB-OCR for RRVPNL under the MFF through the Department of Economic Affairs Ministry of Finance of the GOI.
- Due to the Honorable Supreme Court of India interim stay order in April 2021 on construction of overhead transmission lines in Rajasthan, Tranche 3 loan processing was put on hold. The Honorable Supreme Court of India ruling on the same is still awaited.

d. *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, but now no further disbursements are anticipated.

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 the Supreme Court's stay order on the 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 Supreme Court of India. CTF funds may not be utilized by MFF closing date of September 23, 2023.

e. *Expected disbursement of CTF funds over the next 12 and 24 months:* Given the current situation, no disbursements are expected.

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

a. *Reason(s) for delay:* Disbursements were impacted due to a condition requiring the acceptance of the project's operations manual before disbursements could occur. This disbursement condition is now lifted and the cumulative disbursement of about USD 7.5 million will be submitted by the borrower shortly.

This project has created substantial private sector leverage, upwards of 22 times directly and upwards of 40 times when include technical assistance and other activities. This project is important to continue as 1500 MW solar parks are already under construction. So, the project will need to support these solar parks till commissioning.

b. *Measures underway to accelerate implementation:*

- Extension request for another 8 months is under process to extend the closing date from July 2023 to March 2024.
- Process to lift the disbursement condition for the new solar parks is completed now.

c. *Estimated timeframe within which the project will have disbursed ≥ 50 percent of CTF funds:* Another extension of eight months is being processed.

d. *Expected disbursement of CTF funds over the next 12 and 24 months:* USD 19.15 million.

37. **Second Power Transmission Project – Ukraine (World Bank):** The amount of disbursed CTF funds increased by USD 0.6 million in FY23. This project has been flagged in the last six reporting cycles.

a. *Reason(s) for delay:* The Project has been significantly affected by Russia's invasion of Ukraine, causing significant delays in the implementation due to inability to enter the projects sites. All substation contracts were declared as force majeure immediately after the start of the invasion. Since then, the contractors have not been able to enter the sites. The situation further deteriorated when military attacks targeted transmission substations in October 2022. Many substations including the project substations, namely Zhytomyrska, Sumy, and Rivne, were damaged due to these attacks. Closing dates of most of the contracts have been extended to December 2023. The World Bank expects the project's closing date further extended for another 18 months and the request letter is expected to be issued by the Ministry of Finance in May 2023. The Bank RVP's in-principle agreement for the extension was obtained in April 2023.

b. *Measures underway to accelerate implementation:* The Bank has introduced regular online meetings with the Ukrenergo PIU to expedite the implementation.

c. *Estimated timeframe within which the project will have disbursed ≥ 50 percent of CTF funds:* World Bank expected the disbursement of the CTF loan to accelerate in early 2019 and disbursements to reach 50 percent in 2022, but these did not occur.

The World Bank revised their projections, expecting disbursements to reach to 50 percent during FY2023 but this also did not occur.

d. *Expected disbursement of CTF funds over the next 12 and 24 months:* The World Bank expects the project to be fully disbursed in 24 months.

38. Table 4 illustrates the two projects representing USD 71 million of program funding that have been flagged under the fifth criterion.

Table 4: CTF projects effective for at least 5 years and closure dates of more than 10 years after effectiveness, with less than 50 percent of approved funds disbursed

Country	Project Title	MDB	Funding Amount (USD Millions)	Cumulative Disb. as of December 31, 2021 (USD Millions)	Disbursement Ratio	CTF Committee Approval Date	Effectiveness Date	Initial Anticipated Date of Final Disbursement	Years Between Commitment Date and Anticipated Date of Final Disbursement
Ukraine	District Heating Modernisation Program (the Program)	EBRD	41.1	19.3	47%	5/1/2014	10/24/2014	**10/31/2038**	**24.0**
Regional	DPSP II: SEMed Private Renewable Energy Framework (SPREF)	EBRD	29.5	10.7	36%	2/11/2015	11/26/2015	**6/1/2039**	**23.5**

39. District Heating Modernisation Program (the Program) – Ukraine (EBRD):

Reason(s) for delay: Municipal/sub-sovereign projects, in particular district heating projects, generally take longer to implement and thus disburse. Over the past several years, delays were first related to COVID and associated restrictions, which slowed down implementation of certain assignments. More recently, projects in Ukraine have seen additional delays related to the ongoing war.

Sub-projects with slower disbursements are multi-stage, multi-component projects with a number of conditions precedent for disbursements, which all adds time to overall timeline. Despite delays, implementation of these sub-projects is still ongoing.

a. *Measures underway to accelerate implementation:* Close engagement is maintained with the clients under sub-projects with delays. Since the disruptions caused by COVID and during early days of the Russian invasion, implementation is returning back on track.

b. *Estimated timeframe within which the project will have disbursed ≥ 50 percent of CTF funds:*

c. *Expected disbursement of CTF funds over the next 12 and 24 months:* This is partially contingent on how the situation develops in Ukraine, but current expectation is that there will be further progress in implementation of district heating sub-projects (which are responsible for most of the undisbursed funding) and related disbursements.

40. DPSP II: SEMed Private Renewable Energy Framework (SPREF) – Regional (EBRD):

a. *Reason(s) for delay:* The main reason for the delay and a significant portion of funds remaining undisbursed is that these funds are yet to be Board approved. These funds had been allocated to sub-projects under Tunisian state tender, and it took much more time to finalize these sub-projects compared to original expectations. More details on this can be found in the most recent extension request submitted for this programme.

b. *Measures underway to accelerate implementation:* The banking team is working closely with the clients and Tunisian authorities to finalize the sub-projects that will utilize the remaining undisbursed funding.

c. *Estimated timeframe within which the project will have disbursed ≥ 50 percent of CTF funds:*

d. *Expected disbursement of CTF funds over the next 12 and 24 months:* Remaining undisbursed funding will either be fully disbursed over the next 12 months or will be cancelled.

2.1.1 MDB cancellation guidelines and criteria

41. 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

42. 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.

43. During the reporting period CTF received an additional GBP 67.1 million promissory notes. Additionally, the GBP appreciated against the USD by 11.8 percent, causing CTF's GBP 315 million promissory notes to increase in value. The unrealized loss associated with these notes decreased from USD 50 million to USD 17 million (see Table 5). CTF's exposure to this risk remains **Low**. It should be noted, however, that as additional GBP-denominated promissory notes are received, exposure to currency risk will increase. The program's currency risk has been **Low** in the last six reporting cycles, and **High** for the preceding four reporting cycles.

Table 5: CTF currency risk exposure summary

Currency Risk Exposure (Millions) as of March 31, 2023							
Program	**Original Amount Pledged/ Received**	**Pledged Amount Outstanding/ Unencashed**	**Realized Currency Gain/ (Loss)**	**Unrealized Currency Gain/ (Loss)**	**Risk Likelihood**	**Risk Severity**	**Risk Score**
CTF	£1,444.8	£314.9	($191.5)	($16.9)	Possible	Minimal	**Low**

2.3 Resource availability

44. 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.

45. As of March 31, 2023, CTF experienced a surplus in available resources of USD 608 million vs a surplus of USD 121 million as of September 30, 2022, largely due to additional receipts of pledged contributions and USD 29 million in project cancellations. The risk that CTF will be unable to fund all projects in its pipeline decreased and remains **Low**.

46. 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

47. 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.

48. 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.

49. 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.

50. Due to the nature of the ongoing war in Ukraine, the CIF Administrative Unit is now incorporating the assumption that recipients will default on all disbursed amounts to projects in Ukraine.

2.4.1 Public sector exposure

51. 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 18 sovereigns with ratings ranging from CC (Ukraine) to BBB+ (Peru and Philippines).

52. For CIF, public sector rating agency credit ratings have been an extremely poor predictor of defaults and expected losses. CIF has been operational for over 14 years and has experienced no payment defaults on any of its public sector loans, 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 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) with the exception of Ukraine (see previous subsection).

2.4.2 Private sector exposure

53. 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[14] 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 4).

Table 4: Total loan portfolio credit risk exposure summary

Committed Loan Portfolio Credit Risk Exposure (as of 03/31/2023) and Defaulted Amounts Outstanding							
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]**
Loans	Public	BB-[8]	3,021.3	0.0%	0.0%	0.0%	0.0
	Private	B[7,4]	727.5	21.0%	42.9%	9.0%	65.5
Ukraine Exposures[9]		**D**	**152.5**	**100.0%**	**67.6%**	67.6%	**103.1**
Defaults	Active[10]	D	23.5	100.0%	67.6%	67.6%	15.9
	Expected Defaults[11]	D	35.5	100.0%	67.6%	67.6%	24.0
Written Off Loans		NA	39.4	100.0%	100.0%	100.0%	39.4
Portfolio			**3,999.8**			**6.2%**	**247.9**

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: Corporate default rate will rise in 2023 and peak in early 2024
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: Corporate default rate will rise in 2023 and peak in early 2024 (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). 5-year Average Cumulative Issuer-Weighted Global Defalt Rates from the period of 1983-2021 as published in
Moody's Annual default study: Corporate default rate will rise in 2023 and peak in early 2024
9. Ukraine exposures are based on disbursed amounts, not committed amounts because it is assummed that further disbursements will be minimal until there is a material improvement in the operating environment in this country.
10. Includes one USD 19 million guarantee.
11. Includes on USD 2 million guarantee.

2.4.3 Update on loans currently experiencing payment defaults

54. In total eight private sector CTF loans representing EUR 29 million, four private sector loans representing USD 30 million have defaulted.

[14] 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: CTF loans experiencing payment defaults

Loans in Active Default - EUR

	Amount Outstanding at time of default
	1,042,084
	1,700,000
	1,489,714
	1,142,857
TOTAL	**5,374,656**

Loans Written Off - EUR

	Amount Outstanding at time of default	Unrecoverable Amount
	15,500,000	15,500,000
	465,393	465,393
	1,873,846	1,723,846
	5,540,195	5,040,195
TOTAL	**23,379,434**	**22,729,434**

Loans in Active Default - USD

	Amount Outstanding at time of default
	11,872,898
	3,016,373
TOTAL	**14,889,271**

Loans Written Off - USD

	Amount Outstanding at time of default	Unrecoverable Amount
	1,500,000	1,500,000
	13,137,286	10,604,965
TOTAL	**14,637,286**	**12,104,965**

55. Four transactions are currently at risk of default.

i. The USD 19 million guarantee flagged in the last Risk Report remains at imminent risk of being called. Because this is a first loss guarantee, CTF's loan contributors would not share in any losses associated with this transaction.

ii. MDBs have reported implementation challenges with multiple CIF projects in Haiti due to political instability, and one project (~USD 4 million outstanding) is now at material risk of imminent default.

iii. The recipient of a USD 3 million equity investment is experiencing significant financial challenges. The CIFAU does not expect to recover any if its investment in this transaction.

iv. A USD-denominated loan with USD 12.5 million outstanding is experiencing financial distress and the CIFAU expects that material losses associated with this transaction will be incurred at maturity. The loan was restructured into local currency, with all principal now due at maturity in 2029 (principal was being repaid according to an amortization schedule under the original loan agreement). The borrower is currently deferring interest payments which, under the terms of the restructuring, is now permitted. Deferred interest payments are being added to the outstanding principal. Therefore, this loan is not currently in default.

2.5 Fraud and sexual exploitation and abuse

56. 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.

57. 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 Office of Institutional Integrity and Sanctions System: Annual Report
- World Bank Group – Integrity Vice Presidency Annual Report

2.6 Forced Labor

58. 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.

59. 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.

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

Annex A: CTF Available Resources

CTF TRUST FUND - RESOURCES AVAILABLE for COMMITMENTS *Inception through March 31, 2023* *(USDeq. millions)*		As of March 31, 2023 USDeq.
		Total
Cumulative Funding Received		
Contributions Received		
Cash Contributions		6,209.28
USD converted to Euro for Euro commitments		(0.33)
Unencashed promissory notes	a/	389.73
Total Contributions Received		6,598.68
Investment Income and Other Resources		
Investment Income		371.88
Other income	b/	26.55
Total Other Resources		398.43
Total Cumulative Funding Received (A)		**6,997.10**
Cumulative Funding Commitments		
Projects/Programs		7,051.86
MDB Project Implementation and Supervision services (MPIS) Costs		59.02
Cumulative Administrative Expenses		138.20
Total Cumulative Funding Commitments		7,249.08
Administrative Expense Cancellations	c/	(6.88)
Projects/Programs, MPIS Cancellations	d/	(1,845.44)
Net Cumulative Funding Commitments (B)		**5,396.76**
Funding Availability(A - B)		**1,600.34**
Country Engagement Budget reserve FY23	e/	**(0.26)**
CTFPF Admin and MPIS set aside	f/	**(29.73)**
Currency Risk Reserves- GESP	g/	**(37.13)**
Currency Risk Reserves- ACT	g/	**(21.33)**
Unrestricted Fund Balance for Trustee Commitments -Projects/Programs and Admin (C)		**1,511.89**
Net investment income available for Admin Budget commitments and the loan losses (D)		**237.11**
Unrestricted Funding Available for Projects/Programs commitments (E = C - D)	h/	**1,274.78**
Unrestricted Funding Available for Projects/Programs commitments -DPSP III and other old programs-50% of this would be moved To GESP and balance would be for Futures Program- As of Reporting date- 342.65/2- (Futures program Commitment (USD 57.9 mn))= USD 113.43 million available for Futures program	h/	284.75
Unrestricted Funding Available for Projects/Programs commitments -GESP . Add 171.33 million from above line item. Total available for GESP for the reporting period-171.33+195.59= USD 366.92 million	h/	195.59
Unrestricted Funding Available for Projects/Programs commitments -ACT		267.05
Unrestricted Funding Available for Projects/Programs/commitments -CTF Parallel Fund (Canada and USA Loan for ACT program)	i/	527.38
Anticipated Commitments for Projects/Programs		
Projects/Programs Funding and Fees- Futures Program		58.00
Projects/Programs Funding and Fees- CTF Dedicated Private Sector Programs (DPSP)- Phase IV		608.54
Total Anticipated Commitments (F)	j/	**666.54**
Available Resources for Projects/Programs (G = E -F)		**608.24**
Potential Future Resources		
Contribution Receivable	k/	1,414
Pledges		-
Release of Currency Risk Reserves	g/	58.46
Total Potential Future Resources (H)		**1,472.31**
Potential Available Resources for Projects/Programs (G+H)		**2,080.55**
Potential Net Future Resources for Admin Expenses and Loan Losses		
Projected Investment Income from Jan 2023 to FY26 (I)	l/	116.20
Projected Administrative Budget (FY24-28) (J)	m/	65.00
Potential Net investment income available for Admin Expenses and Loan losses (K= I -J)		**51.20**
Potential Available Resources for Admin Expenses and Loan Losses (D + K)	n/	**288.31**

a/ Represents the USD equivalent of the UK's GBP 315.9 million outstanding PNs.
b/ Return of funds pursuant to the Financial Procedures Agreements for Investment income from MDB's.
c/ Represents unused admin budget refunds, Country Programming Budget revisions/cancellations by MDBs, Trustee and CIFAU.
d/ Cancellation of program and project commitments approved by the committee
e/ 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.
f/ As per terms of the the contribution agreement for CTFPF, 6% of contribution receipts are reserved for administrative and MPIS cost of the program.
g/ Represents amounts withheld to mitigate over-commitment risk resulting from fluctuations in currency exchange rate which affect the value of outstanding non-
h/ 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 remaining 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 CTF Futures Window aligns with the agreed approach with respect to the investment criteria for the new CIF programs endorsed in 2020/21". The EURO balance available for commitments in EURO currency is nil.

i/ Represents Canada's Loan contbution/s of CAD 600 million in the CTF Parallel Fund.
j/ Based on anticipated commitment pipeline information provided by CIFAU
k/ Represents contribution receiveable from the United Kingdom GBP 85.1 million and Germany EUR 145 million. For CTF Parallel Fund Contribution receivable from Canada for 400 mn CAD and United States USD 855.71 Million.

l/ Represents 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.
m/ FY22 Budget commitment approved by TFC in June 2022 was USD 13 million for Administrative services . The amount approved for FY23 Administrative Services was extrapolated for 5 years.Projected administrative budget includes resources for administrative services provided by the CIF AU, Trustee and MDBs.
n/ Losses on outgoing CTF Financial Products will be shared as stipulated in the Principles regarding Contributions to the CTF and will be covered from the Net income (net investment income, interest and guarentee fees received in excess of 0.75%), to the extent available.

Annex B: Public Sector Recipient Credit Ratings and Exposures

		Credit Rating				PD	LGD	
Beneficiary Country	Amount	Least Rating (As per S&P)	S&P	Moody's	Fitch	1983-2022	1983-2022	EL Implied by Ratings
Brazil	10,000,000	BB-	Ba2	Ba2	BB-	12.0%	60.2%	
Burkina Faso	91,000,000	CCC+	NR	NR	NR	30.0%	61.5%	
Colombia	70,422,263	BB+	Baa2	Baa2	BB+	5.1%	60.2%	
Ecuador	23,000,000	CCC-	Caa3	Caa3	B-	30.0%	61.5%	
Egypt, Arab Republic of	124,083,894	B-	B3	B3	B+(N)	25.6%	62.0%	
Honduras	16,400,000	B+	B1	B1	NR	15.6%	62.0%	
India	730,000,000	BBB-	Baa3	Baa3	BBB-	2.4%	57.9%	
Indonesia	214,311,085	BBB	Baa2	Baa2	BBB	1.3%	57.9%	
Maldives	23,000,000	CCC+	Caa1	Caa1	B-(N)	30.0%	61.5%	
Mexico	240,529,668	BBB-	Baa2	Baa2	BBB-	2.4%	57.9%	
Morocco	628,792,354	BB+	Ba1	Ba1	BB+	5.1%	60.2%	
Peru	9,500,000	BBB	Baa1(N)	Baa1(N)	BBB(N)	1.3%	57.9%	
Philippines	32,412,223	BBB	Baa2	Baa2	BBB(N)	1.3%	57.9%	
South Africa	349,932,473	BB-	Ba2	Ba2	BB-	12.0%	60.2%	
Tanzania	22,000,000	B	B2(P)	B2(P)	NR	20.4%	62.0%	
Turkiye	196,200,000	B-	B3	B3	B(N)	25.6%	62.0%	
Ukraine	181,896,665	CC	Ca	Ca	CC	62.5%	61.6%	
Vietnam	119,319,028	BB	Ba2	Ba2	BB(P)	6.6%	60.2%	
Total	**3,082,799,653**	**BB-**				**11.6%**	**59.6%**	**6.9%**

Annex C: Defaults - Details

Active Loans in Default

Loan Amount	Amount Outstanding at time of default	Principal Repaid	Currency	Missed Interest Payments Date	Missed Interest Payments Amount	Paid Delinquent Interest Date	Paid Delinquent Interest Amount	Missed Principal Repayments Date	Missed Principal Repayments Amount	Repaid Delinquent Principal Date	Repaid Delinquent Principal Amount	Default Interest	Paid Default Inerest Date	Paid Default Inerest Amount	Total Amt Past Due
1,076,857	1,042,084	34,773	EUR	4/19/2022	2,707			4/19/2022	42,338						90,228
				10/17/2022	2,845			10/17/2022	42,338						
				TOTAL	**5,552**		**-**		**84,676**		**-**	**-**		**-**	
2,000,000	1,700,000	300,000	EUR	4/19/2022	7,363			4/19/2022	100,000						215,634
				10/17/2022	6,788			10/17/2022	100,000			1,484			
				TOTAL	**14,150**		**-**		**200,000**		**-**	**1,484**		**-**	
1,750,500	1,489,714	260,786	EUR	4/19/2022	6,353			4/19/2022	87,630						93,983
				TOTAL	**6,353**		**-**		**87,630**		**-**	**-**		**-**	
2,000,000	1,142,857	857,143	EUR	5/16/2022	2,679	12/20/2022	(2,679)	5/16/2022	95,238						381,077
				8/15/2022	2,528	12/20/2022	(2,528)	8/15/2022	95,238			186	12/20/2022	(186)	
				11/15/2022	2,373	12/20/2022	(2,373)	11/15/2022	95,238			375	12/20/2022	(375)	
				2/15/2023	2,190	16/03/2023	(2,066)	2/15/2023	95,238			531	16/03/2023	(531)	
				TOTAL	**9,770**		**(9,645)**		**380,952**		**-**	**1,092**		**(1,092)**	
12,065,953	11,872,898	1,660,206*	USD	8/1/2017	245,688			8/1/2017	96,528						6,482,049
				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			
				2/1/2020	232,829			2/1/2020	180,989			60,348			
				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			
				8/1/2022	205,364			8/1/2022	422,308			149,652			
				2/1/2023	197,705			2/1/2023	452,473			174,443			
				TOTAL	**2,733,092**		**-**		**2,823,433**		**-**	**925,524**		**-**	
3,620,000	3,016,373		USD	5/15/2022	417,784			5/15/2022	3,016,373			478,624			3,032,668
				11/15/2022	100,015	11/15/2022	(401,489)					145,988	11/15/2022	(478,624)	
						12/19/2022	(100,015)			12/19/2022	(127,634)		12/19/2022	(145,988)	
				TOTAL	**517,799**		**(501,504)**		**3,016,373**			**624,612**		**(624,612)**	
261,750,000	174,298,706 **, ***	43,844,406	MXN	11/15/2019	1,284,515	12/13/2019	(117,444)	11/15/2019	N/A			N/A			
				2/15/2020	1,270,371	2/15/2020	-	2/15/2020	N/A			N/A			
				5/15/2020	1,082,639	5/15/2020	(270,000)	5/15/2020	N/A			N/A			
				8/15/2020	955,096	8/15/2020	(75,000)	8/15/2020	N/A			N/A			
				11/15/2020	780,594	11/15/2020	(780,594)	11/15/2020	N/A	11/15/2020	(219,406)	N/A			
				2/15/2021	735,326	2/15/2021	-	2/15/2021	N/A			N/A			
				5/15/2021	703,397	5/15/2021	-	5/15/2021	N/A			N/A			
				8/15/2021	733,101	8/15/2021	-	8/15/2021	N/A			N/A			
				11/15/2021	828,302	11/15/2021	-	11/15/2021	N/A			N/A			
				2/15/2022	925,557	2/15/2022	-	2/15/2022	N/A			N/A			
				5/15/2022	1,101,646	5/15/2022	-	5/15/2022	N/A			N/A			
				8/15/2022	1,333,949	8/15/2022	-	8/15/2022	N/A			N/A			
				11/15/2022	1,657,307	11/15/2022	-	11/15/2022	N/A			N/A			
				2/15/2023	1,958,445	2/15/2023	-	2/15/2023	N/A			N/A			
				5/15/2023	2,116,797	5/15/2023	-	5/15/2023	N/A			N/A			
				TOTAL	**17,467,044**		**(1,243,038)**		**-**		**(219,406)**	**-**		**-**	

*** USD 1,660,206 was reported in the last Risk Report.**

**** This loan is not in contractual default, but it is missing interest payments (which are deferred and added to the outstanding principal amount as per the provision in the loan agreement), and material losses are expected upon maturity of the loan.**

***** This loan was originated in USD (15 million), but was restructured into MXN.**

Loan Write Offs

Amount Outstanding at time of default	Principal Repaid	Currency	Description	Total Amt Past Due
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**
1,500,000	325,777	USD	There is little likelihood of recovering CTF funds.	**1,500,000**
13,137,286		USD	This loan was sold in 2022 for USD 2,532,320.77, resulting is a loss of USD 10,604,965.10.	**10,604,965**
465,393	3,734,607	EUR	The loan has been assigned to their shareholders (all underlying assets destroyed as a result of direct fighting taking place in and around the town of Volnovakha)	**465,393**
1,873,846	171,908	EUR	This loan was sold in 2023 for USD 150,000, resulting is a loss of USD 1,723,846	**1,723,846**
5,540,195	98,958	EUR	This loan was sold in 2023 for USD 500,000, resulting is a loss of USD 5,040,195	**5,040,195**

Guarantees Called

Guaranteed Amount	Guarantee Type	Currency	Amount Recovered
1,988,247	1st Loss Guarantee	USD	-

Annex D: Update on Projects in Ukraine

MDB	Project Name	Project Status	Actual or Expected Impact of War (E.g. - Delay in readiness for MDB Board Approval - Delay in anticipated Effectiveness - Delay in Implementation - Suspension of Operations of Fully Implemented Project - Payment Default - Expected Results, Cofinancing Ratio, Other Key Metrics - PROJECT CANCELLATION)	If Applicable, Expected Extent of Delay (Months)	If Applicable, Approximate Date Operations were Suspended	Description of how these Impacts are Attributable to the War	Proposed Course of Action (E.g. - Extend Approval Timeline - Extend Implementation Timeline - Restructure Project - Cancel Project - Extend Grace Period or Loan Maturity - Accelerate Loan/Legal Action)
IBRD	District Heating Energy Efficiency Project	MDB Board Approval	Delay in implementation				
IBRD	Second Power Transmission Project	MDB Board Approval	Delay in implementation	2-3 years cumulative		The conflict has affected the contract implementation for CTF financed packages, leading to delayed implementation. However, given the nature of the packages, meaning mostly smart grid and digital related technologies, which can be mostly implemented and commissioned remotely, the packages remain expected to be completed in almost full scope. Even for some packages, some additional modules and/or modifications are needed to accommodate new power system operation mode under the ENTSO-E. To fully complete the packages (also IBRD financed packages), the project will be extended by 18 months.	Extend Implementation Timeline (Project Closing Date) from Dec 2023 to June 2025
IBRD	Second Urban Infrastructure Project (UIP-2)	MDB Board Approval	Delay in implementation				
IBRD	GESP: Improving Power System Resilience for European Power Grid Integration	MDB Board Approval	Effectiveness has been attained. Project restructured. Change in the size of Battery/storage specifications.	1-2 years delay		The Project has been restructured to include the CERC component to enable quick restoration of the damaged hydro plant facilities. While the overall battery size might need to be reduced, most of the original batteries are expected to be installed, subject to the remaining IBRD fund after financing the urgent restoration work. If needed, the additional finance for IBRD could be processed. The Borrower remains keeping strong interest in battery storage and started preparation for hiring design consultancy for battery storage.	to be revisited in FY24
EBRD	Sustainable Energy Lending Facility (USELF)	MDB Board Approval	Various sub-projects impacted in different ways: payment defaults; suspension of operations.	N/A	2/24/2022	Ecoprod sup-project facilities located on the territories captured by the invading Russian forces. Most of these facilities damaged beyond repair, and remain under Russian control.	Cancellation of Ecoprod is considered.
EBRD	DPSP III: Finance and Technology Transfer Centre for Climate Change (FINTECC): Ukraine Agribusiness Waste Residues Window	MDB Board Approval	Payment defaults; suspension of operations	N/A	2/24/2022	Some production facilities were located on the territories captured by the invading Russian forces, and got damaged during that time. Since then these returned under Ukrainian control, but repairs/reconstruction is yet to be done.	Monitor situation with sub-projects.
EBRD	DPSP III: Turkey and Ukraine Green Cities Programme	MDB Board Approval	Delay in readiness for EBRD Board approval	12-18 months	N/A	Pipeline of projects in Ukraine put on hold for the foreseeable future as the projects cannot go ahead under current circumstances.	Extending approval and implementation timelines may be necessary. Potentially also restructuring of programme.
EBRD	District Heating Modernisation Program (the Program)	MDB Board Approval	Various sub-projects impacted in different ways: delays in implementation; payment defaults; suspension of operations.	6-12 months	2/24/2022	Sub-projects in some municipalities in the east and south east of the country have been directly damaged as a result of the invasion and fighting. In the case of Kremenchuk, key facilities in the city have been damaged by missile strikes. Damage from missile strikes in other cities too. Financial position of most clients strained as a result of the ongoing war.	Monitor situation with various sub-projects. Extending implementation timeline may be necessary for some sub-projects. In case of sub-projects that have been impacted the most (Mariupol Trolleybus, Kharkiv Trolleybus), cancellation or restructuring is considered.
EBRD	Sustainable Energy Lending Facility (USELF)	MDB Board Approval	Various sub-projects impacted in different ways: payment defaults; suspension of operations.	N/A	2/24/2022	Ecoprod sup-project facilities located on the territories captured by the invading Russian forces. Most of these facilities damaged beyond repair, and remain under Russian control.	Cancellation of Ecoprod is considered.
EBRD	DPSP III: Finance and Technology Transfer Centre for Climate Change (FINTECC): Ukraine Agribusiness Waste Residues Window	MDB Board Approval	Payment defaults; suspension of operations	N/A	2/24/2022	Some production facilities were located on the territories captured by the invading Russian forces, and got damaged during that time. Since then these returned under Ukrainian control, but repairs/reconstruction is yet to be done.	Monitor situation with sub-projects.
EBRD	DPSP III: Turkey and Ukraine Green Cities Programme	MDB Board Approval	Delay in readiness for EBRD Board approval	12-18 months	N/A	Pipeline of projects in Ukraine put on hold for the foreseeable future as the projects cannot go ahead under current circumstances.	Extending approval and implementation timelines may be necessary. Potentially also restructuring of programme.
IFC	DPSP III: Sustainable Urban Infrastructure	MDB Board Approval	Delay in Implementation	Uncertain	N/A	Program has: - two (2) Board approved and committed (effective) sub-projects that are currently on hold. No funds have disbursed; - One (1) Board approved sub-project on hold pending commitment (effectiveness)	
IFC	DPSPIII: Sustainable Energy Finance Program - Tunisia & Ukraine	MDB Board Approval	None at this time	N/A	N/A	The sub-project is still performing and current on debt service, including two partial prepayments in August and December 2022.	N/A

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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