CIF CLIMATE INVESTMENT FUNDS

Investing in the future

Meeting of the CTF Trust Fund Committee

Washington D.C. (Virtual)

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CTF RISK REPORT

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CTF/TFC.25/4
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PROPOSED DECISION

The CTF Trust Fund Committee reviewed the document, CTF/TFC.25/4, *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. Since the last report, global and local economic conditions in all CTF recipient countries where projects are being implemented have significantly deteriorated due to the advent of the COVID-19 pandemic (the pandemic). The pandemic constitutes an unprecedented global macroeconomic shock of uncertain magnitude and duration. The urgent objective of most governments during this crisis is to save lives. The duration of the pandemic is difficult to predict at this time, as are the extent and efficacy of economic interventions by governments and central banks, and recalibration of budgetary priorities in recipient countries. In light of the pandemic, all CIF programs face heightened credit, market and operational risks.

2. More specifically, the CIF Administrative Unit expects the impacts of the pandemic to:

   - delay project implementation;
   - affect the volume and timing of disbursements to funding recipients as projects are delayed;
   - increase project cancellations;
   - increase demand for more concessionality by multilateral development banks (MDBs) and funding recipients for pipeline projects, including requests to convert non-grant financing instruments into grants;
   - affect the timing of repayments from loan recipients due to loan restructurings to allow for longer grace periods and maturities;
   - increase credit risk and expected credit losses.

3. The CIF Administrative Unit is noting that these impacts are already occurring, and this report outlines some of the impacts which the CIF Administrative Unit expects the pandemic to have on project implementation, as well as expected credit losses. Understanding of the length and severity of the impacts of the pandemic will continue to evolve and the CIF Administrative Unit will continue to provide updates on such developments.

4. Developing countries including some CIF recipients, were already heavily indebted coming into the pandemic and face acute fiscal and monetary constraints to buffer the real economy from the adverse effects of the lock down and social distancing measures put in place to limit the pandemic. This heightens the risk of governments in developing countries reneging from funding climate related projects as they focus on ameliorating the effects of the pandemic on the economy. The role and business model of the CTF to provide tailored appropriate concessional financing to incentivize and enable recipient countries to fund climate related projects has become more relevant and urgent to enable a sustainable green recovery.

5. This report presents an assessment of the more significant risk exposures facing the Clean Technology Fund (CTF). Data as of December 31, 2019 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, 2019 for implementation risk). Certain projects use more updated information, as indicated in the report. Data as of September 30, 2020, 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, 2019 for these risk assessments).

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

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

7. Implementation risk for CTF remains **High** as six out of 104 projects representing USD 271 million (five percent) of program funding have been flagged for implementation risk. The CIF Administrative Unit expects the program's exposure to this risk to increase due to the anticipated impacts of the pandemic. The program's implementation risk score has been **High** for the past six reporting cycles.

8. During the previous reporting period, the Trustee encashed all of the remaining GBP 345 million of promissory notes, eliminating the CTF's currency risk from promissory notes. During the current reporting period, the UK contributed GBP 187 million of new promissory notes, but the currency risk exposure from this new contribution is expected to remain minimal as the unrealized losses associated with these notes is USD 4 million. Thus, the program's exposure to this risk is **Low**. It should be noted, however, that if these notes remain unencashed for a prolonged period, they will be exposed to greater fluctuations in foreign exchange rates. The program's currency risk score has been **Low** for the current and prior reporting cycles but had been **High** for the preceding four reporting cycles.

9. Credit risk exposure for CTF has increased and remains **High**. Inclusion of lower income countries in the Dedicated Private Sector Program's (DPSP) portfolio, along with the impacts of the pandemic, have increased expected losses associated with CTF. As of September 30, 2020, five loans were reported to be experiencing payment defaults (two representing EUR 8 million and three representing USD 43 million). Additionally, a EUR 16 million defaulted loan was in 2019. The program's credit risk score has been **High** for the last six reporting cycles.

10. Resource availability risk increased to **High** as the shortfall in available resources increased from USD 473 million to USD 703 million.

2 Assessment of key risk exposures[1]

11. 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

12. Implementation risk is the risk that a project, once effective, is not implemented in a timely manner.

[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 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.

The CIF Administrative Unit now flags a project for implementation risk if the project meets at least one of the following three criteria.

- The project has been effective for 36 months but has disbursed less than 20 percent of program funds.
- The project is within 15 months of the anticipated date of final disbursement but has disbursed less than 50 percent of program funds.
- The anticipated date of final disbursement for the project has been extended, and less than 50 percent of program funds have been disbursed.

13. The CIF Administrative Unit expects the pandemic to delay 50 percent of projects by six to 24 months. Projects already flagged for implementation risk are experiencing further delays due to the pandemic. Specific pandemic-related causes include delays in the mobilization of contractors for the delivery of works and equipment, mandated quarantines, social distancing measures, travel restrictions (domestic and international), and project restructurings and cancellations. In some cases, public sector funding recipients and MDBs are contemplating longer implementation period extensions than they would otherwise.

14. The MDBs provide this information semi-annually, and the most recent information available is as of December 31, 2019. It is compared with projects flagged in the previous CTF Risk Report (using data as of June 30, 2019). However, the CIF Administrative Unit requests monthly updates from the MDBs on the impacts of the pandemic on CIF projects.

15. CTF's risk score for implementation risk is **High** as six out of 104 projects representing USD 271 million (five percent) of program funding have been flagged for this risk, and the CIF Administrative Unit expects the program's exposure to this risk to increase due to the existing and anticipated impacts of the pandemic.

16. Table 1 illustrates the five projects representing USD 221 million of program funding that have been flagged under the first criterion (vs. six projects totaling USD 240 million as of June 30, 2019). All five projects were also flagged in the last CTF Risk Report and are highlighted in orange. *DPSP II: Utility Scale Renewable Energy: Geothermal - Sustainable Energy Facility for the Eastern Caribbean* is no longer flagged as disbursements have increased to above 20 percent.

Table 1: Projects effective for 36 months with less than 20 percent of approved funds disbursed

COUNTRY	PROJECT TITLE	MDB	Funding (USD million)	Cumulative Disb. As of Dec 31, 2019	Disbursement Ratio	Effectiveness Date	Months After Effectiveness Date	MDB Co-Financing (USD millions)
Philippines	Cebu Bus Rapid Transit Project	IBRD	25.0	-	0%	12/3/2014	61.8	116.0
Ukraine	District Heating Energy Efficiency Project	IBRD	50.0	7.6	15%	11/21/2014	62.2	332.0
Ukraine	Second Power Transmission Project	IBRD	48.4	0.5	1%	6/9/2015	55.5	300.0
Vietnam	Ha Noi Sustainable Urban Transport Program - Project 2: Strengthening Sustainable Urban Transport for Hanoi Metro Line 3	ADB	49.0	0.6	1%	7/5/2015	54.7	4.0
Vietnam	Sustainable Urban Transport for Ho Chi Minh City Mass Rapid Transit Line 2 Project	ADB	49.0	0.4	1%	4/1/2015	57.8	10.0

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

    a. <u>*Reason(s) for delay:*</u> The project is in its sixth year of implementation. In January 2018, the implementing agency put the project on hold to reevaluate it while reconsidering 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.
    Additionally, since March 2020, enforcement of the Enhanced Community Quarantine (ECQ) by

the National Government to contain the impact of the pandemic has slowed down the implementation of critical project activities

b. *Measures underway to accelerate implementation:* The Detailed Engineering and Design (DED) for Package 1 is ongoing but activities requiring additional staff have been affected by travel restrictions. Procurement for civil works will commence immediately after the DED of Package 1 is completed. DED for Packages 2 and 3 have already been initiated.
The preliminary viability assessment of potential arrangements for bus rapid transit (BRT) operation and management has been completed by the transaction adviser, and the second phase will need to start soon.

c. *Estimated timeframe within which the project will have disbursed ≥ 20 percent of CTF funds*: The impacts of the pandemic have slowed the DED for the BRT terminals, which is still under preparation. CTF disbursements can start once the DED is completed, and it is expected that the CTF loan disbursement will reach 20 percent during 2022.

18. **District Heating Energy Efficiency Project – Ukraine (World Bank):** Disbursements increased by USD 1.2 million during the period. This project has been flagged in each of the last five reporting cycles. It is now flagged under both criteria.

a. *Reason(s) for delay:* During the first years of implementation, most district heating companies have made insufficient progress in preparing their investment plans and feasibility studies and in tendering. Additionally, the COVID -19 crisis 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). The COVID-19 crisis will delay implementation of certain activities that must be completed by the beginning of the heating season (e.g., boiler house reconstructions). Also, the mandatory transition in January 2019 to e-disbursement for World Bank projects created significant administrative and legal issues. Finally, project disbursements have also been disrupted by multiple changes in the government between January and May 2020 and Ukraine-specific technical requirements that have demanded specific design documentation and State expertise applicable to each individual facility. The complicated procedures to authorize payments involving two ministries have resulted in payment delays to contractors.

b. *Measures underway to accelerate implementation:* The World Bank team and the government had discussed the possibility of a limited closing date extension to December 2021 to complete ongoing project activities. This schedule no longer appears realistic given the delays incurred due to the pandemic and other factors. The possibility of a closing date extension by 26 months to December 31, 2022 is now being discussed. The restructuring would be an opportunity to address the major causes of implementation delays under the control of the Ukrainian authorities. While e-disbursement issues have been addressed, disbursements were expected to accelerate during the reporting period, but ultimately, only USD 1.2 million was disbursed during the current reporting period, and only USD 1.3 million was disbursed during the prior reporting period.

c. *Estimated timeframe within which the project will have disbursed ≥ 20 percent of CTF funds:* During the last reporting period, disbursement of CTF funds was expected to reach 20 percent by December 2019, and almost all utilities appeared on course to complete project activities by October 30, 2020. The participating district heating utilities continued to make significant implementation progress and it was expected that the CTF loan disbursements would reach over 20 percent by December 2020. The possibility of a closing date extension by 26 months to December 31, 2022 is now being discussed.

19. **Second Power Transmission Project – Ukraine (World Bank):** The amount of disbursed CTF funds increased by USD 0.2 million to USD 0.5 million. This project has been flagged in the last four reporting cycles. It is now flagged under both the first and second criteria.

    a. *Reason(s) for delay:* The CTF-financed component of the project, Electricity Market Enhancement, has progressed slowly due to the complex nature of the procurement packages and the country's accelerated effort to integrate the country's Unified Power System into the European Network of Transmission System Operators for Electricity (ENTSO-E). It took a long time to define the technical requirements for the bidding documents for the smart grid packages based on consultations with the transmission system operators. Those packages are new to the client. Also, it took time to ensure all the technical requirements are aligned with European operational standards, which is critical to complete synchronization with European systems.

    b. *Measures underway to accelerate implementation:* Experts have been mobilized to support the client in resolving complicated outstanding technical issues. They have helped the client facilitate the bidding document preparations, which led to the documents' timely preparation, especially for the Supervisory Control and Data Acquisition (SCADA[2]) package. In parallel, the World Bank team has provided quick responses to emerging issues and closely monitored project implementation with frequent video conferences with the client and the consultants.

       The national power company has successfully progressed with the preparation and tender process for the smart grid packages. A bid opening for the SCADA and Wide Area Monitoring System (WAMS) under two lots was held in February 2019, and the company submitted the Bid Evaluation Report on one lot to the World Bank in June 2019 for review. The government awarded contracts, and the parties to the contracts were negotiating terms as of October 2019.

    c. *Estimated timeframe within which the project will have disbursed ≥ 50 percent of CTF funds:* The disbursement of the CTF loan was expected to accelerate in early 2019 but did not. The World Bank team has worked with the client to accelerate disbursement to 20 percent of CTF financing for the SCADA and WAMS package, which the team expects to occur after the Ministry of Finance approves the payments. Disbursements are expected to reach 50 percent in 2022.

20. **Ha Noi Sustainable Urban Transport Program - Project 2: Strengthening Sustainable Urban Transport for Hanoi Metro Line 3 (ADB):** For the past four years, approximately USD 0.09 million of CTF funds have been disbursed annually. As of end of August 2020, USD 0.65 million of CTF funds had been disbursed. This project has been flagged in each of the last four reporting cycles for low financial performance with only one contract – Design, awarded in 2018 since loan effectiveness.

    a. *Reason(s) for delay:* This project is heavily dependent on the parent Ha Noi Metro System Line 3 Project (Project 1), which was delayed for five years due to a prolonged procurement process, land acquisition and resettlement, and a contractor's performance. Delays have also been due

[2] SCADA consists of hardware and software to monitor and control equipment in the power system scattered across the country.

to the change in implementing agency (IA) and its poor capacity as well as the government's prolonged project adjustment and loan extension processing.

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

- At the government's request, ADB (ADF) loan 3235 was closed in May 2020[3] and (CTF) loan 8291[4] was approved for retroactive extension until June 2023;
- Close follow up and discussions with the IA on final project scope adjustments; and
- Close coordination with the IA to advance the recruitment of the remaining consulting services. Progress was expected to improve from Q4 2019, but this did not occur. The next consulting service contract is expected to start recruitment in October 2020. The IA will mobilize a national procurement expert to supplement the IA's procurement capacity.

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 received a request and thus the CTF loan expired in June 2019. A retroactive extension until June 2023 has now been approved, and, based on the updated interface schedule with the parent project and this project, ADB anticipates that by 2022, 20 percent of the CTF loan amount will be disbursed.

21. **Sustainable Urban Transport for Ho Chi Minh City Mass Rapid Transit Line 2 Project (SUT HCMC) – Vietnam (ADB):** For the past five years approximately USD 0.09 million of CTF funds have been disbursed annually. As of the end of August 2020, USD 0.47 million had been disbursed. This project has been flagged in each of the last four reporting cycles for low financial performance with no major contract awards since loan effectiveness (except for one small external financial audit).

a. *Reason(s) for delay:* The project's heavy dependence (as a subsidiary) on the parent HCMC MRT Line 2 Project, which was delayed by more than five years due to protracted, fundamental design challenges and the government's project adjustment approval process. The government also held up processing the CTF project loan extension. Even after the adjustment to the HCMC MRT Line 2 Project was approved in November 2019, the procurement of almost all its civil works contracts was delayed due to issues with the implementation consultant's (the engineer) contract. Although the project adjustment extended the parent project's completion date to

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[3] The reasons of the ADF loan closure were: (i) no performance since the loan effectiveness, and (ii) the government's new policy to prohibit the use of ODA fund for capacity building and recurrent expenditure (e.g., project management support consultant).

[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);
- 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)

2026, it is uncertain if activities will be completed by then due to the ongoing delays. To align with the parent project's schedule, it would be necessary to extend this subsidiary project's implementation period, calling into question the cost effectiveness of key activities that would continue to be delayed (e.g., starting consulting services in 2023 and civil works in 2024 after a three-year wait). Additionally, the implementing agency's poor capacity and prolonged institutional restructuring process has hampered implementation.

b. *Measures underway to accelerate implementation:* In view of the project's prolonged delay, and continued delay (if loans are extended), after consultation with the Government, ADB has decided to close the loans as scheduled in June 2020. The ADB (ADF) loan 3113 was closed in July 2020, while the (CTF) loan 8279 is expected to be closed by September 2020 after the final payment for the only consulting contract (for external financial audit) is made. ADB will then return the funds to the Trustee. Later, ADB will discuss with the Government options to restructure the project via potential new ADB financing.

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

22. Table 2 illustrates the three projects representing USD 148 million of program funding which have been flagged under the second criterion (vs. one project totaling USD 13 million as of June 30, 2019). *Market Transformation through Introduction of Energy Efficient Electric Vehicles Project – Philippines (ADB)* is no longer flagged as disbursements have increased to above 50 percent.

Table 2: Projects within 15 months of closing and less than 50 percent of approved funds disbursed

COUNTRY	PROJECT TITLE	MDB	Funding (USD million)	MDB Board Approval Date	Cumulative Disb. As of Dec 31, 2019 (USD Millions)	Disbursement Ratio	Anticipated Date of Financial Closure	Months Before Anticipated Date of Financial Closure
Ukraine	District Heating Energy Efficiency Project	IBRD	50.0	5/22/2014	7.6	15%	2/1/2021	13
Ukraine	Second Power Transmission Project	IBRD	48.4	12/22/2014	0.5	1%	12/31/2020	12
Ukraine	Second Urban Infrastructure Project (UIP	IBRD	50.0	5/22/2014	14.8	30%	2/1/2021	13

23. **District Heating Energy Efficiency Project – Ukraine (World Bank):** This project was also flagged under the first criterion. Please see previous section for the description.

24. **Second Power Transmission Project – Ukraine (World Bank):** This project was also flagged under the first criterion. Please see previous section for the description.

25. **Second Urban Infrastructure Project (UIP-2) – Ukraine (World Bank):** In the May 2019 Risk Report this project was flagged under the 1st criterion. This project is now flagged because it is within 15 months of closing but has disbursed less than 50% of CTF funds.

a. *Reason(s) for delay:* The political situation in Ukraine caused delays at the initial stage of the project. Additionally, there has been significant turnover with project coordinators (i.e., the project has had over five project coordinators). Implementation progress is rated Moderately Satisfactory.

b. *Measures underway to accelerate implementation:* The World Bank team has strongly encouraged the two relevant line ministries to provide signing rights to more than one person from the institution so that current signatories have backups to improve implementation and disbursement process under the project. This has been done by the Ministry of Finance and the

Ministry of Communities and Territories Development is currently considering it. Also, the project closing date has been extended until October 2022 to ensure completion of the project activities.

c. *Estimated timeframe within which the project will have disbursed ≥ 50 percent of CTF funds:* The project expects 50 percent disbursements during 2021.

26. Table 3 illustrates the project which has been flagged under the third criterion. This project was also flagged under the first criterion (please see above for description).

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

COUNTRY	PROJECT TITLE	MDB	Funding (USD million)	Cumulative Disb. As of Dec 31, 2019	Disbursement Ratio	Effectiveness Date	Months After Effectiveness Date	Initial Anticipated Date of Final Disbursement	Extended Anticipated Date of Final Disbursement	MDB Co-Financing (USD millions)
Vietnam	Ha Noi Sustainable Urban Transport Program - Project 2: Strengthening Sustainable Urban Transport for Hanoi Metro Line 3	ADB	49.0	0.6	1%	7/5/2015	54.7	6/1/2019	12/1/2022	4.0

2.1.1 MDB cancellation guidelines and criteria

27. 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

28. 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.

29. During the reporting period the UK contributed an additional GBP 187 million of promissory notes, but CTF exposure to this risk remains **Low** as the unrealized losses associated with these notes is USD 4 million (see Table 4). It should be noted, however, that if these notes remain unencashed for a prolonged period, they could be exposed to greater fluctuations in foreign exchange rates. The program's currency risk had been zero in the last reporting cycle, and **High** for the preceding four reporting cycles.

Table 4: CTF currency risk exposure summary

Currency Risk Exposure (Millions) as of September 30, 2020							
Program/ Subprogram	Original Amount Pledged/ Received	Pledged Amount Outstanding/ Unencashed	Realized Currency Gain/ (Loss)	Unrealized Currency Gain/ (Loss)	Risk Likelihood	Risk Severity	Risk Score
CTF	£1,317.3	£187.4	($191.50)	**($3.60)**	Possible	Minimal	**Low**

2.3 Resource availability

30. Resource availability risk is the risk that the Trustee will not have sufficient resources, under a respective CIF program, to commit to funding 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. As of September 30, 2019, CTF's deficit in available resources had increased to USD 703 million from USD 473 million as reported during the last reporting cycle (see Annex A). The risk that CTF will be unable to fund all projects in its pipeline is **High**.
31. 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. The CTF Trust Fund Committee must approve project/program funding.
32. As of September 30, 2020, USD 195 million of the current shortfall in available resources can be attributed to realized declines in the value of CTF's GBP-denominated promissory notes (see Section 2.2).

2.4 Credit risk

33. 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 its capacity as an originator and servicer of CTF's outgoing financing.
34. 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.
35. 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.
36. The effects of the pandemic on countries and the global economy continue to evolve. A major impact on markets includes elevated default conditions as most countries pursue measures to contain the pandemic. As such elevated default conditions persist, external rating agencies have begun downgrading countries and corporates whose creditworthiness has been adversely impacted by the pandemic.
37. The pandemic has also exacerbated the already high debt levels in developing and emerging market economies, such as South Africa and Ecuador, as they continued to borrow to cushion corporates and households from the adverse effects of the necessary lockdown and social distancing measures. Some oil and tourism dependent countries such as Colombia and Maldives have faced twin shocks to their economy resulting in a deeper recession. The CIF Administrative Unit anticipates that losses will increase by 10 percent relative to pre-pandemic expectations.
38. External credit rating agencies have downgraded numerous CTF countries, citing the pandemic as contributing to a deterioration in creditworthiness. To better track this movement, the CIF

Administrative Unit reviewed pandemic-related actions taken by external credit rating agencies on CTF countries between March 1, 2020 and September 30, 2020. Please see Annex B for the results of the review.

2.4.1 Public sector exposure

39. 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 11 sovereigns with ratings ranging from Triple-C (Ecuador) to Single-A (Peru).

40. Table 5 summarizes the public sector rating changes that occurred between September 30, 2019 and September 30, 2020. Annex B highlight the sovereigns which experienced negative rating actions where the pandemic was a contributing factor.

Table 5: Credit rating change summary for CTF public sector loan recipients

	9/30/2020				9/30/2019			
Country	**S&P**	**Moody's**	**Fitch**	**Lowest Rating**	**S&P**	**Moody's**	**Fitch**	**Lowest Rating**
Burkina Faso	B	NR	NR	B	B	NR	NR	B
Colombia	BBB-(N)	Baa2	BBB-(N)	BBB-	BBB-	Baa2	BBB(N)	BBB-
Ecuador	B-	Caa3(N)	B-	CCC-	B-	B3	B-	B-
Egypt, Arab Republic of	B	B2	B+	B	B	B2	B+	B
Honduras	BB-	B1	NR	B+	BB-	B1	NR	B+
India	BBB-	Baa3(N)	BBB-(N)	BBB-	BBB-	Baa2	BBB-	BBB-
Indonesia	BBB(N)	Baa2	BBB	BBB	BBB	Baa2	BBB	BBB
Maldives	NR	B3(N)	B(N)	B-	NR	B2	B+	B
Mexico	BBB+(N)	Baa1(N)	BBB-	BBB-	BBB+(N)	A3(N)	BBB+(N)	BBB+
Morocco	BBB-	Ba1	BBB-(N)	BB+	BBB-(N)	Ba1	BBB-	BB+
Peru	BBB+	A3	BBB+	BBB+	BBB+	A3	BBB+	BBB+
Philippines	BBB+	Baa2	BBB	BBB	BBB+	Baa2	BBB	BBB
South Africa	BB-	Ba1(N)	BB(N)	BB-	BB	Baa3	BB+(N)	BB
Tanzania	NR	B2	NR	B	NR	B1	NR	B+
Turkey	B+	B2(N)	BB-(N)	B	B+	B1(N)	BB-(N)	B+
Ukraine	B	B3	B	B-	B	Caa1	B(P)	CCC+
Vietnam	BB	Ba3(N)	BB	BB-	BB-	Ba3	BB(P)	BB-

41. The CIF Administrative Unit uses the five-year probability of default (PD) and loss given default (LGD) metrics associated with each rating, as defined in *Moody's Annual Default Study: Defaults will rise modestly in 2019 amid higher volatility*, to estimate the expected loss rate[5] associated with the public-sector loan portfolio (see Tables 6 and 7).

[5] Expected Loss Rate = PD x LGD.

Table 6: CTF public sector loan commitments credit risk exposures by country

Public Sector CTF Loan Portfolio - Credit Risk Exposures as of September 30, 2020								
			Credit Rating					Expected Portfolio
Beneficiary Country	Loan Amount	Least Rating	S&P	Moody's	Fitch	PD	LGD	Loss Rate
Burkina Faso	91,000,000	B	B	NR	NR	20.3%	61.7%	
Colombia	70,268,819	BBB-	BBB-(N)	Baa2	BBB-(N)	2.1%	56.8%	
Ecuador	23,000,000	CCC-	B-	Caa3(N)	B-	59.0%	61.2%	
Egypt, Arab Republic of	149,750,000	B	B	B2	B+	20.3%	61.7%	
Honduras	16,400,000	B+	BB-	B1	NR	15.6%	61.7%	
India	755,000,000	BBB-	BBB-	Baa3(N)	BBB-(N)	2.1%	56.8%	
Indonesia	200,000,000	BBB	BBB(N)	Baa2	BBB	1.3%	56.8%	
Maldives	23,000,000	B-	NA	B3(N)	B(N)	25.5%	61.7%	
Mexico	240,529,668	BBB-	BBB+(N)	Baa1(N)	BBB-	2.1%	56.8%	
Morocco	633,950,000	BB+	BBB-	Ba1	BBB-(N)	4.8%	58.3%	
Peru	9,500,000	BBB+	BBB+	A3	BBB+	1.0%	56.8%	
Philippines	57,201,690	BBB	BBB+	Baa2	BBB	1.3%	56.8%	
South Africa	349,932,473	BB-	BB-	Ba1(N)	BB(N)	12.2%	58.3%	
Tanzania	22,000,000	B	NR	B2	NR	20.3%	61.7%	
Turkey	196,200,000	B	B+	B2(N)	BB-(N)	20.3%	61.7%	
Ukraine	148,425,000	B-	B	B3	B	25.5%	61.7%	
Vietnam	177,900,000	BB-	BB	Ba3(N)	BB	12.2%	58.3%	
Total Exposure	**3,164,057,649**							
Expected Loss Rate Implied by Credit Ratings		**BB**				**8.7%**	**58.4%**	**5.1%**
COVID Adustment								**0.5%**
Updated Expected Loss Rate								**5.6%**

2.4.2 Private sector exposure

42. The remaining 25 percent of CTF's loan commitments are to private sector entities for which publicly available information is much more limited. The CIF Administrative Unit uses the MDBs' internal risk assessments[6] of the transactions, which are provided in the form of either S&P-equivalent ratings or estimated PDs and LGDs to calculate a weighted average credit rating, PD, LGD, and expected loss rate for the private sector portfolio (see Table 7).

[6] 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 7: CTF public and private sector loan commitments credit risk exposure summary

Committed Loan Portfolio Credit Risk Exposure (as of 09/30/2020)										
Sector	Portfolio Risk Rating	Total Committed Loans (MM USD equivalent)[1]	Estimated Probability of Default (PD)[5]	Estimated Loss Given Default (LGD)[6]	COVID Adjustment	Expected Loss Rate[3]	Expected Losses (MM USD equivalent)[2]	Total Loan Originated Principal in Default[5] (MM USD equivalent)	# of Loans Experiencing Payment Default	Loan Principal in Default vs. Total Loan Amount Originated
Public	BB[8]	3,164.1	8.7%	58.4%	0.5%	5.6%	175.9	0	0	0%
Private	CCC+[7,4]	921.2	30.0%	47.8%	1.4%	15.7%	133.9	71.2	5	7.7%

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) + COVID Adjustment, 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: Defaults will edge higher in 2020* .

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: Defaults will edge higher in 2020* (i.e. LGD = 1 - Average Sr. Unsecured Bond Recovery Rate from the period of 1983-2019).

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 September 30, 2020. 5-year Average Cumulative Issuer-Weighted Global Defalt Rates from the period of 1983-2019 as published in *Moody's Annual Default Study: Defaults will edge higher in 2020* were used.

2.4.3 Ukraine

43. Ukraine's lack of progress with tackling anti-corruption risks alienating the International Monetary Fund (IMF) and other western financial partners and increases the likelihood that future IMF loan tranches will be delayed, imperiling Ukraine's macro-economic stability. Without IMF assistance Ukraine is very likely to be unable to service its external debt and to face the risk of a sovereign default. Coupled with the impact of the coronavirus pandemic, this could have major economic implications for Ukraine (see Section 2.5 for further details).

2.4.4 Update on loans currently experiencing payment defaults

44. As of September 30, 2020, five private sector CTF loans (EUR 2.0 million, EUR 5.6 million, USD 12.1 million, USD 16.0 million and USD 15.0 million) were experiencing payment defaults, although project implementation continued to progress (see Table 8). Additionally, a defaulted EUR 15.5 million loan was sold to investors during the first half of FY 2019.

Table 8: CTF loans experiencing payment defaults

Loan Amount	Currency	Missed Interest Payments		Repaid Delinquent Interest		Missed Principal Repayments		Repaid Delinquent Principal		Default Interest	Paid Default Inerest		Total Amt Past Due
		Date	Amount	Date	Amount	Date	Amount	Date	Amount		Date	Amount	
2,000,000	EUR					5/30/2018	78,077		(21,390)				1,837,079
						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)	
		11/29/2019				11/29/2019				36,385			
		5/29/2020	-			5/29/2020	-			36,275		(9,960)	
5,600,000	EUR					8/15/2018	107,692						613,919
						11/10/2018	107,692						
						2/13/2019	107,692						
		5/13/2019	26,091			5/13/2019	107,692						
		8/13/2019	49,368			8/13/2019	107,692						
12,065,953	USD	8/1/2017	245,688			8/1/2017	96,528						3,015,880
		2/1/2018	245,029			2/1/2018	90,495			30,961			
		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			8/1/2020	271,484			74,477			
16,000,000		5/15/2020	440,436			5/15/2020	354,215			-			4,006,362
		11/15/2019	593,552			11/15/2019	1,630,731			31,517			
		5/15/2020	541,639			5/15/2020	325,328			88,944			
15,000,000**	USD												

* Loan acceleration
** Loan in deferral

2.5 Fraud and sexual exploitation and abuse

45. At the January 2019 meeting, the CTF Trust Fund Committee requested that the MDBs provide to 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.

46. 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

2.5.1 Ukraine[7]

47. On September 17, 2020 Ukraine's constitutional court ruled that elements of the legislation setting up the National Anti-Corruption Bureau (NABU) were unconstitutional. The ruling followed a similar decision on August 27, 2020 that the appointment of Artem Sytnyk as head of the NABU by former President Poroshenko in 2015 was also unconstitutional. The ruling is regarded by some as being politically motivated.

48. The IMF, upon whose funding Ukraine is reliant to service its existing debts, has become increasingly concerned with the government's lack of progress in tackling the country's persistent corruption. The IMF has already made the release of further loan tranches to Ukraine conditional on tackling corruption and maintaining NABU's independence and integrity. The NABU ruling increases the likelihood that

[7] This section is based on a report published by Maplecroft, *Ukraine: Fresh blow to NABU imperils funding*

future IMF loan tranches might be delayed, imperiling Ukraine's macro-economic stability. Without IMF assistance Ukraine is likely to be unable to service its external debt and to face the risk of a sovereign default. Coupled with the impact of the coronavirus pandemic, this could have major economic implications for Ukraine.

Annex A: CTF resources available

CTF TRUST FUND - RESOURCES AVAILABLE for COMMITMENTS *Inception through September 30, 2020* *(USDeq. millions)*		As of September 30, 2020
		Total
Cumulative Funding Received		
Contributions Received		
Cash Contributions		5,420.31
Unencashed promissory notes	k/	240.48
Total Contributions Received		5,660.78
Other Resources		
Investment Income		341.45
Other income	a/	28.54
Total Other Resources		369.99
Total Cumulative Funding Received (A)		**6,030.77**
Cumulative Funding Commitments		
Projects/Programs		6,848.44
MDB Project Implementation and Supervision services (MPIS) Costs		55.80
Cumulative Administrative Expenses		105.06
Total Cumulative Funding Commitments		7,009.31
Administrative Expense Cancellations	b/	(5.99)
Projects/Programs, MPIS Cancellations	c/	(1,486.28)
Net Cumulative Funding Commitments (B)		**5,517.05**
Fund Balance (A - B)		**513.73**
Country Engagement Budget reserve FY21-23	d/	**(0.89)**
Learning and Knowledge Exchange & Special Initiative Budget (Multi-Year)	e/	**(2.29)**
Currency Risk Reserves	f/	**(36.07)**
Unrestricted Fund Balance for Trustee Commitments -Projects/Programs and Admin (C)		**474.47**
Net investment income available for Admin Budget commitments and the loan losses (D)		**267.73**
Unrestricted Fund Balance for Projects/Programs commitments (E = C - D)	g/	**206.74**
Unrestricted Fund Balance for Projects/Programs commitments -DPSP III	g/	2.34
Unrestricted Fund Balance for Projects/Programs commitments -DPSP IV and other new Programs	g/	204.40
Anticipated Commitments for Projects/Programs		
Projects/Programs Funding and Fees- CTF Dedicated Private Sector Programs (DPSP)- Phase III	g/	-
Projects/Programs Funding and Fees- CTF Dedicated Private Sector Programs (DPSP)- Phase IV		909.97
Total Anticipated Commitments (F)	J/	**909.97**
Available Resources for Projects/Programs (G = E -F)		**(703.2)**
Potential Future Resources (FY21)		
Contribution Receivable	l/	16.15
Pledges		-
Release of Currency Risk Reserves	f/	36.07
Total Potential Future Resources (H)		**52.22**
Potential Available Resources for Projects/Programs (G+H)		**(651.02)**
Potential Net Future Resources for Admin Expenses and Loan Losses		
Projected Investment Income from October 2020 to FY26 (I)	h/	118.20
Projected Administrative Budget (FY22-26) (J)	i/	45.90
Potential Net investment income available for Admin Expenses and Loan losses (K= I -J)		**72.31**
Potential Available Resources for Admin Expenses and Loan Losses (D + K)	j/	**340.04**

a/ Return of funds other than reflows due to be returned to the Trust Fund pursuant to the Financial Procedures Agreements consistent with the pertinent CTF funding approved by the CTF Trust Fund Committee.
b/ The admin budget cancellations includes the unused admin budget refunds, Country Programming Budget revisions/cancellations by MDBs, Trustee and CIFAU.
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 FY19 - FY23.
e/ The multi year special initiative budget for CTF 2.0 of USD 0.59 million approved by TFC in June 2017, yet to be committed by the Trustee. The amount of USD 2.8 million presented toTFC in June 2019 for the multi-year E&L initiative - yet to be approved by the committee (For year 2 and 3)
denominated promissory notes.
g/ In January 2019, the CTF Trust Fund Committee agreed that any remaining resources iin CTF that can be made available for further programming may be used to fund more projects/programs under DPSP III. Based on that decision the amount available for DPSP III programs is USDeq. 165.29 million. Only the new contributions signed and received after January 2019 are considered as available for new non-DPSP-III programs/projects. The EURO balance available for commitments in EURO is EUR 34.16 million. The USDeq for the EUR amount is USDeq. 37.1 million.

h/ 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.

i/ FY21 Budget commitment approved by TFC in June 2020 was USD 9.18 million for Administrative service and an approval for USD 3.05 million for a multi year initiative. The amount approved for FY21 Administrative Services was extrapolated for 5 years.Projected administrative budget includes resources for administrative services provided by the CIF AU, Trustee and MDBs.
j/ Losses on outgoing CTF Financial Products will be shared by all contributors on a prorata basis and covered to the extent available from the Net income (net investment income, interest and guarentee fees received in excess of 0.75%)
k/ This amount represents to USD equivalent of GBP 187.42 million.
l/ Contribution receivable amount of GBP 12.58 million from BEIS-UK

Annex B: Pandemic-related Credit Rating Agency Actions on CTF Recipient Countries' Credit Ratings

Beneficiary Country	S&P	Moody's	Fitch
Burkina Faso	• No rating action.	• No rating action.	• No rating action.
Colombia	• **S&P downgraded the outlook of Colombia's BBB- rating from stable to negative.** • **The basis of the downgrade is the expected impact of COVID-19 and the drop in oil prices.** • **This has hamstrung Colombia's fiscal position as it is dependent on oil revenue.**	• No rating action.	• **Fitch downgraded Colombia from BBB to BBB-(N) on 4/1/20.** • **Colombia's fiscal position is negatively impacted by the twin shocks of the COVID pandemic and oil price fall.** • **The twin shocks come on the back of a rapid increase in debt.**
Ecuador	• S&P upgraded Ecuador from SD to B- on 9/1/20 after it reached a deal with creditors for debt replacement.	• **Moody's downgraded Ecuador from Caa1 to Caa3(N) on 4/3/20.** • **The driver of the downgrade was the anticipated default on its debt given the impact of COVID-19.**	• Fitch upgraded Ecuador to B- on 9/3/20. • Before the upgrade Fitch had downgraded it four times from B- to RD (restricted default and is similar to S&P's selected default) between 3/19/20 and 4/20/20 in anticipation of default of USD 800 million interest repayment on its USD 19.2 billion debt, that was due in August. • Ecuador has since agreed with creditors to restructure the terms of the debt and hence the upgrade.
Egypt, Arab Republic of	• No rating action.	• No rating action.	• No rating action.
India	• No rating action.	• India was downgraded from Baa2(N) to Baa3(N) on 6/18/20. • The downgrade was mainly driven by structural weakness in India's fiscal position and mounting debt. • The downgrade was not motivated by the impact of COVID-19 as the structural weaknesses were significant even before the pandemic. The pandemic, however, exacerbates the weaknesses.	• **Fitch placed a negative outlook on India's BBB- rating on 6/1/20.** • **The revision was driven by the anticipated negative impacts of COVID-19 mitigation measures on the already precarious fiscal position and unsustainable debt burden.**

Beneficiary Country	S&P	Moody's	Fitch
Indonesia	• **S&P placed a negative outlook on Indonesia's BBB rating on 4/17/20.** • **The deteriorating outlook is driven by the impact of COVID-19 which has adversely affected its external position and debt burden as it embarks on countercyclical fiscal policy.**	• No rating action.	• No rating action.
Honduras	• No rating action.	• No rating action.	• Not rated.
Maldives	• Not rated.	• **Maldives was downgraded from B2(N) to B3(N) on 5/21/20.** • **The effects of the global lockdown measures have weighed down on its tourism dependent economy.**	• **Maldives was downgraded from B+ to B(N) on 3/30/20.** • **Maldives' economy is expected to be hit hard by the COVID-19 pandemic as it is heavily reliant on tourism.**
Mexico	• **S&P downgraded Mexico from BBB+ to BBB(N) on 3/27/20.** • **Mexico and its major trading partner USA are expected to be significantly impacted by the twin shocks of COVID-19 and drop in oil prices.**	• Mexico was downgraded from A3(N) to Baa1(N) on 4/17/20. • Key drivers include structural weaknesses in the economy which were hampering growth even before the advent of the pandemic and the oil shock.	• **Mexico was downgraded from BBB to BBB-(N) on 4/15/20.** • **The impact of COVID-19 is expected to severely impact the Mexican economy and fiscal capacity.**
Morocco	• No rating action.	• No rating action.	• **Fitch placed a negative outlook on Morocco's BBB- rating on 4/28/20.** • **The rating action was mainly driven by the anticipated impact of COVID-19 which is expected to result in the deepest economic decline for Morocco in 25 years.**
Peru	• No rating action.	• No rating action.	• No rating action.
Philippines	• No rating action.	• No rating action.	• **Fitch removed the positive outlook on Philippines' BBB rating.** • **The rating action was mainly due to anticipated deterioration in economic fundamentals in the short-term due to COVID-19 mitigation measures.**

Beneficiary Country	S&P	Moody's	Fitch
South Africa	• **South Africa was downgraded from BB(N) to BB- on 4/30/20.** • **The impact of COVID-19 on South Africa is expected to worsen its fiscal position and increase its debt burden.**	• South Africa was downgraded from Baa3(N) to Ba1 on 3/27/20. • The main drivers of the downgrade are a weak fiscal position, unsustainable debt levels and weak macroeconomic fundamentals.	• **Fitch downgraded South Africa by two notches from BB+(N) to BB(N) on 4/3/20and maintained its negative outlook.** • **The key drivers of the downgrade include lack of a clear strategy for debt stabilization and the expected impact of COVID-19 on the economy.**
Tanzania	• Not Rated.	• **Tanzania was downgraded from B1(N) to B2 on 8/21/20.** • **The downgrade was mainly due to governance weaknesses which negatively impact foreign direct investment.** • **The COVID-19 pandemic is expected to exacerbate and expose some of the institutional weaknesses.**	• Not Rated.
Turkey	• No rating action.	• Moody's downgraded Turkey from B1 to B2 and maintained a negative outlook. • The rating action is mainly driven by the deteriorating external condition and weakening fiscal buffers.	• Fitch placed the outlook on Turkey's BB- rating on negative on 8/21/20. • The key driver of the revision is the deteriorating monetary position due to depleted foreign reserves and lack of a credible monetary policy.
Ukraine	• No rating action.	• Ukraine was upgraded from Caa1(P) to B3 on 6/12/20. • The upgrade was driven by an easing in near-term funding pressure due to sustainable support of its external position by the IMF and positive results of its reforms.	• **Fitch removed the positive outlook from Ukraine's B rating on 4/22/20.** • **The revision reflects the expected impact of COVID-19 to its short-term fiscal position.**
Vietnam	• No rating action.	• No rating action.	• **Fitch revised the outlook on Vietnam's BB rating from positive to negative on 4/4/20.** • **The main driver of the revision was the expected impact of COVID-19 on Vietnam's tourism and export dependent economy.**