Approved Decision on the Risk Report

The meeting of the CTF Trust Fund Committee, having reviewed the document entitled, *Risk report on CTF and SCF Trust Funds*, dated June 17, 2014,

a) takes note of the progress made in implementing the ERM Framework and the update on Tier 1 risks, and

b) agrees on the following steps proposed in the report to mitigate the highlighted risks.

*Risk Management Issue 1: Declining margin between projected CTF net income and projected loan losses*

The Committee requests the Trustee working with the MDBs to refine projected loss rates and private sector returns assumptions in the CTF cash flow model and to share an updated model with contributors by end of August 2014. The meeting further requests the MDBs to provide expected returns on equity investments if available at that stage and pricing floors for other financial instruments when they submit program or project proposals for funding approval.

The Committee agrees to set a target for the margin between projected CTF net income and projected loan losses and requests that the Trustee, in consultation with the CIF Administrative Unit and MDBs, proposes a specific target and an outline of how and when such a target might be achieved for consideration by the Committee at its meeting in November 2014.

The Committee further requests the Trustee to explore ways to increase investment income while protecting the principal of the Trust Fund and to inform the Committee of possible options at its next meeting.

*Risk Management Issue 2: Potential funding shortage for CTF*

The Committee requests the CIF Administrative Unit, the MDBs and the Trustee to continue their active management of the pipeline, portfolio and contribution schedule so as to eliminate or minimize any negative impact on the availability of the CTF funding for projects.

The Committee requests the CIF Administrative Unit and MDBs to propose to the Committee for its approval guidelines for removing project concepts from the CTF pipeline when such concepts do not reach the milestone of MDB approval in a reasonable timeframe.