

# CLIMATE INVESTMENT FUNDS

Joint CTF-SCF/TFC.21/Inf.3

May 23, 2019

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Joint Meeting of the CTF and SCF Trust Fund Committees

Washington D.C.

Monday, June 3, 2019

**REPORT OF THE TRUSTEE ON THE FINANCIAL STATUS OF THE CTF**



# Clean Technology Fund (CTF)

Financial Report

Prepared by the Trustee

*As of March 31, 2019*



## Table of Contents

Introduction .....	3
CTF Trust Fund Financial Summary as of March 31, 2019 .....	4
1. Pledges and Contributions -Summary .....	9
2. Asset Mix and Investment Income.....	10
3. Cumulative Net Commitments .....	12
4. Funds Held in Trust with No Restrictions and Commitments Pending Cash Transfer.....	14
5. Overall realized and unrealized gains or losses for the Promissory Notes held in Non-USD currencies.....	15



## Introduction

The Climate Investment Funds (CIF) were established in 2008 and its financial architecture is rooted in two trust funds. The Clean Technology Fund (CTF) aims to provide scaled-up financing to contribute to the demonstration, deployment, and transfer of low-carbon technologies with a significant potential for long-term greenhouse gas emissions savings. The Strategic Climate Fund (SCF) aims to provide financing to pilot new development approaches or scale-up activities aimed at a specific climate change challenge or sectoral response. The SCF currently finances three such programs: The Forest Investment Program (FIP), Pilot Program for Climate Resilience (PPCR), and Scaling Up Renewable Energy in Low-Income Countries Program (SREP).

The World Bank acts as the Trustee for the CIFs. This report is produced by the Trustee based on financial information as of March 31, 2019, in accordance with the Trustee's role as set forth in the Governance Framework for the CTF which states:

*“The Trustee will provide to the CTF Trust Fund Committee regular reports on the financial status of the Trust Fund, as agreed between the Trustee and the CTF Trust Fund Committee.”*

This report provides (i) a snapshot of the financial status of the CTF Trust Fund as of March 31, 2019; (ii) the status of pledges and contributions, and (iii) the details of financial activities of the CTF Trust Fund.



## CTF Trust Fund Financial Summary as of March 31, 2019<sup>1</sup>

### ***Pledges and Contributions:***

As of March 31, 2019, nine contributors pledged USDeq. 5.44 billion to the CTF Trust Fund, which has been fully finalized through signed Contribution/Loan Agreements/Arrangements. Of the total amount of executed Contribution/Loan Agreements/Arrangements, the Trustee has received USDeq. 5.44 billion in cash and promissory notes.

### ***Investment Income and Return of Other Funds:***

Since inception through March 31, 2019, the CTF Trust Fund earned investment income of approximately USD 230.8 million on the undisbursed balance of the Trust Fund. In addition, the return of other funds amounted to USDeq. 17.8 million.

### ***Trustee Commitments:***

The Trustee makes commitments in the CTF Trust Fund based on the funding approvals of the CTF Trust Fund Committee. Cumulative net commitments made by the Trustee amounted to USDeq. 5.19 billion. This represents an increase of USDeq. 125 million due to the net commitment approvals since September 30, 2018. Of the total amount approved, USDeq. 5.08 billion was for projects and project preparation activities, USD 39.15 million was for MDB costs for project implementation and supervision services (MPIS costs), and USD 76.43 million was for administrative expenses of the CTF.

### ***Cash Transfers:***

Cash transfers are made to MDBs<sup>2</sup> on an as-needed basis to meet their projected disbursement requirements. The Trustee has transferred USDeq. 3.20 billion, of which net transfer amount of USDeq. 48.33 million was reflowed back to the fund between October 1, 2018 and March 31, 2019 due to project cancellations. As a result, USDeq. 2 billion remains payable to MDBs as of March 31, 2019.

Cash transfers related to the debt service payments to loan contributors is USDeq. 63.49 million as of March 31, 2019.

### ***Funds Held in Trust:***

**Funds Held in Trust** reflect financial activities related to donor payments (cash and promissory notes), encashment of promissory notes, investment income, cash transfers, and the revaluation of the balance of promissory notes at month end. Funds Held in Trust as of March 31, 2019, amounted to USDeq. 2.49 billion, out of which USDeq. 67.6 million is withheld for commitment purposes to mitigate the effects of foreign exchange rate movements on outstanding commitments. In addition, the net balance available for payments to the loan contributors from the net reflows is USDeq.

<sup>1</sup> Figures may not add up due to rounding.

<sup>2</sup> The CIF funds are disbursed through the Multilateral Development Banks (MDBs) to support effective and flexible implementation of country-led programs and investments. The MDBs are the African Development Bank (AfDB), the Asian Development Bank (ADB), the European Bank for Reconstruction and Development (EBRD), the Inter-American Development Bank (IADB), the International Bank for Reconstruction and Development (IBRD)/International Development Association (IDA) (the World Bank), and the International Finance Corporation (IFC).



106 million of which USDeq. 8 million is to pay for the principal and interest payments due to the loan contributors in the next 12 months.

***Funding Availability for Trustee Commitments:***

After making provisions for projected country programming budget (USD 1.51 million), and the multi-year Learning & Knowledge exchange and special initiatives budget amount (USD 1.33 million), the funding available for Trustee Commitments is USDeq. 424.84 million, of which, USDeq. 169.35 million is the net investment income available for future admin expenses and loan losses. The balance USDeq. 255.49 million is available for Program and Project commitments.

***Potential Available Resources (FY19-21):***

The potential future resources from release of the currency reserve amount is USDeq. 67.6 million. CIFAU has provided a potential pipeline for 583.5 million.

***Realized/Unrealized Exchange rate gain or loss:***

The unencashed promissory notes in non-USD currencies are subject to exchange rate risk. Due to changes in the GBP/USD exchange rate from October 1, 2018 to March 31, 2019, the net realized/unrealized loss in the USDeq. value decreased by USDeq. 2.92 million in this period. The overall unrealized loss as of March 31, 2019 is USDeq. 61.02 million, decreased by USDeq. 57 million compared to September 30, 2018 due to the encashment of the outstanding promissory note amount of GBP 172 million by the United Kingdom in March 2019. This encashment resulted in increasing the realized loss by USDeq. 54 million.



**CTF TRUST FUND - RESOURCES AVAILABLE for COMMITMENTS**

*Inception through March 31, 2019*

*(US\$eq. millions)*

As of March 31, 2019

		<b>Total</b>
<b>Cumulative Funding Received</b>		
<b>Contributions Received</b>		
Cash Contributions		4,988.84
Unencashed promissory notes	a/	450.73
<b>Total Contributions Received</b>		<b>5,439.57</b>
<b>Other Resources</b>		
Investment Income		230.79
Other income	b/	17.82
<b>Total Other Resources</b>		<b>248.61</b>
<b>Total Cumulative Funding Received (A)</b>		<b>5,688.18</b>

<b>Cumulative Funding Commitments</b>		
Projects/Programs		6,059.27
MDB Project Implementation and Supervision services (MPIS) Costs		45.30
Cumulative Administrative Expenses		82.20
<b>Total Cumulative Funding Commitments</b>		<b>6,186.76</b>
Admin Budget Cancellations	c/	(5.77)
Project/Program, MPIS Cancellations	d/	(988.10)
<b>Net Cumulative Funding Commitments (B)</b>		<b>5,192.90</b>

<b>Fund Balance (A - B)</b>		<b>495.28</b>
<b>Country Programming Budget reserve FY19-23</b>	e/	<b>(1.51)</b>
<b>Learning and Knowledge Exchange &amp; Special Initiative Budget (Multi-Year)</b>	f/	<b>(1.33)</b>
<b>Currency Risk Reserves</b>	g/	<b>(67.61)</b>
<b>Unrestricted Fund Balance for Trustee Commitments -Projects/Programs and Admin (C)</b>		<b>424.84</b>
<b>Net investment income available for Admin Budget commitments and the loan losses (D)</b>		<b>169.35</b>
<b>Unrestricted Fund Balance for Project/Program commitments ( E = C - D )</b>		<b>255.49</b>



**CTF TRUST FUND - RESOURCES AVAILABLE for COMMITMENTS**

*Inception through March 31, 2019*

*(US\$eq. millions)*

As of March 31, 2019

<b>Anticipated Commitments for Projects/Programs (FY19-FY21)</b>	
Program/Project Funding and Fees- CTF Dedicated Private Sector Programs (DPSP)- Phase III (Up to USD 520 mn endorsed)	583.50
<b>Total Anticipated Commitments (F)</b>	<b>583.50</b>

<b>Available Resources for Projects/Programs (G = E -F)</b>	<b>(328.01)</b>
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<b>Potential Future Resources (FY19-FY21)</b>	
Release of Currency Risk Reserves	g/ 67.61
<b>Total Potential Future Resources (H)</b>	<b>67.61</b>

<b>Potential Available Resources for Projects/Programs (G+H)</b>	<b>(260.40)</b>
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<b>Potential Net Future Resources for Admin Expenses and Loan Losses</b>	
Projected Investment Income from April 2019 to FY23 (I)	h/ 49.14
Projected Administrative Budget (FY20-23) (J)	i/ 34.94
<b>Potential Net investment income available for Admin Expenses and Loan losses (K= I -J)</b>	<b>14.20</b>

<b>Potential Available Resources for Admin Expenses and Loan Losses ( D + K)</b>	j/ <b>183.54</b>
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a/ This amount represents USD equivalent of GBP 344.71 million.

b/ Return of funds other than reflows due to be returned to the Trust Fund pursuant to the Financial Procedures Agreements consistent with the pertinent CTF funding approved by the CTF Trust Fund Committee.

c/ The admin budget cancellations includes the 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 0.1 million approved by TFC in June 2018 for the multi-year country programming budget and the balance in reserve estimate provided by CIFAU for the period FY19 - FY23.

f/ The multi-year Learning Knowledge Management Budget of USD 0.46 million & Special Initiative Budget of USD 0.27 million approved by the TFC in June 2018 and 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.

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

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/ FY19 Budget commitment approved by TFC on June 2018 was USD 8.36 million for Administrative services. There was also approval for a multi year initiative for 0.84 million. The amount approved for FY19 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 guarantee fees received in excess of 0.75%)





**CTF TRUST FUND - CUMULATIVE OTHER FUNDING ACTIVITY**

*Inception through March 31, 2019 (USDeq. millions)*

As of March 31, 2019

<b>Cumulative Debt Service Payments to Loan Contributors</b>	
Principal Repayments	
Interest Payments	63.50
<b>Total Cumulative Debt Service Payments to Loan Contributors</b>	<b>63.50</b>
<b>Reflows</b>	<b>169.63</b>
	a/

a/ Any payments of principal, interest from loans , which are 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. Payments in EUR currency are revalued as of March 31, 2019. Amount includes an adjustment in respect of notice received by the Trustee from one MDB, subsequent to the reporting period and publication of the December 31, 2018 Trustee Financial Status Report. The notice regards adjustments to previously reported and remitted reflow payments by the MDB. This is under discussion among the Trustee and the MDB; in the meantime amounts subject to adjustment have been excluded from Available Assets in this report



## 1. Pledges and Contributions -Summary

In USD millions

CLEAN TECHNOLOGY FUND  
Table 1: Pledges and Contributions Summary  
as of March 31, 2019  
(in millions)

Contributor	Contribution Type	Currency	in Contribution Currency				in USD eq. a/			
			Contribution Receivable	PNs Outstanding	Cash		Contribution Receivable	PNs Outstanding	Cash	
					Receipts f/	Total Contributions			Receipts f/	Total Contributions
Australia	Grant	AUD	-		100	100	-	-	86	86
Canada	Loan	CAD	-		200	200	-	-	199	199
France	b/ Loan	EUR	-		203	203	-	-	228	228
Germany	c/ Loan	USD	-		615	615	-	-	615	615
Japan	d/ Grant	USD	-		1,056	1,056	-	-	1,056	1,056
Spain	Capital	EUR	-		80	80	-	-	106	106
Sweden	Grant	SEK	-		600	600	-	-	80	80
United Kingdom	Capital	GBP	-	345	785	1,130	-	451	1,127	1,578
United States	e/ Grant	USD	-		1,492	1,492	-	-	1,492	1,492
								451	4,989	5,440

a/ Represents realized amounts plus unrealized amounts valued on the basis of exchange rates as of March 31, 2019

b/ France pledged USD 500 million, including: 1) a concessional loan to the CTF Trust Fund of USD 300 million (equivalent to EUR 203 million) and 2) USD 200 million in co-financing from Agence Francaise de Developpement (ADF) separate from the CTF and not subject to reporting by the trustee. The concessional loan is valued on the basis of exchange rates as of March 31, 2019

c/ The EUR 500 million pledge was committed in USDeq. 615 million. The total loan contribution received is USD 615 million.

d/ The USD 1 billion pledge was committed in JPY in the amount of JPY 93 billion. The total amount received is USDeq. 1.056 billion

e/ The total pledge made by the United States to the CTF and SCF is USD 2 billion.

f/ Includes cash receipts and encashed promissory notes.

Note: Totals may not add up due to rounding

- The above table shows the summary of pledges/promissory notes outstanding, contributions finalized, Cash and Promissory Note receipts and promissory notes outstanding. Pledges represent a Contributor's expression of intent to make a contribution and form the basis for the endorsement of CTF Investment Plans by the CTF Trust Fund Committee.

As of March 31, 2019, total pledges and contributions amounted to USDeq. 5.44 billion based on Contribution/Loan Agreements/Arrangements entered into by the Trustee with nine contributors and the total amount is received in cash and Promissory Notes as of March 31, 2019.

In March 2019, the United Kingdom encashed the outstanding promissory note amount of GBP 172 million.



## 2. Asset Mix and Investment Income

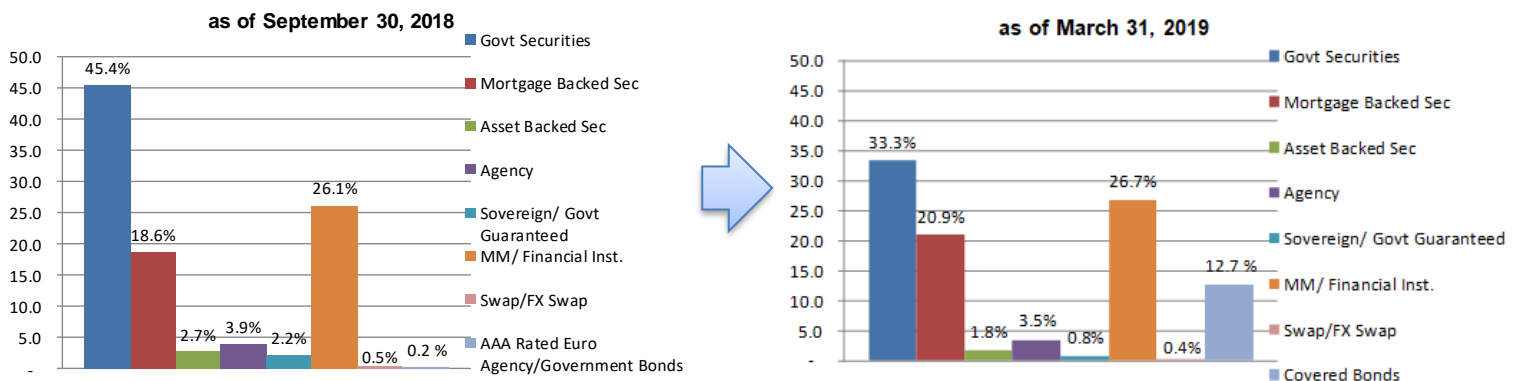
*The undisbursed cash balance of the CTF Trust Fund is maintained in a commingled investment portfolio (“Pool”) for all trust funds managed by IBRD. The Pool is managed actively and conservatively with capital preservation as the over-arching objective.*

### ASSET MIX

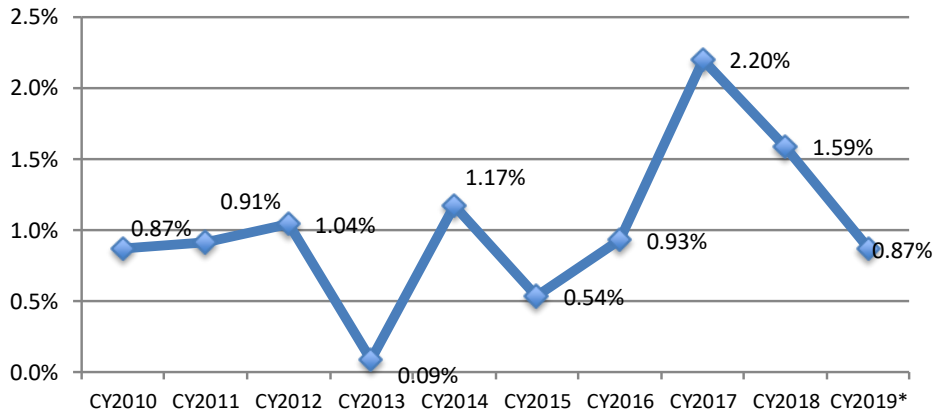
CTF Trust Fund assets are invested across three of the World Bank Trust Fund’s investment model portfolios, (“Tranche 0” for short term working capital needs, “Tranche 1” with an investment horizon of one year, and “Tranche 2” with an investment horizon of three years). The latter two tranches aim to optimize investment returns subject to capital preservation with a high degree of confidence (based on statistical models) over the respective investment horizon. Although actual future returns will depend on market conditions, the Trust Fund Investment Pool portfolio is actively monitored and adjusted to preserve development partner funds over the investment horizons. Over shorter periods however, market volatility may result in negative actual or ‘mark-to-market’<sup>3</sup> returns.

On July 1, 2015, the World Bank formally adopted the Conditional Value-at-Risk (CVaR) measure as the risk constraint in the management of trust funds which is defined as limiting the estimated average loss to the portfolio in the worst 1% of loss events. The World Bank Model Portfolios have their overall market risk constrained by a CVaR measure as follows:

The risk constraint of Model Portfolio 1 is expressed as the 1-year 99% Conditional VaR being no worse than -25bps. The risk constraint of Model Portfolio 2 is expressed as the 3-year 99% Conditional VaR being no worse than -100bps. The portfolio allocation by asset class has the largest allocations to government securities, money market instruments, mortgage backed securities (MBS), agency and covered bonds.



<sup>3</sup> Mark-to-market gains or losses represent unrealized gains or losses resulting from changes in the value of securities in the portfolio which have not yet been sold.



\*YTD non-Annualized

### INVESTMENT RETURNS

The CTF Trust Fund achieved a calendar year-to-date 2019 return of 0.87%. Returns during the quarter were buoyed by the move lower in yields through the period and relatively high Libor rates.

### ADJUSTMENTS FOR CHANGES IN MARKET CONDITIONS

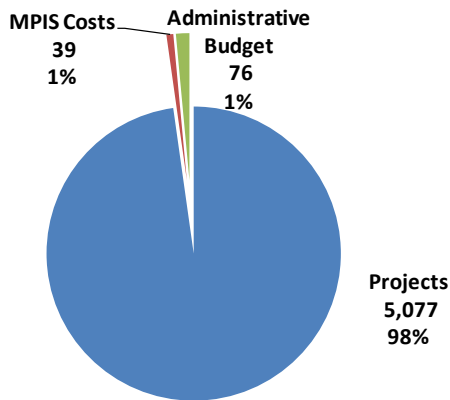
As a gradual move to higher rates in the coming years is expected, the outlook for fixed-income investments continues to be for low returns, as increases in market interest rates could result in unrealized (i.e., mark-to-market) losses for fixed income returns in general. Given the challenging environment for fixed income investments, the Trustee has taken steps to reduce the interest rate sensitivity (known as “duration”) of the Trust Fund Investment Pool portfolio to limit the impact of potential future interest rate increases. The short maturity/duration nature of the portfolio gives space and flexibility to tactically move into higher yields going forward. Additionally, efforts are underway by the Trustee to enable investments in a broader universe of assets to achieve greater diversification of portfolio risks and increase returns. Diversification opportunities include emerging market sovereign bonds, covered bonds and new money market instruments.



### 3. Cumulative Net Commitments

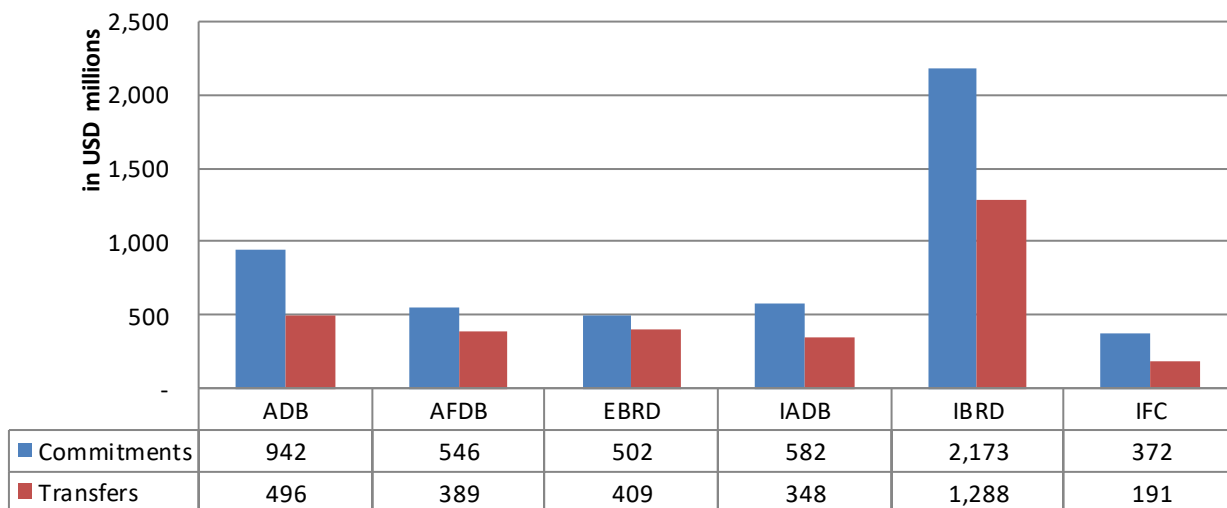
In USD millions

#### Total Net Commitments by the Trustee by Activity



Since inception to March 31, 2019, the net commitments made by the Trustee based on the funding approvals of CTF Trust Fund Committee totaled USD eq. 5.19 billion. Projects, including project preparation grants represent about 98%, MPIS costs 1%, administrative budgets for the CIF Administrative Unit, and the Trustee and the MDBs 1%.

#### Net Project and Program Commitments by MDB



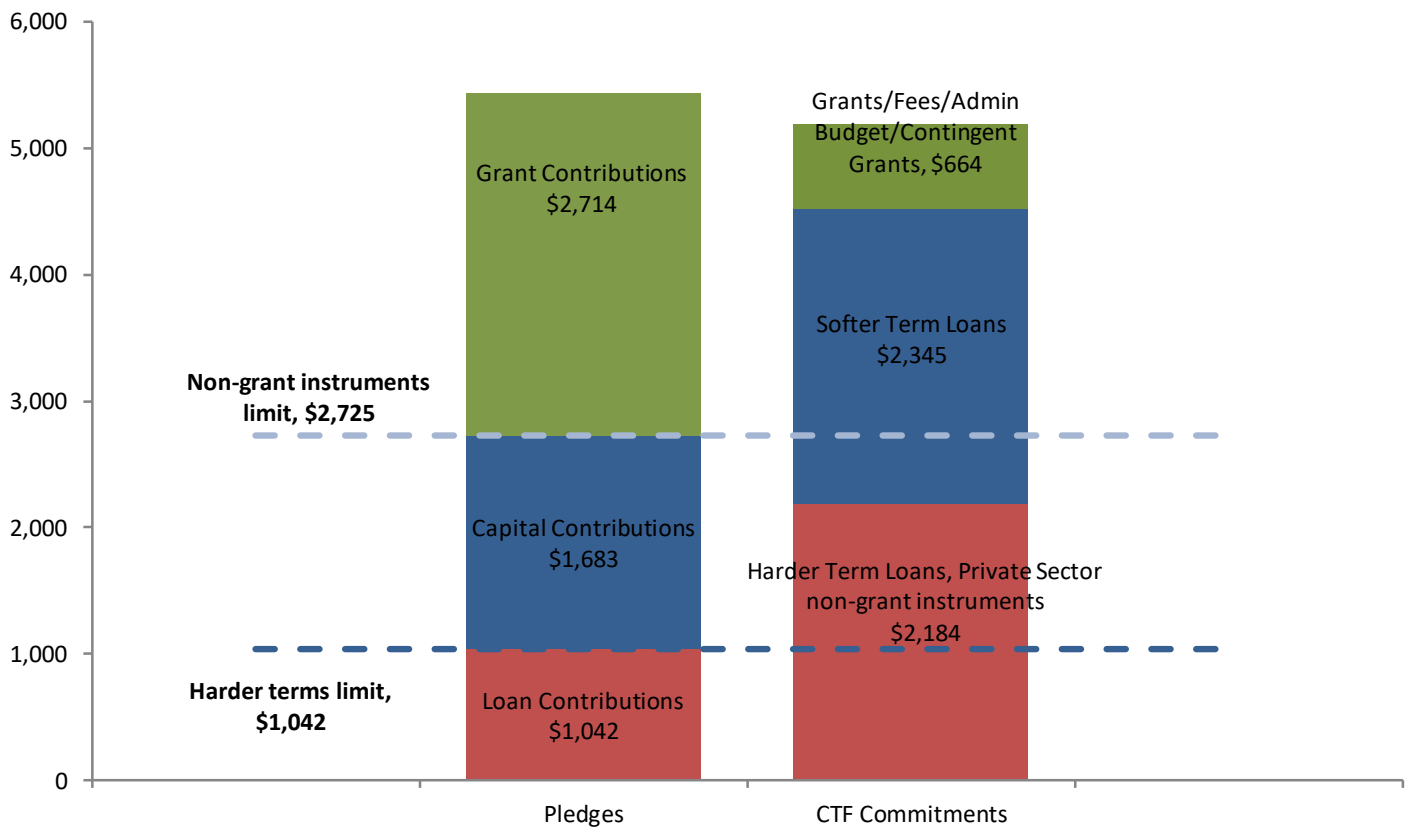


## CTF FUNDING LIMITS

In accordance with the Principles regarding Contributions to the CTF, outgoing financing cannot be more concessional than contributed funds, i.e.:

- (a) Grant Contributions may be used to finance grants, concessional loans and other financial products, such as guarantees.
- (b) Capital Contributions may be used to finance concessional loans and other financial products, such as guarantees;
- (c) Loan Contributions may be used to finance loans and other financial products, such as guarantees, on terms no more concessional than the terms of the contributions.

This chart shows pledges by contribution type and CTF funding (excluding projects in the pipeline) by financing product. As shown in the chart, funding decisions made to date adhere to the funding limits set by the incoming funding types from the Contributors.



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

In US\$eq. millions

<b>CLEAN TECHNOLOGY FUND</b>				
<b>Table 5: Schedule of Receipts and Cash Transfers</b>				
Updated as of March 31, 2019				
	<u>As of March 31, 2019</u>	<u>As of September 30, 2018</u>	<u>Change</u>	
	(a)	(b)	(c) = (a) - (b)	
<b>1. Cumulative Receipts</b>	<b>5,688</b>	<b>5,647</b>	<b>41</b>	
a. Cash receipts and encashed promissory notes	4,989	4,770	219	
b. Unencashed promissory notes	451	674	(224)	
c. Investment income earned on undisbursed balance	249	203	46	
<b>2. Cumulative Cash Transfers</b>	<b>3,195</b>	<b>3,243</b>	<b>(48)</b>	
a. Projects	3,087	3,135	(49)	
b. MPIS Costs	34	34	(0)	
c. Administrative Budget	75	74	0	
<b>3. Funds held in Trust ( 3 = 1 - 2 )</b>	<b>2,493</b>	<b>2,404</b>	<b>90</b>	
a. Cash and Investments	2,043	1,729	314	
b. Unencashed promissory notes	451	674	(223)	
<b>4. Restricted Funds</b>	<b>68</b>	<b>101</b>	<b>(34)</b>	
<b>5. Funds held in Trust with no restrictions ( 5 = 3 - 4 )</b>	<b>2,426</b>	<b>2,302</b>	<b>123</b>	
<b>6. Trustee Commitments pending cash transfer</b>	<b>2,001</b>	<b>1,827</b>	<b>173</b>	
a. Projects and MPIS Costs	1,996	1,822	174	
b. Administrative Budget	2	3	(1)	
c. Country programing budget reserve FY18-FY23	2	2	-	
d. Learning and Knowledge Exchange & Special Initiative Budget	1	1	-	
<b>7. Funds available to support Trustee Commitments</b>	<b>425</b>	<b>475</b>	<b>(50)</b>	
<b>8. Net Balance Available for Payments to the loan contributors from Reflows received from MDBs b/</b>	<b>106</b>	<b>95</b>	<b>11</b>	
of which the funds restricted for payments to loan contributors in next 12 months	8	8	(0)	
a/ Valued on the basis of exchange rates as of March 31, 2019				
b/The net balance of Reflows received from the MDBs and the payments made to the loan contributors. The breakdown of amounts by reflows and payments to loan contributors is shown in the table below				
<i>Note: Totals may not add up due to rounding</i>				

	<u>As of March 31, 2019</u>	<u>As of September 30, 2018</u>	<u>Change</u>	
	(a)	(a)	(a)- (b)	
<b>1. Reflows and payments to loan contributors</b>				
a. Reflows - Interest and Principal reflows received from MDBs	170	155	15	
b. Debt service payments to Loan Contributors	63	60	3	
<b>Net Balance of reflows and payments to loan contributors</b>	<b>106</b>	<b>95</b>	<b>11</b>	



### Highlights for the period September 30, 2018 through March 31, 2019:

- **Funds Held in Trust** represent cumulative receipts less cumulative cash transfers, and amount to USDeq. 2.49 billion as of March 31, 2019. Funds Held in Trust increased by USDeq. 90 million since October 1, 2018 primarily due to:
  - increase in cash receipts and promissory notes value by USD 41 million, due to: i) investment income receipts of USDeq. 46 million, and ii) offset by depreciation of GBP and EUR since October 1, 2018.
  - increase in cash reflows due to the cancellation of projects as cash transfers from MDBs for USDeq. 49 million during the period.
- **Trustee Commitments Pending Cash Transfer** amount to USDeq. 2.0 billion, increased by USDeq. 173 million since October 1, 2018.
- **Funds available to support Trustee commitments** amount to USDeq. 425 million, representing a decrease of USDeq. 50 million since October 1, 2018.
- **Funds available to support payments to loan contributors** amount to USDeq. 106 million, of which the amount restricted to cover the payments in the next 12 months is USDeq. 8 million.
- The funds restricted to cover the impact of currency exchange fluctuations on commitments made by the Trustee amounted to USDeq. 68 million.

## 5. Overall realized and unrealized gains or losses for the Promissory Notes held in Non-USD currencies.

In millions

Donor/Program	Currency	Amount in Currency			Amount in USD eq.			Currency Exchange rate changes in USD eq.		
		Promissory Note (PN) received	PN Encashment	PN Unencashed	Promissory Note (PN) @Receipt date	PN Encashment (FXR)	PN Unencashed as of March 31, 2019	Realized - PN Encashments	Unrealized- PN Unencashed	Promissory Note vs (Encashments+unencashed)
Japan		92,655	92,655	0	1,129	1,056	0	-73	0	-73
CTF	JPY	92,655	92,655	0	1,129	1,056	0	-73	0	-73
United Kingdom		1,130	785	345	1,740	900	451	-101	-61	-162
CTF	GBP	1,130	785	345	1,740	1,127	451	-101	-61	-162
<b>Grand Total</b>					<b>2,869</b>	<b>1,957</b>	<b>451</b>	<b>-174</b>	<b>-61</b>	<b>-235</b>