Meeting of the SCF Trust Fund Committee

Washington D.C (Hybrid)

Friday, June 24, 2022

SCF RISK REPORT

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PROPOSED DECISION

The SCF Trust Fund Committee reviewed the document, SCF/TFC.16/4/Rev.1, *SCF Risk Report*, and welcomes the progress that has been made in advancing the work of SCF.

The SCF 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. As vaccination rates climb, various countries are easing the mitigating measures which have been disrupting project implementation in CIF's recipient countries. However, disparities in vaccination rates amongst recipient countries persist with many countries in Africa, and Small Island Developing States, achieving lower vaccination rates than in other areas of the world (see Table 1).

Table 1: Recipient country vaccination rates[1]

Americas

North America Country	Persons fully vaccinated per 100 population*	South America Country	Persons fully vaccinated per 100 population*
Guatemala	34.2	Argentina	82.4
Honduras	49.5	Colombia	69.6
Mexico	62.0	Ecuador	78.8
Nicaragua	70.5	Bolivia	50.7
		Brazil	74.7
		Paraguay	47.3
		Peru	81.4

Europe

Country	Persons fully vaccinated per 100 population*
Armenia	33.3
Kazakhstan	53.8
Türkiye	63.8

Africa

Country	Persons fully vaccinated per 100 population*	Country	Persons fully vaccinated per 100 population*
Burkina Faso	7.4	Malawi	4.8
Congo, Republic of	9.9	Mali	5.3
Cameroon	4.6	Mozambique	38.2
Central African Republic	20.5	Niger	6.4
DRC	1.2	Nigeria	7.7
Cote d'Ivoire	20.6	Rwanda	64.9
Ethiopia	18.5	Sierra Leone	16.5
Gambia	13.2	Sudan	8.3
Ghana	19.4	Tanzania	5.8
Kenya	15.5	Tunisia	53.9
Lesotho	76.4	Uganda	23.1
Liberia	28.4	Zambia	12.7
Madagascar	4.2		

SIDS

Country	Persons fully vaccinated per 100 population*
Dominica	41.9
Dominican Republic	54.9
Grenada	33.9
Guinea Bissau	17.4
Haiti	1.1
Jamaica	23.2
Kiribati	48.7
Maldives	71.0
Papua New Guinea	3.0
Saint Lucia	29.1
Saint Vincent and the Grenadines	27.4
Samoa	74.7
Solomon Islands	20.5
Tonga	91.9
Vanuatu	38.5

Asia

Country	Persons fully vaccinated per 100 population*	Country	Persons fully vaccinated per 100 population*
Bangladesh	70.7	Mongolia	66.4
Bhutan	87.0	Myanmar	43.1
Cambodia	85.0	Nepal	67.3
India	62.6	Pakistan	54.5
Indonesia	60.5	Philippines	62.5
Jordan	44.0	Tajikistan	51.5
Kyrgyz Republic	18.9	Thailand	73.4
Lao	63.4	Yemen	1.4

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

[1] Data as of May 10, 2022. Figures in red font represent countries with vaccination rates (two shots) < 40%.

2 Description of key risk types

3. Risk is defined as any threat to the achievement of an SCF program's objectives. This definition, along with the definition of each program's objectives, establishes the context for appraising an SCF program's risk exposure level.

4. The SCF's programs are exposed to the following key risks.[2]

- Implementation Risk
- Currency Risk
- Resource Availability Risk
- Fraud, and Sexual Exploitation and Abuse
- Forced Labor
- Credit Risk

2.1 Implementation risk[3]

5. Implementation risk is the risk that a project, once effective, is not implemented in a timely manner. The CIF Administrative Unit 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.

6. The MDBs provide this information semi-annually, and the most recent information available is as of June 30, 2020. However, in some cases the MDBs may have provided more recent information which is included in the text, and the CIF Administrative Unit requests monthly updates from the MDBs on the impacts of the pandemic on CIF projects. Projects which have been flagged repeatedly in past reports are highlighted in orange.

2.1.1 MDB cancellation guidelines and criteria

7. During the December 2017 CIF Trust Fund Committees' and Sub-Committees' meetings, members expressed interest in receiving information pertaining to MDBs' potential decisions to

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[2] Please note that other risks are also assessed, monitored and reported on each respective program's risk dashboard.

[3] 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), 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.

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

8. 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. During the reporting period, the GBP depreciated against the USD by 4.9 percent causing a commensurate decrease in the value of FIP and SREP's outstanding promissory notes.

2.3 Resource availability risk[4]

9. 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.

10. To mitigate this risk, the MDBs, and CIF Administrative Unit continuously monitor the resource availability situation and manage the pipeline development accordingly. Additionally, the TFC, MDBs, and CIF Administrative Unit have all consistently conveyed the message that resource allocations are not guaranteed until funds are committed to specific projects.

2.4 Fraud, and sexual exploitation & abuse

11. At the February 2019 CIF Trust Fund Committees and Sub-Committees meetings, the members requested that the MDBs provide to the CIF Administrative Unit information regarding fraud and sexual exploitation and abuse associated with CIF 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.

12. The MDBs did not report any allegations or instances of fraud or sexual exploitation, or abuse to the CIF Administrative Unit during the reporting 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

[4] Available Resources excludes Currency Reserves as these reserves are not available for the Trustee to commit for programming. Additionally, if, before the remaining promissory notes are encashed, the GBP declines against the USD, some or all of the current amount of the Currency Reserves may never become Available Resources to commit for programming.

2.5 Forced Labor

13. 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.

14. 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.

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

2.6 Credit risk

16. At the March 8, 2018, intersessional meeting of the SCF Trust Fund Committee, the committee decided that "SCF Reflows may be used to finance Administrative Costs and shall be allocated to finance the potential shortfall of grant resources to cover Administrative Costs after they become available in each Program Sub-Account."

17. Because credit losses and delinquencies can impact the availability and timing of these reflows to finance administrative costs, it is important to assess the credit risk associated with each SCF program's loan portfolio.

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

3 Assessment of key risk exposures — FIP

19. The following matrix summarizes FIP's key risk exposures.

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

20. Implementation risk for FIP remains **High**, as four out of 46 MDB Board-approved projects representing USD 71 million (9.4 percent) of program funding have been flagged for this risk. The program's implementation risk score has been **High** for the past four reporting cycles, and **Medium** for the four reporting cycles prior to that.

21. GBP 93 million of FIP's promissory notes were encashed during the period, significantly contributing to the decrease in the unrealized decline in the value of FIP's uncashed promissory notes to USD 10 million from USD 21 million as reported in the last Risk Report, FIP's exposure to currency risk has now declined to **Medium**. The program's currency risk score had been **High** for the past eight reporting cycles.

22. Resource availability risk remains **Low** as FIP has a surplus in both grant and capital resources. The program's resource availability risk score has been **Low** for the past two reporting cycle and **Medium** in the cycle before that and had been **High** for the prior four reporting cycles.

23. Expected losses associated with committed loan portfolio declined to USD 5 million, largely due to the revised approach to assessing the credit risk associated with the public sector portfolio, and the credit risk associated with the program declined to **Low**.

3.1 Implementation risk

24. Table 2 illustrates that, two projects representing USD 61 million of program funding have been flagged under the first criterion (versus one representing USD 24 million flagged in the previous Risk Report).

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

Country	Program / Project Title	MDB	Funding Amount (USD Equv)	Cumulative Disb. as of December 31, 2021	Disbursement Ratio	Effectiveness Date	Months Since Effectiveness Date	Anticipated Date of Final Disbursement	MDB Co-Financing
Brazil	Environmental Regularization of Rural Lands in the Cerrado of Brazil	IBRD	24.5	3.8	15%	3/16/2016	71	12/31/2019	0
Peru	Forest Investment Program Peru	IDB Group	36.3	2.7	8%	9/19/2018	40	7/8/2024	0

25. **Environmental Regularization of Rural Lands in the Cerrado of Brazil (World Bank)** - This project disbursed USD 1.5 million during the FY22. It has been flagged in each of the last seven reporting cycles. Two-thirds (USD 16.2 million) of the remaining funds for this project have now been cancelled so this project will no longer be flagged for implementation risk

going forward.

a. *Reason(s) for delay:* The project startup coincided with an extraordinary turbulent period for the Brazilian state and its economy. The project suffered with this political and economic turmoil, principally because the federal government, rather than another public or private entity, was the recipient of FIP funds, which came in the form of a loan rather than a grant. While the loan had been approved by the World Bank in May 2015, a Loan Agreement could only be signed after the Annual Budget Law was approved by the Congress and budget resources could be allocated to implement the project. The loan was submitted to the Senate in September 2015, but was not approved until April 2016, shortly before the impeachment trial in the Senate. Even after that approval, the loan still required a manifestation of the National Treasury in favor of loan signing, which proved difficult with drastically reduced federal budget provisions for the project. While the budget allocated to the project in 2015 was adequate at BRL 23 million, it dropped to only BRL 3 million in 2016, insufficient for implementing the project.

   The loan agreement was signed on May 22, 2017. Loan effectiveness occurred three months later, on August 18, 2017. The effort of the Project Implementation Unit to obtain approval to increase the allocation for loan funds in the budget to BRL 6 million was not successful.

   The annual spending cap and budget constraints imposed by the federal government continue to limit disbursements. The National Budget Freeze put in place by the government stipulates that no agency can increase their budget over the next 20 years. For 2018, the federal budget allocation for the loan funds increased to BRL 5 million, still low when considering the value of the loan of almost BRL 107 million at prevailing exchange rates. A new federal government was elected in late 2018. President Bolsonaro took power in January 2019.

   Additionally, the project was affected by the transfer of the executing agency, Brazilian Forest Service (SFB), from the Ministry of Environment to the Ministry of Agriculture, Livestock and Supply (MAPA). This shift in responsibility temporarily slowed down project implementation.

   Also, the BRL/USD exchange rate is a key consideration not only for procurement activities, but for the overall disbursement rate. The exchange rate adopted at appraisal was BRL 2.9 per USD, whereas the actual exchange rate as of December 31, 2019 was BRL 4.0 per USD, and BRL 5.3 on September 18, 2020. Thus, the value of the loan funds went from about BRL 94 million at appraisal to about BRL 176 million before cancellation, and to BRL 128 million after cancellation of USD 8.0 M million, suggesting that greater implementation is being achieved than indicated by the level of disbursed funds.

   The project team in SFB spent considerable effort seeking a solution to the delays caused by the budget constraints and slow release of federal budget funds.

Nevertheless, the federal budget allocation of loans funds for 2021 are not yet officially approved by the National Congress. Remaining loan funds amount today to USD 20.1 million, equivalent to about BRL 113 million at the current exchange rate of BRL 5.4 per USD as of February 17, 2021.

b. *Measures underway to accelerate implementation:* On September 25, 2019 a first restructuring was approved that included a partial cancellation of USD 8 million due the considerable devaluation of the Brazilian Real compared to the US Dollar. The restructuring also reflected the institutional changes implemented by the newly elected government, the move of SFB from the MMA to MAPA, and the reallocation among loan categories to adjust the amount due to the cancellation. The results framework was also adjusted to reflect the current reality and lowering costs of CAR registration.

On December 30, 2019, a second restructuring was approved to extend the closing date by 22 months, from February 28, 2020, to December 31, 2021.

A third restructuring responded to a request of the Government of Brazil and entailed the following changes: a partial cancelation of USD 16.2 million; extension of the closing date by 12 months, for a cumulative period of 34 months; adjusting the target dates of results indicators to account for the extended implementation period; and adjusting the indicators of the results framework to reflect the process of rural environmental regularization (analyses and validation of the Rural Environmental Cadaster).

The project has achieved many of the targets defined at project approval, much remains to be done to get to the effective climate-centered sustainable land use envisaged. This includes analyzing and approving CAR entries, including assistance to the state agencies responsible for this task; completing or amending legislation related to various aspects of environmental regularization in the states and at the federal level; assisting small farmers with drawing up and implementing plans to achieve compliance with land use regulations; and monitoring and enforcing land use compliance (also a state responsibility). The proposed extension of the closing date by 12 months would allow for continued support to the CAR, a fundamental system that underpins the Brazilian Forest Code, and would ensure continued technical assistance to states that are using the CAR to regularize their climate policy.

The activities that are under implementation are to press ahead with the rural environmental regularization process. These include:

- Concluding CAR registration of traditional community territories and their families in Bahia, Goiás, Maranhão, Minas Gerais, and Piauí states, such as *quilombos* (hinterland communities that arose historically from resistance to slavery) and extractive communities, which have not yet been enrolled in the SICAR. Currently, five contracts are under implementation to promote the registration in the territories of 50,000 families of traditional peoples and communities in the SICAR, and 72,000 registrations of small landholdings. The execution of these contracts has been affected by the restrictions imposed during the COVID-19 pandemic.

- Supporting the 11 Cerrado biome states for automated analysis of CAR entries, as well as vital thematic data (maps, satellite images) with a view towards rectification, analysis, and validating CAR entries.

c. _Estimated timeframe within which project will have disbursed 20 percent of FIP funds:_ An additional disbursement was requested at the end of November 2020, and disbursed on December 1, 2020, in the amount of USD 2.2 million. Thus, the total disbursement of the loan is USD 4.4 million or about 18 percent. A new project restructuring is expected in April 2021, which will include a partial cancellation of the loan amount.

d. _Projected disbursement of FIP funds over the next 12 and 24 months:_ The project may not have enough time left to address the last phase of the cadaster and regularization process, as the current project closing date is December 31, 2021.

In 2020, the Brazilian government reiterated its commitment to the project and requested another extension to December 2023. Nevertheless, there is no possibility for the full use of the remaining loan funds, not even with further extensions of the loan closing date.

26. **Forest Investment Program Peru– Peru (IDB):**

a. _Reason(s) for delay:_ The loan agreement was signed on July 31, 2019. The effectiveness of the loan occurred on November 8, 2019. Although the preconditions for the start of the execution of the project and the first disbursement of loan agreement No. 4604/SX-PE were met in November 2019, after a few months, in March 2020, the COVID-19 pandemic began and paralyzed the work due to the effects of the strict quarantine ordered by the government and the need to implement sanitary protocols. This motivated a shift toward remote work for both the Project Management Team (PMT) and the executing unit of the National Forest Conservation Program for the Mitigation of Climate Change (PNCBMCC), as well as the Peruvian public sector and society more generally. This prevented travel to the regions where interventions are located (San Martín, Loreto, Madre de Dios), a situation that was maintained until the end of 2021.

The FIP/IDB is made up of three public investment projects (PIP 01, PIP 03 and PIP 04), which must comply with the rules of the Peruvian administrative system of public investment (Invierte.pe). It establishes that the execution phase requires the prior preparation of Definitive Studies or equivalent documents for each PIP. These are the detailed studies of what was formulated in the pre-investment phase of Formulation and Evaluation. Hiring the consulting firms to develop the Definitive Studies and Baselines of each PIP required a selection process that took some time to complete.

In addition to the travel limitations for fieldwork, development of the Definitive Studies and Baselines was also impacted by the performance of the selected firms. It was not optimal, so the products of the contracts were constantly observed. This situation resulted in a considerable delay since these studies were part of the critical path for the beginning of the physical and budgetary execution of the projects according to the Peruvian public investment system (Invierte.pe).

To date, the three Definitive Studies of the FIP/IDB have been completed; however, only a part (equivalent document) of these studies of PIP 01 and PIP 03 have been approved in accordance with the regulations of the Invierte.pe. These enable the implementation of activities related to the development of “Life Plans" for the native communities. The contracting processes of selected Indigenous organizations to implement these activities is currently underway. Regarding the other sections of the Definitive Studies of PIP 01 and PIP 03 and the entire Definitive Study of PIP 04, their approval are subject to the signing of inter-institutional Cooperation Agreements between the PNCBMCC and the Regional Governments of Cuzco and Madre de Dios, with the National Forest and Wildlife Service (SERFOR) and with the Ministry of Agrarian Development and Irrigation (MIDAGRI), as established in the loan agreement with the IDB.

Another aspect that has impacted the execution of the project is the lack of budgetary allocation at the beginning of 2021 and 2022 to the PNCBMCC, which delayed the start of contracts as well as payment of PMT professionals. This situation has generated uncertainty in key personnel and repeated resignations, with the consequent vacuum in the position. Delays in hiring replacements and the learning curve of new staff has affected the performance of projects.

Additionally, the organizational design of the program generated bottlenecks in the processing of project activities, a situation that produced further delays. This design consisted of having a single Organizational Unit of the PNCBMCC (the Programs and Projects Unit) with a small team in charge of the management of all the projects of the program.

b. *Measures underway to accelerate implementation:* The new management of the program, which began work at the beginning of March 2022, has developed a strategy that aims to accelerate the execution of the projects and has taken the following actions:

- The functional structure for project management has been reorganized through a recent modification of the Project Operating Regulations (ROP), with a focus on distributing the management of the Project and its Management Team in the three organizational units of the PNCBMCC (Administrative Unit, Technical Unit and Programs and Projects Unit). This is expected to increase the speed of execution management. The Executive Coordination of the PNCBBMCC will be responsible for the supervision of the projects through the three organizational units that will execute the project, each one from its field of competence. A new version of the PNCBMCC Operations Manual is also being developed, which will give greater agility to the execution of the FIP/IDB.
- The Annual Operational Plan (POA) 2022 of the projects has been formulated under a strategy of advancing, in parallel to the development of the Life Plans,

the elaboration of the Business Plans with the economic activities that will be financed with the incentive funds of FIP. This will allow the first of the three transfers of incentive funds to be executed towards the end of 2022 and the next two in 2023.

- Support has been requested at the Senior Management level of the Ministry of the Environment (MINAM) to establish closer coordination with SERFOR and MIDAGRI in order to accelerate the signing of the pending agreements and in the same way with the Regional Governments of Cusco and Madre de Dios.
- A software for administrative and budgetary management has been implemented, which allows the integration of the IDB planning tool called POA with the national budget and treasury administrative systems.
- Likewise, a software has been implemented for the monitoring and evaluation of business plans in the Native Communities and Small Users of the Forest, which allows obtaining information on the transfers of incentive funds by community, by region, by PIP and the progress in the expense reports from these groups.
- Support has been requested at the level of the Senior Management of MINAM to accelerate the bureaucratic processes that allow the use of the resources disbursed by the Bank
- Together with the Bank, the commitments agreed in the last portfolio review have been updated, as well as the temporary financing of a key team that supports the management of the new Executive Coordination.

c. *Estimated timeframe within which the project will have disbursed ≥ 20 percent of SCF funds:* To date, USD 1.2 million has been disbursed, which represents 7.1 percent of the loan amount. According to the forecast of disbursements of the approved POA 2022, it is expected that by the end of the third quarter of this year, 30 percent of the funds of the loan contract will be disbursed.

d. *Expected disbursement of FIP funds over the next 12 and 24 months:* The expected disbursement of the Loan Agreement in the following 12 months is USD 7.8 million, which will mainly finance the transfers of incentive funds to native communities and small forest users, as well as the acquisition of equipment. Disbursements of USD 13 million are planned over the next 24 months.

With respect to the Grant Agreement, the expected disbursement for the next 12 months is USD 3.4 million, which will finance the transfers of incentive funds to native communities and small forest users, as well as the acquisition of equipment. Disbursements of USD 8.7 million are planned over the next 24 months.

27. Table 3 illustrates that one project representing USD 4 million of approved funding has been flagged under the second criterion (versus two projects representing USD 26 million flagged in the previous Risk Report).

Table 3. Projects within 15 months of closing with less than 50 percent of approved funds disbursed

Country	Program / Project Title	MDB	Funding Amount (USD Equv)	Cumulative Disb. as of December 31, 2021	Disbursement Ratio	Public / Private	Effectiveness Date	Initial Anticipated Date of Final Disbursement	Months Before Anticipated Date of Final Disbursement	MDB Co-Financing
Burkina Faso	Climate change mitigation and poverty reduction through the development of the cashew sector in Burkina Faso (Wouol project)	AFDB	4.0	1.7	43%	Private Sector	8/23/2017	12/28/2022	12	1.4

28. **Climate change mitigation and poverty reduction through the development of the cashew sector in Burkina Faso (Wouol project) – Burkina Faso (AfDB)**

a. *Reason(s) for delay:* Prior to COVID-19, the project had been progressing across five sub-components that reflect various points of entry to support the cashew supply chain: plantation development, improving yields and modes of production, modernizing commercial processing facilities, capacity building of local actors in the supply chain, and project management. The project has made the most progress to date in upstream interventions, such as plantations developed (100 percent of target reached), and support for improved agricultural techniques (100 percent of targeted farmers trained on organic practices). The project mid-term review conducted in September 2021 estimated the physical implementation at 57percent.

Delays have occurred in the processing facilities sub-component, which relies on investment credits being approved by the Réseau des caisses populaires du Burkina Faso (RCPB) for separate sub-projects. The project is facing challenges with the credit disbursement mechanism which constitutes the largest part of the project's investment budget. As of December 2021, 86 sub-projects had been submitted to the RCPB and only six were approved. RCPB cited lack of sufficient economic and financial profitability studies and other quality control mechanisms for the proposals as a barrier to their timely approval. This challenge is further aggravated by heavy initial conditions on access to credit, including among others, a 10 percent pledged savings in cash or a minimum contribution of 20 percent in kind, payment of insurance fees, credit file fees and management fees.

The onset of the pandemic has caused further delays in project implementation, and from March 2020, activities in the field have been suspended due to restrictions on movement. This has led to an inability to work with local cooperatives and other field-level actors to advance project activities for a certain period. Coupled with delays encountered at the onset of the project, this partially explains the overall delay in the implementation of some activities. In April 2022, AfDB received a request at no-cost extension until December 2023 to finalize the implementation of remaining activities.

b. *Measures underway to accelerate implementation:* Following the latest supervision in September 2021, AfDB is urging the RCPB, in coordination with the project implementation unit, to sign an amendment to the agreement with RCPB, taking into account the leaner credit terms, including the placement of the credit fund at a rate of 0 percent in the books of RCPB and the renunciation of the 10 percent pledge savings for all loans. The mission further recommended the establishment of a dedicated loan approval committee for the due diligence in sub-projects approval, with the participation of relevant stakeholders, including local authorities, the project implementation unit, and beneficiaries' representatives. The amendment to the agreement between the project and RCPB was approved by the Bank and the committee was set up in March 2022. In support to this process, two individual consultants will be brought onboard to review the profitability of shortlisted sub-projects.

c. *Estimated timeframe within which the project will have disbursed 50 percent of FIP funds*: As of December 2021, FIP funds reached a cumulative disbursement rate of 43 percent. It is important to note, however, that AfDB co-financing had reached a cumulative disbursement rate of 85 percent by the same period. AfDB estimates that more than 50 percent of FIP funds will have been disbursed by December 31, 2022. This will be facilitated by arrangements made during the last supervision mission to review the mechanism for access to credit by beneficiaries and speed up the implementation of structuring sub-projects. With the extension of the project until December 2023, AfDB will continue to support the Government of Burkina Faso and the project implementation unit to use the remaining FIP funds by the closing date.

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

29. Table 4 illustrates that, two projects representing USD 30 million of program funding have been flagged under the third criterion (versus two representing USD 40 million flagged in the previous Risk Report).

Table 4. Projects with extended anticipated dates of final disbursement, and less than 50 percent of approved funds disbursed

Country	Program / Project Title	MDB	Funding Amount (USD Equv)	Cumulative Disb. as of December 31, 2021	Disbursement Ratio	Public / Private	Effectiveness Date	Months Since Effectiveness Date	Initial Anticipated Date of Final Disbursement	Extended Anticipated Date of Final Disbursement
Brazil	Environmental Regularization of Rural Lands in the Cerrado of Brazil	IBRD	24.5	3.8	15%	Public Sector	3/16/2016	71	12/31/2019	12/31/2022
Mexico	DGM for Indigenous Peoples and Local Communities	IBRD	6.0	2.9	48%	Public Sector	12/21/2017	49	8/1/2022	8/1/2023

30. **Environmental Regularization of Rural Lands in the Cerrado of Brazil (World Bank)** was also flagged under the first criterion (see description above).

31. **DGM for Indigenous Peoples and Local Communities – Mexico (IBRD):**

a. *Reason(s) for delay:* The implementation and disbursements of the project were impacted by COVID-19 pandemic restrictions imposed by the Government of Mexico (GoM). Specifically, the implementation of the project subgrants awarded to Indigenous Peoples and Local Communities (IPLCs) across Campeche, Jalisco, Quintana Roo, Oaxaca and Yucatán states was delayed due to challenges IPLCs faced because of the COVID-19 pandemic. Community mobilization and in person trainings were limited and travel was restricted, which impacted the ability of the NEA, Rainforest Alliance (RA), to support sub-grants implementation and carry out in-situ monitoring of activities. Procurement of activities, which required frequent travel and/or work within rural communities, was also affected. RA documented these impacts through a survey, which showed that during April and May 2021, over 80 percent of sub-projects experienced negative impacts due to the COVID-19 pandemic, most commonly slow implementation of activities.

b. *Measures underway to accelerate implementation:* Since the GoM started lifting COVID-19 related restrictions, implementation of activities at the local level also started to speed up. In addition, RA started implementing a contingency plan to further ensure the implementation of sub-grants regardless of the public health context in the country. Main measures in the plan include shifting in-person activities and trainings to on-line trainings, using dissemination of self-explanatory materials that do not require in-person facilitation, and using GEMS tools to improve remote supervision and monitoring. Furthermore, the project closing date was extended to August 2023 to provide sufficient time for the implementation of planned activities, and component costs were adjusted without affecting disbursement categories. As a result of these measures, RA requested USD 250,000 at the beginning of May 2022 to continue the implementation of activities. It is expected that disbursements will accelerate in the next months and that the totality of project allocated resources will be fully disbursed by the new closing date.

c. *Estimated timeframe within which the project will have disbursed ≥ 50 percent of SCF funds:* By April 28, 2022, RA requested USD 250,000 and asked for the respective disbursement to the dedicated account. Thus, the project will have disbursed over 50 percent of the total project allocation by the end of June 2022.

d. *Expected disbursement of FIP funds over the next 12 and 24 months:* The total amount of the project amount will be disbursed by August 2023.

3.2 Currency risk via promissory notes

32. Although the GBP depreciated during the period, GBP 93 million of FIP's promissory notes were encashed, significantly contributing to the decrease in the unrealized decline in the value of FIP's uncashed promissory notes to USD 10 million from USD 21 million as reported in the last Risk Report. Realized losses, however, increased to USD 24 million from USD 11 million. FIP's exposure to currency risk has now declined to **Medium**.

33. Table 5 illustrates that it is possible that FIP will realize a moderate decline (relative to the size of the program) in available resources due to the currency risk exposures via GBP-denominated promissory notes.

Table 5: FIP currency risk exposure summary

Currency Risk Exposure (Millions) as of March 31, 2022							
Program	Original Amount Pledged/ Received	Pledged Amount Outstanding/ Unencashed	Realized Currency Gain/ (Loss)	Unrealized Currency Gain/ (Loss)	Risk Likelihood	Risk Severity	Risk Score
FIP	£223.0	£37.7	($24.0)	($10.1)	Possible	Moderate	Medium

3.3 Resource availability risk[5]

34. Table 6 illustrates that, as of March 31, 2022, FIP continues to hold surpluses of grant and capital resources of USD 7 million and USD 1 million (see Annex A), however these surpluses declined significantly since March 31, 2021. The risk that the Trustee will not have sufficient resources to commit to fund all projects in FIP's pipeline remains **Low**.

Table 6: FIP resource availability risk summary

Available Resources as of March 31, 2022				
Program	Available Resources for Projects/Programs ($Million)*	Risk Likelihood	Risk Severity	Risk Score
FIP Grant	$7.0	Very Unlikely	Minimal	Low
FIP Capital	$0.8			

3.4 Credit risk

35. Table 7 illustrates that the expected losses associated with FIP's public and private sector loan portfolios declined to USD 5 million, largely due to the revised methodology for assessing public sector credit risk (see section 2.6). The credit risk associated with the program is now **Low**.

[5] Available Resources excludes Currency Reserves as these reserves are not available for the Trustee to commit for programming. Additionally, if, before the remaining promissory notes are encashed, the GBP declines against the USD, some or all of the current amount of the Currency Reserves may never become Available Resources to commit for programming.

Table 7: Public and private sector credit risk exposure summary based on loan commitments

Committed Loan Portfolio Credit Risk Exposure (as of 3/31/2022)									
Sector	Portfolio Risk Rating[5]	Total Committed Loans (MM USD equivalent)[1]	Estimated Probability of Default (PD)	Estimated Loss Given Default (LGD)[6]	Expected Loss Rate[3]	Expected Losses (MM USD equivalent)[2]	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]	156.7	0.0%	0.0%	0.0%	0.0	0.0	0.0	0.0%
Private	CCC[7,4]	12.8	63.5%	61.6%	39.1%	5.0	0.0	0.0	0.0%
Portfolio		**169.5**	**4.8%**	**61.6%**	3.0%	**5.0**	**0.0**	**0.0**	**0.0%**

1. Committed loan amounts are provided by the Trustee.

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

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

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

5. Derived based on the mapping of the portfolio's estimated PD to the corresponding rating agency credit rating as published in *Moody's Annual Default Study: After a sharp decline in 2021, defaults will rise modestly this year*.

6. LGDs are based on the Portfolio Risk Rating's mapping to the LGD associated with Moody's credit rating equivalent as published in *Moody's Annual Default Study: After a sharp decline in 2021, defaults will rise modestly this year* (i.e. LGD = 1 - Average Sr. Unsecured Bond Recovery Rate from the period of 1983-2021).

7. Based on internal credit ratings or PDs assigned to their respective private sector CTF loans by reporting MDBs (EBRD, IDB and IFC), weighted by loan amount. The resulting credit rating for the combined portfolio of private sector CTF loans administered by these three MDBs is then applied to the entire portfolio of private sector CTF loans.

8. Based on weighted average PD (weighted by loan amount) associated with the external rating agency credit rating assigned to each recipient (in the case of split ratings, the PD associated with the lowest of Fitch, Moody's and S&P ratings is used) as of March 31, 2022. 5-year Average Cumulative Issuer-Weighted Global Defalt Rates from the period of 1983-2021 as published in *Moody's Annual Default Study: After a sharp decline in 2021, defaults will rise modestly this year* were used.

4 Assessment of key risk exposures — PPCR

36. The following matrix summarizes PPCR's key risk exposures.

Summary Risk Matrix - PPCR			
Risk	Likelihood	Severity	Risk Score
Implementation Risk	Possible	Minimal	Low
Credit Risk	Possible	Minimal	Low

37. Implementation risk for PPCR increased but remained **Low**, as 4 out of 81 projects representing USD 45 million of MDB-approved program funding were flagged for this risk. The program's implementation risk score was also **Low** in the last reporting cycle but had been **High** for the prior six reporting cycles.

38. Expected losses associated with committed loan portfolio declined to USD 7 million, largely due to the revised approach to assessing the credit risk associated with the public sector portfolio, and the credit risk associated with the program declined to **Low**.

4.1 Implementation risk

39. No projects were flagged under the first criterion.

40. Table 8 illustrates that, three projects representing USD 35 million of program funding have been flagged under the second criterion (versus one project representing USD 10 million flagged

in the last Risk Report).

Table 8: Projects within 15 months of closing with less than 50 percent of approved funds disbursed

Country	Program / Project Title	MDB	Funding Amount (USD millions)	Cumulative Disb. as of Dec 31, 2021 (USD millions)	Disbursement Ratio	CTF Committee Approval Date	Effectiveness Date	Months Before Anticipated Date of Final Disbursement	MDB Co-Financing
Pacific Region	Pacific Resilience Program (PREP)	IBRD	5.8	2.1	36%	5/11/2015	11/1/2015	-7	3.7
Papua New Guinea	Building Resilience to Climate Change in Papua New Guinea Project / Additional Financing to Building Resilience to Climate Change in Papua New Guinea	ADB	24.3	9.8	40%	7/10/2015	3/1/2016	4	0.0
Papua New Guinea	Climate Proofing Alotau Provincial Wharf, Additional Financing to Building Resilience to Climate Change in Papua New Guinea (BRCC)	ADB	5.0	0.1	2%	9/27/2017	12/18/2018	4	0.0

41. **Pacific Resilience Program (PREP 1 SPC) – Pacific Region (World Bank)**

a. *Reason(s) for delay:* Implementation progress has been much slower than expected largely due to the continued impact of COVID-19 travel restrictions, which have affected the ability to conduct the necessary in-country work. This has impacted the two largest contracts: the LiDAR Data acquisition contract for USD 2.4 million (24.5 percent of the project budget) under Component 2, and the Impact-based Forecasting contract for USD 1.3 million (13.3 percent of the project budget) under Component 1. For both contracts, the consulting firms' entry into Tonga, Samoa, and Vanuatu to complete in-country verification activities for finalizing the work has been affected by restrictions related to the COVID-19 pandemic and the Tonga volcano eruptions.

b. *Measures underway to accelerate implementation:* The last implementation support mission (ISM) in March 2022 noted that agreed actions from the last ISM in October 2021 were largely complete. For the LiDAR survey activities under Component 2, the contract with Woolpert has been delayed due to COVID-19 related travel restrictions in Tonga and Vanuatu. In Vanuatu, the government commenced surveys in early December 2021 and the acquisition of LiDAR data was completed by January 2022 with final LiDAR data available in June/July 2022.

For Tonga, the survey team has been unable to mobilize due to the January 15 Hunga Tonga Hunga- Ha'apai volcanic eruption and tsunami, and the ongoing hard lockdowns due to the community transmission of Covid-19. The team is hoping to deploy to Tonga in April/May 2022.

For the Impact-Based Forecasting activities under Component 1, eight of the 12 deliverables are completed, and the remaining four deliverables are on track for completion by project close.

COVID-19 travel restrictions for Samoa and Tonga delayed the completion of the Ocean Observation Systems in these countries; however, this equipment (implemented in partnership with the National Institute of Water and Atmospheric Research, New Zealand -NIWA) was deployed at two sites in Samoa in February 2022 and three sites in

Tonga in March 2022. The seismic equipment expected to be procured by September 2022.

c. *Estimated timeframe within which project will have disbursed 20 percent or more of PPCR funds:* As of December 31, 2021, USD 2.07 million (36 percent) of the PPCR funds had been disbursed. This has increased to USD 2.31 million (39.7 percent) as of May 5, 2022. The overall project disbursement rate stands at 55 percent. SPC (implementing agency) has provided projected disbursements for the remaining USD 3.48 million of PPCR funds, as outlined in the table. These disbursements are projected for April to October 2022 in light of the current project closing date of October 31, 2022. Based on this information, allowing time for the project costs of USD 982,934 incurred during April to be processed, the project is expected to exceed 50 percent of PPCR funds in May 2022.

Estimated project disbursements showing in the month project costs incurred:						
April 2022	**May 2022**	**June 2022**	**July 2022**	**August 2022**	**Sept 2022**	**Oct 2022**
USD 982,934	USD 195,434	USD 239,448	USD 416,903	USD 613,044	USD 380,502	USD 656,625

d. *Projected disbursement of PPCR funds over the next 12 and 24 months*: With the project currently due to close on October 31, 2022, disbursement projections will take the project through to project close. However, it should be noted that SPC intends to request a project extension of not more than 12 months, which would result in a new closing date of October 30, 2023.

42. **Building Resilience to Climate Change in Papua New Guinea Project / Additional Financing to Building Resilience to Climate Change in Papua New Guinea – (ADB)**

a. *Reason(s) for delay:* The project encountered delays in the procurement and recruitment of International Community Facilitation Service (CFS), an international non-government organization. Due to limited number of international and national NGOs with experience on implementing climate change projects in Papua New Guinea (PNG), only a few NGOs have shown interest to the BRCC project. United Nations Development Programme (UNDP) is the available international organization that has the experience and expertise in climate change and was the only bidder in 2019 when the bid was advertised by Climate Change and Development Authority (CCDA) using the procurement process for international competitive bidding. There were delays in engaging UNDP under a consultancy contract (as implementing agency) and took several months to finally come up with a CFS Agreement signed between UNDP and CCDA. UNDP was contracted in March 2019 to deliver BRCC Project Outputs 1 (climate change vulnerability assessments) and 2 (CFS).

UNDP also experienced delays in mobilizing its key personnel (composed of team leader, a national procurement officer and program coordinator), which was only completed in December 2019.

UNDP commenced implementation of Outputs 1 and 2 in Q1 of 2020 when the COVID-19 hit PNG. Domestic and international travel restrictions impacted UNDP's efforts to further carry out its tasks. These restrictions created delays in the mobilization and implementation of CCVA, community consultations, small grant facility, and CFS. The 21 atolls or island communities are isolated and located in five provinces of Papua New Guinea. The only means of transport is by air and sea transport. UNDP could not do much given the travel restrictions as also imposed by the UN system on its staff members.

The BRCC project is expected to end by April 30, 2022. However, due to these unforeseen delays and impacts of COVID19 pandemic, the Government of PNG has requested to extend the project completion by April 30, 2024 to complete all activities under Outputs 1 and 2, and Output 3-part B. Activities under Output 3-part A of PEF are already complete, including the early warning systems and water supply, while the remaining sanitation facility will be completed by Q2 of 2022.

b. *Measures underway to accelerate implementation:* BRCC Outputs 1 and 2: UNDP has revised their schedule and implementation strategy. UNDP has already sub-contracted national sub-contractors who are experts in implementing fisheries and food security program. Also, as part of Output 2, UNDP has engaged two international specialist consultants who will train the trainer of trainers (TOT) and work with the provincial disaster office and committees through capacity building workshops and help prepare Emergency and Disaster Risk Strategy for the 21 island communities and help strengthen the provincial disaster and emergency risk strategy. UNDP also will expedite Output 1 activities by implementing strategic workshops in five provinces to facilitate the development of local-level government and district plans and mainstream CCVAP into government development plans. The Small Grant Facility 21 investment priority were validated and ready for financing through SGF grant. The SGF Manual, FA Manual, and SGF trust account are all complete and ready for execution. UNDP has revised their implementation schedule and targeted April 30, 2023, as the completion date for Outputs 1 and 2. UNDP consultancy contract has been extended to April 30, 2023.

c. *Estimated timeframe within which the project will have disbursed ≥ 50 percent of PPCR funds:* The current disbursement ratio is at 40 percent of BRCC funds disbursed. The project is targeting December 31, 2022 (Q4/202) to achieved over 70-80 percent of funds disbursed and most will come from Alotau Wharf Construction, UNDP payments, SGF, and Output 2 CFS program. The remaining balance will mostly from the disbursement of SGF which will continue to finance community projects up to June 2023 (Q2/2023). The project targets Q2 of 2023 as the project completion date and 100 percent disbursement of PPCR funds provided that COVID-19-related restrictions have been eased. The revised grant closing is on April 31, 2024.

d. *Expected disbursement of PPCR funds over the next 12 and 24 months:* The project targets Q2 of 2023 as the new project completion date and 100 percent disbursement of PPCR funds provided that COVID19-related restrictions have been eased. The revised grant closing is on April 31, 2024.

43. **Climate Proofing Alotau Provincial Wharf, Additional Financing to Building Resilience to Climate Change in Papua New Guinea (BRCC) – (ADB)**

a. *Reason(s) for delay:* The Port Enabling Framework Part B, Alotau Wharf Construct experienced delays in the procurement process. The tendering of Alotau wharf using ADB bidding process (ICB) was completed in September 2020 and bid evaluation completed in December 2020. ADB issued no objection to the first ranked bidder (CASA Engineering Limited-Australian based) in January 2021; however, with the interruption from COVID-19, the recommended bidder was risk averse and declined the offer in June 2021 without signing the contract. The CCDA accepted the withdrawal and proceeded with negotiation with the second-ranked bidder (Pacific Marine Group (PMG) Limited-Australian based). After lengthy negotiation the contract was finally awarded in December 2021.

b. *Measures underway to accelerate implementation:* Alotau Wharf: The contractor, Pacific Marine Group (PMG) Ltd, has submitted its construction schedule and BOQ, and have recruited project management team. PMG is scheduled to complete all works by December 2022. Most of the works for the steel pipes, the pontoon, and precast concrete items will be done offshore and brought to site in a barge. Steel pipes are ordered from China and concrete sourced from local supplier in Port Moresby. Because of time, PMG has re-strategize to assemble and weld all steel pipes, including pontoons offshores and bring them to site in a barge. A floating barge will be used as site camp and cranes will be used for piling works. This will fast-track the works and completion of Alotau Wharf. PMG has already ordered materials from China; however, COVID-19 impacts may cause delays. PMG is dedicated to expediting the process of shipping from China in Q2 of 2022. PMG's contract is extended to Q1 of 2023 to allow for completion of the Alotau Wharf.

c. *Estimated timeframe within which the project will have disbursed ≥ 50 percent of PPCR funds:* PMG is expected to submit its first withdrawal application in June 2022 for the soft component, such as CEMPs and associated safeguards documents, recruitment of experts, and setting up of office site. According to the project manager, PMG is expected to mobilize on site in July and make submissions for withdrawals in Q3 and Q4. Bigger component of disbursement for Alotau will occur in Q3 and Q4 of 2022, when the project is expected to achieve around 80-90 percent disbursements.

d. *Expected disbursement of PPCR funds over the next 12 and 24 months:* The current disbursement ratio is at 40 percent of BRCC funds disbursed. The project is targeting December 31, 2022 (Q4 of 2022) to achieve over 70-80 percent of funds disbursed and most will come from Alotau Wharf Construction, UNDP payments, SGF, and Output 2 CFS program. The remaining balance will mostly be from the disbursement of SGF, which will continue to finance community projects up to June 2023 (Q2 of 2023). The project targets Q2 of 2023 as the project completion date and 100 percent disbursement of PPCR funds provided that COVID19-related restrictions have been eased. The revised grant closing is on April 31, 2024.

44. Table 9 illustrates that one project representing USD 10 million of program funding is now flagged under the third criterion. This project was flagged under the first criterion in the last Risk Report.

Table 9: Projects with extended dates of final disbursement and less than 50 percent of approved funds disbursed

Country	Project Title	MDB	Funding Amount (USD millions)	Cumulative Disb. as of Dec 31, 2021 (USD millions)	Disbursement Ratio	CTF Committee Approval Date	Effectiveness Date	Months After Effectiveness Date	Initial Anticipated Date of Final Disbursement	Extended Anticipated Date of Final Disbursement	MDB Co-Financing (USD millions)
Cambodia	Flood-resilient Infrastructure Development in Pursat and Kampong Chhnang Towns as part of the Integrated Urban Environmental Management in the Tonle Sap Basin Project	ADB	10.0	4.0	40%	10/23/2014	3/2/2016	71	12/31/2019	4/30/2023	37.0

45. **Flood-resilient Infrastructure Development in Pursat and Kampong Chhnang Towns as part of the Integrated Urban Environmental Management in the Tonle Sap Basin Project – Cambodia (ADB) –** This project has been flagged in each of the last five reporting cycles. USD 2.8 million of PPCR funds were disbursed during the current reporting period. The SCF loan and grant are associated with 3 packages – Kampong Chhnang Sewerage, Flood Protection and Wastewater Treatment (CW10), Pursat drainage (CW05), and the community works (CW09).

   a. *Reason(s) for delay:* Civil Works (CW) 10 is the replacement package for the original Kampong Embankment package (CW04), which was formalized when the project's major change in scope was approved by ADB's Board of Directors in July 2021. Preparation of detailed engineering designs (DED) for the new CW10 package was delayed as consultants responsible for DED preparation contracted COVID-19. Also, the required site visits to facilitate safeguards due diligence were delayed due to COVID-19 related travel restrictions. The detailed resettlement plan was prepared and submitted to ADB in March 2022 and is currently under ADB review.

   The package has been advertised and bid opening was held in October 2021. However, the bid evaluation process has been delayed because of a lengthy series of queries and clarifications, and ADB has not yet received the bid evaluation. Bid validity has been extended to June 20, 2022. The contract, which was last targeted for late Q3 of 2021 award, is now envisaged to be awarded in late Q2 of 2022. Due to delays in procurement, the disbursement targets will also move.

   CW05 Pursat Drainage: Detailed design was delayed due to changes in the town infrastructure carried out by the provincial government between the conclusion of the preparatory technical assistance and the inception of work by the project implementation consultants (PIC). This necessitated a complete redesign of the proposed solution. Works are now underway, and the grant has enabled the project to be flood resilient, resisting the recent flooding that affected large areas of the town. The construction works are expected to be completed by end June 2022.

CW09 Construction of small-scale sanitation and environmental improvement facilities in Pursat and Kampong Chhnang Towns: This package has also been delayed due to the original project concept being non-viable (building latrines using public funds for private households occupying public river-front land illegally, which are flooded to a depth of several meters and not approved for construction generally). However, in the villages (specifically in Pursat) where the project is viable, the first shopping packages (CW09a and CW09b) have been completed in December 2019. The remaining community works packages will be procured this year.

b. *Measures underway to accelerate implementation:* Variation orders for the PPCR grant component, to permit modifications to the implementation process, were issued allowing for some contingency to be used for the existing consultants. This includes addressing needs on septage, solid waste, and public health management. To ensure the award of CW10 in June 2022, ADB during the latest review mission in May 2022 discussed the required clarifications on the bid evaluation with the EA to facilitate the EA's timely preparation of the bid evaluation report.

CW04: **The Government of Cambodia has requested that the major project component in Kampong Chhnang (embankment, USD 19 million) be cancelled, as other urban developments meant that the government would be unable to meet ADB safeguard requirements for this component if it were to proceed.** The replacement/alternative sub-project is package CW10 stormwater drainage, sewage and wastewater treatment (USD 19 million), which involves USD 4.9 million of climate adaptation costs (mostly in backfill for raising and larger pipe capacity). The executing agency is currently finalizing the bid evaluation report, and ADB is providing the necessary support in order to ensure contract award by end of Q2 of 2022.

Both the PIC and NGO contracts were successfully modified in early 2020. Although the DED of the new replacement package had been expected to be completed by the end of September 2020, this did not occur, and this was subsequently forecast to be completed by February 2021. The CW09 package has been split into several smaller packages (the first two packages, CW09a and CW09b, have been procured) and will be procured under shopping or NCB procedures for faster procurement.

The final package for the community works components are still being defined. Delays are due to the low capacity of the NGO appointed under CS04 (the NGO consulting contract). One mitigating solution is to transfer some of the civil works budget for community works to the CW10 contract (for household connections) and to implement this though the CW10 contractor, facilitated by the NGO as community liaison.

Scope change: The major change in scope was approved by ADB's Board of Directors on July 12, 2021. An extension of the project closing date by one year has also been approved, together with the major change in scope.[6]

c. *Estimated timeframe within which project will have disbursed 50 percent or more of PPCR funds:* As of three reporting cycles ago, it was expected to take nine months for the completion of the new detailed design packages, plus another six months for contract award. With the award of these two packages (Pursat Drainage and Kampong Chnnang flood protection replacement investment), the project should have awarded USD 27 million out of a project total of USD 47 million. ADB expected, at the time, that the project would no longer be flagged by July 2020. As of September 2020, USD 18 million had been awarded. As of April 19, 2022, there are four active contract packages under the grant. Disbursed amount is around 84 percent of the funds.

d. *Projected disbursement of PPCR funds over the next 12 and 24 months*: ADB expects USD 2.2 million and USD 0.6 million to be disbursed over the next 12 and 24 months.

4.2 Credit risk

46. Table 10 illustrates that the expected losses associated with PPCR's loan portfolios declined to USD 7 million, largely due to the change in methodology for assessing public sector credit risk (see section 2.6). The credit risk associated with the program is now **Low**.

[6] The proposal for a scope change stems from the government's request to cancel a major sub-project (package CW04, Construction of a 15km River Embankment) and to reallocate the funds to wastewater, stormwater drainage, and wastewater treatment in Kampong Chhnang (CW10).

• The full USD 5 million under Loan 8295 is intended for Kampong Chhnang Flood Protection. The original estimate for CW04 is $19 million, to be funded by both the SCF loan ($5million) and COL loan ($14 million).

• The DMF outcome (flood protection) is still the same, but with a different method of delivery as advised earlier. CW04 was a flood embankment to stop river flooding, while CW10 is a separated sewer and stormwater network (to stop rain driven flooding), and a wastewater treatment plant. It is expected that there will be about 4,900 fewer people who experience frequent flooding.

• The DMF outcome performance indicator and the project output relevant to the SCF loan are proposed to be changed due to (i) the cancellation of the original flood protection package; (ii) change in the infrastructure to be built to address flood protection (among other issues that CW10 will address), (iii) properly measure what would be achieved by the project in terms of design and capacity of CW10; and (iii) revise baseline (and target) figures on the households that would have reduced flooding it appears that there was a miscalculation done during the PPTA.

Table 10: Public and private sector credit risk exposure summary based on loan commitments

Committed Loan Portfolio Credit Risk Exposure (as of 3/31/2022)									
Sector	Portfolio Risk Rating[5]	Total Committed Loans (MM USD equivalent)[1]	Estimated Probability of Default (PD)	Estimated Loss Given Default (LGD)[6]	Expected Loss Rate[3]	Expected Losses (MM USD equivalent)[2]	Originated Principal in Default[5] (MM USD equivalent)	# of Loans Experiencing Payment Default	Loan Principal in Default vs. Total Loan Amount Originated
Public	B-[8]	295.2	0.0%	0.0%	0.0%	0.0	0.0	0.0	0.0%
Private	CCC[7,4]	44.9	36.4%	45.4%	16.5%	7.4	0.0	0.0	0.0%
Portfolio		**340.1**	**4.8%**	**45.4%**	**2.2%**	**7.4**	**0.0**	**0.0**	**0.0%**

1. Committed loan amounts are provided by the Trustee.

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

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

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

5. Derived based on the mapping of the portfolio's estimated PD to the corresponding rating agency credit rating as published in *Moody's Annual Default Study: After a sharp decline in 2021, defaults will rise modestly this year*.

6. LGDs are based on the Portfolio Risk Rating's mapping to the LGD associated with Moody's credit rating equivalent as published in *Moody's Annual Default Study: After a sharp decline in 2021, defaults will rise modestly this year* (i.e. LGD = 1 - Average Sr. Unsecured Bond Recovery Rate from the period of 1983-2021).

7. Based on internal credit ratings or PDs assigned to their respective private sector CTF loans by reporting MDBs (EBRD, IDB and IFC), weighted by loan amount. The resulting credit rating for the combined portfolio of private sector CTF loans administered by these three MDBs is then applied to the entire portfolio of private sector CTF loans.

8. Based on weighted average PD (weighted by loan amount) associated with the external rating agency credit rating assigned to each recipient (in the case of split ratings, the PD associated with the lowest of Fitch, Moody's and S&P ratings is used) as of March 31, 2022. 5-year Average Cumulative Issuer-Weighted Global Defalt Rates from the period of 1983-2021 as published in *Moody's Annual Default Study: After a sharp decline in 2021, defaults will rise modestly this year* were used.

5 Assessment of key risk exposures—SREP

47. The following matrix summarizes SREP's key risk exposures.

Summary Risk Matrix - SREP			
Risk	**Likelihood**	**Severity**	**Risk Score**
Implementation Risk	Likely	Severe	High
Currency Risk	Likely	Moderate	High
Resource Availability Risk - Sealed and Reserve Pipelines	Unlikely	Minimal	Low
Resource Availability Risk - Sealed Pipeline Only	Very Unlikely	Minimal	Low
Credit Risk	Possible	Moderate	Medium

48. SREP's risk score for implementation risk increased and remains **High**. 14 out of 50 MDB-approved projects representing USD 222 million (29 percent) of program funding flagged for this risk. This compares with seven projects out of 46 projects representing USD 106 million (14 percent) of program funding flagged for this risk in the last report. The program's implementation risk exposure has been **High** for the past two reporting cycles and has fluctuated between **Low** and **Medium** for the five reporting cycles before that.

49. Currency risk for SREP remains **High** as GBP 94 million promissory notes remain outstanding and have declined in value by USD 24 million. The program's exposure to currency risk via promissory notes has been **High** for the seven reporting cycles.

50. SREP's risk of being unable to fund all projects in the combined sealed and reserve pipelines

decreased to **Low**, and there is **Low** risk that SREP will be unable to fund the projects in only its sealed pipeline. The program's resource availability risk exposure for the combined sealed and reserve pipelines had been **High** for the last six reporting cycles.

51. Expected losses associated with committed loan portfolio declined to USD 15 million, largely due to the revised approach to assessing the credit risk associated with the public sector portfolio, and the credit risk associated with the program declined to **Medium**.

5.1 Implementation risk

52. Table 11 illustrates those six projects representing USD 55 million of SREP funding have been flagged under the first criterion. The same two projects as were flagged in the last Risk Report continue to be flagged and are highlighted in orange.

Table 11: 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, 2021 (USD Millions)	Disbursement Ratio	SREP Committee Approval Date	Effectiveness Date	Months Since Effectiveness Date	Original - Anticipated Final Disbursement Date (Financial Closure Date	MDB Co-Financing (USD millions)
Kenya	Electricity Modernization Project	IBRD	7.5	0.7	9%	1/30/2015	9/17/2015	77	10/1/2020	0.0
Nicaragua	Nicaragua Geothermal Exploration and Transmission Improvement Program under the PINIC	IDB Group	7.5	0.8	11%	8/2/2016	12/15/2016	61	3/15/2022	51.0
Solomon Islands	Electricity Access and Renewable Expansion Project – 2	IBRD	7.1	0.3	4%	3/14/2018	10/23/2018	39		10.3
Vanuatu	Rural Electrification Project	IBRD	6.8	0.6	9%	2/24/2017	8/21/2017	53	10/1/2022	0.0
Haiti	Renewable Energy and Access for All	IBRD	13.6	1.2	8%	6/5/2017	7/23/2018	42	4/1/2025	20.0
Mongolia	Upscaling Rural Renewable Energy - Solar PV	IBRD	12.4	2.0	16%	2/14/2017	12/15/2017	49	1/1/2023	12.0

53. **Electricity Modernization Project – Kenya (World Bank)** - This project has been flagged for the past five reporting cycles and is now flagged under the first and third criteria. This project disbursed USD 0.7 million during the reporting period.

    a. *Reason(s) for delay:* The Off-grid Electrification (funded by SREP Grant) expected to support 6 mini-grids has been significantly delayed. At the initial stage of the project of installing and operating seven mini-grids, procurement of the integrated supply-installation and operation-maintenance contract was delayed due to disagreement by Kenya Power (KPLC) on the Operations and Maintenance (O&M) contract template to be included in the bidding document of the Rural Electrification and Renewable Energy Corporation (REREC). The issue was finally resolved clearing the way for launching the bidding process. However, due to weak procurement capacity of REREC, concluding the procurement process took an unduly long time. Securing land for the mini-grids is taking time. Two to three mini grid sites will require in-kind compensation to be paid to smaller communities for the land used for construction of mini-grids. Although the fund requirements are small (to provide solar water pumps or building a school for the communities), the implementing agency REREC does not have funds for the compensation. The team is exploring the option of government providing funds for compensation.

Contracts for installing and operating the mini-grids were signed on October 9, 2019. However, the erroneous submission by REREC of the withdrawal application for the advance payment against the credit and not the grant account caused delays in clearing the advance payment to the contractor, delaying mobilization of the contractor to the site. More recently, COVID-19-induced supply interruptions is causing delays by the supplier to complete manufacturing of the equipment in China.

REREC has put the contractor on notice for delays and has intensified its monitoring and supervision of the contract. Production and factory acceptance tests of equipment for one site was completed in November 2021 and the equipment has now arrived at the site. The recent surge of COVID-19 cases in China has created a new challenge in completing the manufacturing of the remaining equipment in China. A new implementation schedule for completion of manufacturing, factory testing of the equipment, and shipment to the site is being discussed between REREC and the contractor. REREC has confirmed to the Bank team that it has further intensified its supervision and monitoring and that all the project activities will be completed by the project closing on December 31, 2022. The Bank team and REREC agreed to have monthly meetings to discuss the progress in implementation.

b. *Measures underway to accelerate implementation:* KPLC is now entirely on board with the operations and maintenance arrangement. Regarding the supply and installation contract, REREC has resolved the land issue and signed the contract on October 9, 2019. The advance payment to the contractor has been processed and the contractor is mobilized to the site. REREC had issued a termination notice to the contractor due to the delays in completing factory acceptance tests for the equipment, and the contractor has since intensified its efforts to overcome the delays caused by COVID-19. The factory acceptance test for equipment for one mini-grid is completed and equipment shipment is expected shortly. The recent surge in COVID-19 cases in China withstanding, REREC has confirmed to the Bank on completing the project activities by the project closing in December 2022. REREC is awaiting a revised implementation schedule from the contractor for ensuring completion of all activities by the project closing. The technical team from the contractor was mobilized at site on May 23, 2022 as per schedule to commence installation of the first mini-grid.

The project has been restructured to extend the project closing date to December 31, 2022, from December 31, 2021, reallocate savings across categories, correct the component costs allocations, and increase the end targets of the PDO and related intermediate indicators of access to electricity. An extension of the project closing date to December 31, 2022, was processed recently considering the COVID-19 induced implementation delays. A revised implementation schedule is expected from the contractor shortly. It is expected that the equipment shipment will be completed by August 2022, and installation of the mini-grids completed by November 2022

c. *Estimated timeframe within which project will have disbursed 20 percent or more of SREP funds:* Disbursement is expected to accelerate to reach 20% in July 2022.

d. *Projected disbursement of SREP funds over the next 12 and 24 months:* Timeline for disbursement of more than 40% is likely to occur by July 2022, and the remaining amount being disbursed by the closing date – December 31, 2022.

54. **Nicaragua Geothermal Exploration and Transmission Improvement Program under the PINIC – Nicaragua (IDB Group)** This project was flagged in the last risk report and has now disbursed USD 0.8 million.

a. *Reason(s) for delay:* A tender to build the access road was declared unsuccessful because there were very few bidders in that call and the prices were considerably different. As a result, the bidding documents were adjusted, and more details were provided on the scope of the works. The technical specifications of the bidding documents were updated, and a new call was conducted.

The geothermal project will be conducted in Chinandega Department. This department has been severely affected by a high number of COVID-19 cases, which has made makes it difficult to do consultancies or work in this geographic area**.**

There have been delays in the water pipeline system due to the world container crisis and the supply of materials. The installation of the pipeline was postponed to February 2022, and it will finish in June 2022.

In 2021, two bidding processes were carried out to hire the firm to update the pre-feasibility studies and carry out the drilling of the commercial diameter well. Unfortunately, the international public procurement process that preselected six firms failed, which made it necessary to carry out another process for companies that work in the region. That process also failed. Other sources of difficulty include the political situation of Nicaragua, which has increased the country risk, as well as the fact that the country is under economic sanctions, which makes participation of foreign companies in tender processes difficult.

b. *Measures underway to accelerate implementation:* The Nicaraguan government, with IDB Group's support, has made important dissemination of the new procurement processes, including meetings with embassies of countries with expertise in geothermal exploration to encourage participation in bidding processes.

c. *Estimated timeframe within which project will have disbursed 20 percent or more of SREP funds:* The IDB Group has now disbursed 11 percent of SREP funds. When the next disbursement occurs in July 2022, 24 percent will have been disbursed.

d. *Projected disbursement of SREP funds over the next 12 and 24 months:* The IDB Group had expected that in December 2021 disbursements of SREP funds would reach 42 percent, and that the remaining resources would be disbursed in 2022. IDB Group now expects to increase the disbursement depending on the results of the new international bidding process for drilling the commercial diameter well.

55. **Electricity Access and Renewable Expansion Project 2 – Solomon Islands (World Bank):**

a. *Reason(s) for delay:* Implementation progress and achievement of the development objective have been delayed by nearly two years due to the disruptions and challenges related to the COVID-19 pandemic and some challenges encountered with major procurement activities.

Renewable energy hybrid mini-grids: The tender process has been delayed due to suspension of a contractor and the pandemic, but is now scheduled to be launched in June 2022. The tender process for two sites (out of five), Visale and Tingoa, was launched in September 2019. The contract was awarded to a bidder on February 19, 2020, however, before the contract was signed, the World Bank temporarily suspended the contractor on February 10, 2020 for suspected fraudulent practices. An INT investigation is ongoing. As a result of the suspension, the contractor became ineligible and the World Bank debarred the contractor on June 16, 2020. Solomon Power (SP) issued a notice of cancellation of contract on July 2, 2020. Both sides agreed to retender the renewable energy hybrid mini-grids contract, this time targeting all five sites combined (Visale, Tingoa, Bina, Dala, and Baolo). SP commenced the land acquisition process for the sites at Bina, Dala, and Baolo in late 2020, and the process was only recently completed due to delays in obtaining development and subdivision consents for the sites from the Provincial Government. In parallel, SP has prepared the safeguard documents for these sites. SP is launching a new tender process for all five sites in a single lot. The procurement process will follow Request for Bids, Single Stage – One Envelope. The tender is expected to be launched in June 2022, with the target date for contract award in December 2022 and the commissioning of the mini-grids in May 2025.

Enabling Environment and Project Management:

- SP activities: Besides recruiting project staff, this component will support the development of the gender-related activities. SP has appointed a gender officer and a draft Gender Action Plan is being developed. While several project staff were recruited under Solomon Islands Sustainable Energy Project (SISEP) and contracts were transitioned into the project at the end of March 2019 (SISEP closing date), including the Program Manager for Component 2, other positions have been internally filled by SP. SP issued a request for expressions of interest (REOI) for the tariff review study in September 2019. The contract was awarded on May 15, 2020. Notwithstanding some delays due to disruptions caused by COVID-19, SP hosted two stakeholder workshops in July and September 2020 and in March 2021, and concluded the assignment, resulting in a reduction in the level of tariff. The gazette of new tariff regulations occurred in May 2021.
- Ministry of Mines, Energy and Rural Electrification (MMERE) activities: This sub-component for MMERE supports assignments to recruit energy adviser, review the Electricity Act, and prepare a National Electrification Plan. The selection of a consultant as an energy advisor was completed on August 15, 2020. The selection of consultants for the latter two assignments has been completed and

the assignments are underway.

b. *Measures underway to accelerate implementation:* SP remains strongly committed to implementing the work. This is fully reflected in the strong endorsement expressed by the government ministries in support of the project to bring renewable energy to the population in Solomon Islands. Even during the pandemic, SP has made good progress implementing another activity (not supported under SREP) to connect households, because it is less dependent on imported equipment and international experts. Depending on the responsiveness by prospective bidders to the tenders for the project, the team will discuss with SP optimal contractual arrangements to facilitate the work (e.g., to separate out some portion of contract if capabilities are available locally).

c. The team will strengthen its implementation support on the ground by locating an international staff to be based in Honiara, recruiting a short-term consultant to support the project implementation, and having more frequent implementation support discussions and missions.

d. *Estimated timeframe within which the project will have disbursed ≥ 20 percent of SREP funds:* Disbursement is likely to be more than 20 percent by December 2023.

e. *Expected disbursement of SREP funds over the next 12 and 24 months:* Disbursement is likely to reach USD 0.5 million in the next 12 months and USD 2.5 million in the next 24 months.

56. **Rural Electrification Project – Vanuatu (World Bank)**

a. *Reason(s) for delay:* Much of the slow progress of VREP II is attributable to the complex design of the project, the under-resourced project management team, and insufficient on-the-ground project implementation support from the World Bank.

The project intended to provide access to the unconnected population. However, by design, the project provides access to a higher level of electricity services (through larger SHS, micro-grids, and mini-grids) to those who already have access, rather than new access. With the contribution from VREP I, there is only a small portion of the population that remain unconnected. They are in remote areas where VREP II's market-based approach is not suitable because relatively larger and more expensive systems are offered than under VREP I and the subsidy level is lower to help stimulate market-based solutions.

Implementation issues related to VREP I required the Department of Energy (DoE) project team and their consultants in consultation with heads of DoE to devote significant time to addressing the VREP I challenges, and has resulted in a strained relationship among project stakeholders, impacting the implementation of Component 1 of VREP II and closing of VREP I. The project management team generally is under-resourced and understaffed. The DoE project team also requested more hands-on support from the World Bank on the ground to help them understand the requirements for World Bank-funded projects, such as in procurement, financial management, and environmental and social safeguards.

b. *Measures underway to accelerate implementation:* A mid-term review was completed in July 2021 to address the aforementioned project implementation challenges and the direction for project restructuring has been agreed between the DoE and the World Bank.

According to the government request, the project will be restructured to simplify the project components to cater to the energy sector needs while ensuring that the complexity of the project design is reduced to match the DoE's project implementation capabilities. In this respect, the following directions have been agreed:

- Component 1 - Solar Home systems and Micro Grid systems: This component will be redesigned to focus on electrifying public institutions, such as health clinics, based on a quicker and simpler implementation modality using public procurement and to drop the private vendor model (this is already in effect as of December 31, 2021).
- Component 3 – Technical Assistance: This component will support improved project management by recruiting relevant expertise, including project management, technical, procurement, financial management, and environmental and social safeguards. This will help address the implementation capacity gap of the DoE.

The World Bank has enhanced the task team and strengthened its local presence to extensively support the DoE as needed. The World Bank's Port Vila-based staff have been in close contact with the DoE to facilitate project implementation.

The project closing date will be extended by 24 months to June 30, 2024.

c. *Estimated timeframe within which the project will have disbursed ≥ 20 percent of SREP funds:* Disbursement is likely to be more than 20 percent by December 2023.

d. *Expected disbursement of SREP funds over the next 12 and 24 months:* Disbursement is likely to reach USD 0.5 million in the next 12 months and USD 2.5 million in the next 24 months.

57. **Renewable Energy and Access for All – Haiti (World Bank)**:

a. *Reason(s) for delay:* Over the last two years, the fragility and security situation in Haiti has been deteriorating, with increasing social protests and gang violence. This has affected project implementation, including ability to reach rural areas where the project is being implemented and increased risk perception by the private sector involved in mini-grids. This situation was further impacted by COVID-19-related restrictions and the political uncertainty after the assassination of the President. In addition, a deadly earthquake resulted in over 2,000 deaths and tens of thousands of people injured and over 130,000 buildings damaged or destroyed.

b. *Measures underway to accelerate implementation:* Haiti has experienced significant shocks in the past six months, including a major earthquake and the assassination of the President, followed by a period of political uncertainty, changes in government officials and rising violence, which is still affecting project implementation and has led to some private sector stakeholders to change investment plans in Haiti. The implementation is getting back on track, but the team is planning a mid-term review in June 2022 that will evaluate further measures needed to ensure that implementation is accelerated and project objectives are achieved.

c. *Estimated timeframe within which the project will have disbursed ≥ 20 percent of SREP funds:* The disbursements will be back on track; however, the timeline is uncertain at this time.

d. *Expected disbursement of SREP funds over the next 12 and 24 months:* It is likely that USD 3 million will be disbursed over the next 24 months for Renewable Energy for Metropolitan Area, and about USD 4 million for Renewable Energy and Access for All

58. **Upscaling Rural Renewable Energy - Solar PV – Mongolia (World Bank):**

a. *Reason(s) for delay:* The CIF grant of USD 12.4 million is being used to finance Component 2, construction of grid-connected solar PV. The Engineering, Procurement and Construction (EPC) contract for the solar power plant was awarded to Kyocera Communication Systems. The contract was signed in December 2020 and construction works began in March 2021. The works have been completed and the solar plant is operational. The sub-project has been delayed beyond the original time schedule because critical equipment was stranded at the border due to COVID-19-related border closures. The contract for the upgrade of the 110/35/6kV Myangad substation, to which the solar power plant will be connected, was awarded in March 2020 and works were completed in March 2021. There is no delay in implementation. Even though the solar PV plant has been constructed and is providing power to the grid, the contractor has not yet sent any invoices but for the down payment. This is the sole reason for the low disbursement factor.

b. *Measures underway to accelerate implementation:* There is no delay in implementation.

c. *Estimated timeframe within which the project will have disbursed ≥ 20 percent of SREP funds:* Disbursements is likely to reach this in the next few months.

d. *Expected disbursement of SREP funds over the next 12 and 24 months:* The funds for the solar plant will be largely disbursed by August 2022 (there will still be 10 percent left for plant operation). There is expected to be some cost savings of around USD 2.5 million, due to lower than expected contract price, which the Ministry of Energy may suggest reallocating for other renewable energy scale-up related activities in a restructuring letter.

59. Table 12 illustrates those eight projects representing USD 143 million of SREP funding has been

flagged under the second criterion (versus two projects totaling USD 48 million flagged in the previous Risk Report).

Table 12: Projects within 15 months of closing 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	SREP Committee Approval Date	Effectiveness Date	Anticipated Date of Final Disbursement	Months Before Anticipated Date of Final Disbursement	MDB Co-financing
Ethiopia	Geothermal Sector Development Project (GSDP)	IBRD	24.5	6.1	25%	4/16/14	8/5/2014	10/1/2020	-15	179
Bangladesh	Off-Grid Solar PV-Solar Irrigation	ADB	22.4	1.4	6%	7/25/17	2/18/2019	6/30/2021	-6	20
Nicaragua	Nicaragua Geothermal Exploration and Transmission Improvement Program under the PINIC	IDB Group	7.5	0.8	11%	8/2/16	12/15/2016	3/15/2022	2	51.4
Nepal	South Asia Sub-regional Economic Cooperation Power System Expansion Project: Rural Electrification Through Renewable Energy	ADB	31.2	7.9	25%	5/12/14	1/15/2015	6/30/2022	6	5
Tanzania	Renewable Energy for Rural Electrification	IBRD	9.0	2.3	25%	4/14/16	3/17/2017	11/1/2022	10	35
Vanuatu	Rural Electrification Project	IBRD	6.8	0.6	9%	2/24/17	8/21/2017	10/1/2022	9	0
Bangladesh	Scaling Up Renewable Energy	IBRD	29.3	0.5	2%	8/25/17	12/8/2019	1/1/2023	12	156.0
Mongolia	Upscaling Rural Renewable Energy - Solar PV	IBRD	12.4	2.0	16%	2/14/17	12/15/2017	1/1/2023	12	12.0

60. **Geothermal Sector Development Project – Ethiopia (World Bank)** – This project has been flagged in each of the last three reporting cycles and USD 0.2 million were disbursed during the reporting period. The World Bank has now extended the closing date for this project to January 31, 2024.

    a. *Reason(s) for delay:* The project faced major implementation delays in the first three years (2014-2016), largely due to the lack of the project implementation unit's capability and associated procurement delays. Ethiopia Electric Power (EEP) faced challenges to advance key procurement items due to the shortage of technical specialists in the geothermal sector, which is a new business line for EEP. EEP has engaged technical team of consultants to fill the capacity gap.

       EEP adopted a combined contract for drilling rigs supply and operation for the Aluto site to optimize the cost compared to processing procurement packages separately, and also to minimize the contractual risk to EEP. This change took approximately one year. Since then, rigs were delivered in 2020 and drilling commenced in 2021. To date, four wells have been completed.

       COVID-19 also delayed the delivery of drilling rigs manufactured in China and the arrival of drilling crews from China and Kenya. The first rig arrived in June 2020 and the second rig in October 2020. Also, COVID-19 limited the availability of the owner's engineer consultants to be at the project site.

    b. *Measures underway to accelerate implementation:* Project performance has improved and has been rated Moderately Satisfactory by the World Bank for more than three years. Despite delays, EEP completed key procurements and initiated drilling operation in 2021. The project has been restructured and extended twice to reflect the implementation delay and is currently on track to meet the project objective. EEP is also in the process of engaging an additional geothermal specialist and contract management specialist to strengthen the project performance.

While the project's overall disbursement has picked up, SREP disbursement has been slow compared to IDA. At the end of April 2022, IDA has disbursed 65 percent, but SREP has only disbursed 25 percent. This is likely due to the practice of EEP to charge large expenses to IDA, limiting the disbursement coming from SREP. EEP agreed with the World Bank to split large expense items (e.g., drilling operation cost at the Aluto site) with SREP. The World Bank team will follow up with EEP to ensure such cost-sharing takes place.

c. *Estimated timeframe within which the project will have disbursed ≥ 50 percent of SREP funds:* The SREP fund disbursement is expected to exceed 50 percent in December 2022.

d. *Expected disbursement of SREP funds over the next 12 and 24 months:* For the next 12 months, expected disbursement is USD 6 million and USD 18 million until project closing in December 2023.

61. **Off-Grid Solar PV-Solar Irrigation – Bangladesh (ADB)** – This project was also flagged during the last reporting cycle.

a. *Reason(s) for delay:* Uncertainties in demand have delayed the procurement of four solar PV (SPV) pumps packages. At project implementation stage, the demand of SPV pumps has drastically reduced due to improvement in access to grid supply, higher upfront cost of SPV pumps, low return on investment of SPV pumps, little knowledge of the operations and maintenance of SPV technology, and absence of a business model for alternative usage of energy through grid integration of solar energy.

The first two EPC contracts for installation of 705 SPV pumps were signed on November 16, 2020 after getting no objection from ADB by March 29, 2020. It took almost seven months to get the government's approval on contract signing, partly due to the COVID-19 shutdown. These 10-month contracts were effective from December 28, 2020, to October 27, 2021. The remaining four contracts for installation of 1,295 SPV pumps were signed on July 26, 2021 after getting ADB approval on December 15, 2020. These 10-month contracts took effective on November 24, 2021. All six contracts were awarded to one single contractor, M/s. Bengal Solar JV (JV of Power Utility Bangladesh Limited and RAACH Solar), the lowest evaluated substantially responsive bidder, following the ADB procurement guidelines.

Since the signing of the contracts, delivery of foreign materials like PV modules, pump inverters, pumps, and motors were delayed due to COVID-19 restriction and the contractor's slow performance. Despite multiple consultations among ADB, Power Division, BREB, and the contractor, there is little improvement in contractor's performance. As of March 2022, only 54 sites are operational out of 2,000 sites and USD 1.83 million (8 percent) disbursed. The issue of slow contract implementation was raised during a meeting on March 13, 2022 among ADB, Power Division, ERD, and BREB, resulting in the formation of a high-level committee within Power Division to review the progress and prepare directives to complete the installation of 2,000 SPV pumps. During the meeting, Power Division proposed a two-year extension of the loan and grant closing dates. At present, ADB is waiting to receive the government's views regarding the improvement of contract implementation. Loan and grant closing dates were extended up to June 30, 2023.

b. *Measures underway to accelerate implementation:* To improve the demand of SPV pumps, the government approved a revised business model in November 2020 with the following changes:
   - Reducing the down payment for SPV pumps to 10 from 15 percent
   - Reducing farmer's contribution cost through subsidized equity amount from BREB and the government
   - Grid integration at project cost and provision of feed-in-tariffs[7]
   - Setting equal cost for the same pumps among all packages

   The new business model developed by the government was extensively assessed by the project unit during the project review mission June 14–24, 2020. An additional procurement package for line construction for grid integration will be processed from the loan saving. It is expected that, with the new business model, there will be enough demand for 2,000 SPV pumps. With the new business model, the SPV pumps will be at grid parity, cost effective, and sustainable. The government has requested to extend the grant closing date from June 30, 2021, to June 30, 2023; however, ADB will approve the grant closing date extension up to December 31, 2022.

c. *Estimated timeframe within which project will have disbursed ≥ 50 percent of SREP funds:*
   By Q4 of 2022, ADB expects that the project will disburse more than 50 percent of SREP funds.

d. *Projected disbursement of SREP funds over the next 12 and 24 months:*

Period	Projected Disbursements
2021 Actual	964,322
Q1 2022 Actual	6,000,
Q2 2022	2,070,000
Q3 2022	3,623,000
Q4 2022	4,610,000

[7] Solar pumps use is limited to 6-8 months per year. Due to slow off-take of the solar pumps because of BREB's 98% household electrification in 2020, the business model of the project is revised. The surplus electricity generated from the solar PV modules during the lean period (when there is no need for agricultural irrigation) will be exported to the main grid using net metering system. The revenue from the sale of electricity from the PV modules will be netted against the farmers' payable installment.

62. **Nicaragua Geothermal Exploration and Transmission Improvement Program under the PINIC – Nicaragua (IDB Group)**: This project was also flagged under the first criterion (see above for description).

63. **South Asia Sub-regional Economic Cooperation Power System Expansion Project: Rural Electrification Through Renewable Energy – Nepal (ADB):**

    a. *Reason(s) for delay:* The project comprised a total of USD 31.2 million SREP funds, out of which USD 11.2 million was approved in 2013 and USD 20 million was approved in November 2016 as additional financing. Out of USD 11.2 million approved for implementing off-grid renewable energy systems, USD 9.24 million has already been disbursed (82.5 percent). However, there were delays in implementing an additional USD 20 million grant (no disbursement as of date) meant to promote a large-scale solar PV system using private sector participation. The primary reasons for delays are cancellation of the procurement process for selection of the consulting firm with non-responsiveness of submitted bids; delays in the power purchase agreement (PPA) of selected IPPs with change in the regulatory process after establishment of Electricity Regulatory Commission; and implementation delays from IPPs due to COVID-19. Another reason of delay in utilization of the grant proceed is a grant saving of around USD 9 million (out of USD 20 million) due to lower than anticipated first round IPP bids.

    b. *Measures underway to accelerate implementation:* Major outstanding issues relating to implementing a USD 20 million grant to promote a large-scale solar PV system using private sector participation have now been resolved. As a result, five contracts have been awarded with a cumulative size of 24 MWp (target: 25 MWp). Out of these, three contractors of cumulative size of 11 MWp are in the advanced stage of completion, and disbursement will commence after its operation.

       With the ongoing interventions, there is a grant saving of around USD 9 million. The Government of Nepal has requested ADB to utilize the remaining grant for deploying large-scale solar and energy storage systems to power remote district headquarters that do not have access to reliable electricity supply. ADB is closely supporting the executing agency in preparing the bidding documents to ensure the contracts are awarded by Q1 of 2023 and complete installation by Q2 of 2024. ADB has extended the project closing date up to June 2024 to accommodate the request from the government and allow the completion of other ongoing activities.

    c. *Estimated timeframe within which the project will have disbursed ≥ 50 percent of SREP funds:* Q4 of 2023

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

       Expected cumulative disbursement as of May 2023: USD 12 .0 million
       Expected cumulative disbursement as of June 2024: USD 31.2 million

64. **Renewable Energy for Rural Electrification – Tanzania (World Bank):** This project's closing date has since been extended to January 31, 2024.

a. *Reason(s) for delay:* Although substantial progress has been achieved on grid extension and connections (Results Area 1) and the sector capacity strengthening support (Results Area 3), the Small Power Producer (SPP) and Rural Energy Companies (REC) credit line support (Results Area 2) has not achieved any results thus far due to past policy and regulatory constraints. However, notable progress has been made over the last few months toward financial closure for loans to SPP projects. Most electrification works under the program's first round of contracts (REA Phase3-Round 1) have been completed, except for seven of the 29 lots where limited work remains to be completed due to material importation bottlenecks related to the COVID-19 crisis.

b. *Measures underway to accelerate implementation:* The program has been restructured at the behest of the government to strengthen its development objective and impact by extending the closing date by 12 months, reallocating funds between results areas, and removing time limits for certain DLIs (under Results Area 3) to enable disbursement for results realized outside time periods set out in the Financing Agreement. The restructuring was approved by the World Bank management on August 26, 2021. However, the amendment letter is pending countersignature by Ministry of Finance and Planning (MoFP) to complete the process of restructuring and make it effective. There is high-level political commitment and strong support and ownership from the government for rural electrification in Tanzania and the program remains relevant for the country, and so the program is likely to achieve all its targets within the revised implementation time period.

c. *Estimated timeframe within which the project will have disbursed ≥ 50 percent of SREP funds:* Subject to impacts of the pandemic on the overall economy and supply chain for grid extension materials, and restructuring of project, the disbursement is likely to accelerate in one year.

d. *Expected disbursement of SREP funds over the next 12 and 24 months:* All disbursements are likely to take place by end of the closing date in July 2023.

65. **Rural Electrification Project – Vanuatu (World Bank)** This project was also flagged under the first criterion (see above for description).

66. **Scaling Up Renewable Energy – Bangladesh (World Bank):** This project's closing date has since been extended to July 31, 2024.

a. *Reason(s) for delay:* While the implementing agency Infrastructure Development Company Limited (IDCOL) has advanced strong measures to accelerate the implementation of this project, COVID-19 has hampered the project's ability to meet the desired objectives withing the stipulated timeline. There are concerns that the pipeline of sub-projects has not yet grown to levels needed. Only three new sub-projects were approved by IDCOL since the previous mission, and five previously approved sub-projects appear unlikely to be implemented with investment decisions impacted by COVID-19. Moreover, PIU lost the Project Director to COVID-19 after losing a brave battle to the disease. Overall, implementations risk continues to be manageable, but it is necessary to extend the closing date to achieve all planned activities and meet the overall objectives of increasing renewable energy capacity and mobilizing finance for renewable energy. It has been agreed that the project closing date would be extended by 12-18 months from the current January 2024; a project restructuring will be initiated within the next couple of months.

b. *Measures underway to accelerate implementation:*
   Following a recent mid-term review conducted recently, these measures have been agreed to accelerate implementation:

   - Bank is reviewing two utility-scale PV projects for the RE Financing Facility (REFF) funded by SREP funds and managed by IDCOL, as well as increasing the allowed REFF financing share for utility scale projects from 25 percent to 50 percent. Two potential projects under consideration could commit about 50 percent of the total REFF capital of USD 108 million.
   - On rooftop PV, IDCOL has approved 22 rooftop solar projects with capacities of about 35 Megawatt peak (MWp), amounting to a total of USD 10.33 million sourced from the REFF. It has developed a pipeline of another 72 MW that would commit about USD 21 million.
   - The Technical Assistance component financed by SREP grants involves various promotional activities with various associations. Following that, two programs have been arranged with suppliers of H&M. IDCOL now plans to conduct the following activities (to name a few) to maximize numbers of rooftop solar clients and accelerate implementation:
     - IDCOL will pursue different industrial zones authorities (e.g., BEPZA for rooftop solar implementation). IDOCL will collect list of top clients of DEPZ and CEPZ and IDOCL management will meet these clients as well as BEPZA.
     - To date, IDCOL has approached about 370 clients for implementing rooftop solar. IDCOL is working with these prospective clients and motivate them to implement rooftop solar. IDCOL management will meet top corporate houses in person to maximize the number of projects with of higher system capacities and loan amounts.

c. *Estimated timeframe within which the project will have disbursed ≥ 50 percent of SREP funds:* The disbursement of more than 50 percent is likely to be achieved by end of 2023.

d. *Expected disbursement of SREP funds over the next 12 and 24 months:* An estimate of USD 12 million to USD 26 million (upper end in case the two utility scale projects are approved for the REFF and implemented on schedule) is expected to be disbursed in the next one to two years, respectively.

67. **Upscaling Rural Renewable Energy - Solar PV – Mongolia (World Bank)** This project was also flagged under the first criterion (see above for description).

68. Table 13 illustrates that, six projects representing USD 95 million were flagged under the third

criterion. The same three projects, which were flagged under the third criterion in the last Risk Report, have been flagged again.

Table 13: Projects with extended dates of final disbursement and 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	Effectiveness Date	Initial Anticipated Date of Final Disbursement	Extended Anticipated Date of Final Disbursement
Kenya	Electricity Modernization Project	IBRD	7.5	0.7	9%	9/17/2015	10/1/2020	12/31/2022
Maldives	Accelerating Sustainable Private Investments in Renewable Energy (ASPIRE) Program	IBRD	11.7	2.8	24%	8/31/2014	4/1/2020	1/15/2023
Liberia	Renewable Energy for Electrification in North and Center Liberia Project-Mini Grids	IBRD	25.0	11.2	45%	5/18/2016	10/1/2021	6/30/2024
Bangladesh	Off-Grid Solar PV-Solar Irrigation	ADB	22.4	1.4	6%	2/18/2019	6/30/2021	6/30/2023
Mongolia	Upscaling Renewable Energy Sector	ADB	14.6	0.9	6%	2/12/2019	12/31/2022	2/29/2024
Cambodia	National Solar Parks Program	ADB	14.0	1.4	10%	9/18/2019	6/30/2022	6/30/2023

69. **Electricity Modernization Project – Kenya (World Bank)** - This project was also flagged under the first criterion (see previous description).

70. **Accelerating Sustainable Private Investments in Renewable Energy (ASPIRE) Program– Maldives (World Bank)**

    a. *Reason(s) for delay:* The project is undergoing a two-stage restructuring. The initial stage extended the project till July 15, 2022. The Government of Maldives has requested the World Bank to extend the project's timelines to utilize the balance funding to deliver additional targets. With the signing of the 11 MW third sub-project on the March 29, 2022, the project will be extended until September 30, 2024. The MoF sent a letter to the World Bank requesting for an extension of the project's closing date until September 30, 2024, to support the delivery of additional 11 MW sub-projects. Once the second stage of the restructuring is approved, the funding will be disbursed to support an additional target of 11 MW. In addition to the tariff buydown for the 11 MW, the three sub-projects under ASPIRE also use an escrow account. This account was created recently, and the initial funding request was shared by MECCT. The funds were transferred from IDA to Escrow Account which has been liquidated through Withdrawal Application Number 29 on April 5, 2022.

    b. *Measures underway to accelerate implementation:* The 11 MW sub-project was signed on March 29, 2022. The 5 MW construction is underway. This will expedite the implementation of the project. The Ministry of Environment, Climate Change and Technology (MECCT) is working closely with both the winning developers to ensure timely implementation and disbursement of the tariff buy down. Finally, the escrow account created recently by MECCT, has been liquidated on April 5, 2022, this will show in the subsequent disbursement updates.

    c. *Estimated timeframe within which the project will have disbursed ≥ 50 percent of SREP funds:* Once the 5 MW and 11 MW sub-projects are finalized, the disbursement is expected to be more than 50 percent by February 2023.

d. *Expected disbursement of SREP funds over the next 12 and 24 months:* It is expected that in FY22 the disbursement is likely to be USD 2.8 million and USD 4 million in FY23 and another USD 2 million by FY24.

71. **Renewable Energy for Electrification in North and Center Liberia Project-Mini Grids – Liberia (World Bank) –** USD 1 million was disbursed since December 31, 2021.

   a. *Reason(s) for delay:* First, the implementation of the project was initially impacted by the Ebola crisis (2014-2015), which delayed the Liberian Parliament's ratification of the project and the completion of the feasibility studies for the Small Hydropower Plant (SHP) mini-grid financed by SREP funds. Second, there were further delays in procuring supplies and installations due to the need to conduct additional studies (hydrological and geotechnical) to supplement original feasibility study.

      In addition, the COVID-19 pandemic significantly impacted two major contracts (supply and installation of the SHP and distribution network for the mini-grid), resulting in difficulties to establish Letters of Credits (LC) to the contractors. This delayed the effectiveness of the contracts, and subsequently the mobilization of contractors to the project sites. These two contracts finally became effective in early June 2021 following implementing agency's agreement with the contractors to enhance the LC with a 20 percent advance payment (instead of 10 percent), which cleared the way for the contractors to mobilize and begin construction activities shortly thereafter. The project is now on course to achieve its objective of increasing access to electricity following the effectiveness of the contracts for the main SHP based mini-grid. However, the Government of Liberia (GoL) continues to face fiscal challenges due to the ongoing COVID-19 pandemic and the fall in commodity prices. It is struggling to make timely compensation payments and implement the livelihood restoration support to the Project Affected Persons (PAPs), creating further implementation delays.

   b. *Measures underway to accelerate implementation:* Construction of the mini-hydropower has been progressing satisfactorily since the last mission. The supervision consultant was assigned to the field to provide timely quality assurance and technical advice to the contractor. A monitoring flatform on WhatsApp was set up to provide real time progress of the project. Most of materials of the distribution network were shipped to Liberia and 50 percent was transport to the site before the rainy season. Procurement of the back-up diesel generator and operator will start in May 2022. Additional World Bank staff was brought to the team to enhance the World Bank supervision.

      After conducting the Environmental and Social Impact Assessment (ESIA), it was determined that the project has an impact on Project-Affected Persons (PAPs), and their sources of livelihood. Subsequently, the Resettlement Action Plan (RAP) and Livelihood Restoration Plan (LRP) was prepared with total estimated costs at USD 457,003, including cash compensation to PAPs and other costs of goods' supply, consulting services, and management costs. It was planned that at the time of the project appraisal, the GoL would fully finance the implementation of RAPs, but with the current fiscal situation, the GoL is unable to finance the implementation of the RAP and LRP and has requested for additional funding from IDA. On November 25, 2021, the Regional Vice President provided approval to finance a part of the resettlement costs from IDA financing toward cash compensation to PAPs. This project has been restructured to extend the closing date to December 31, 2023, to include successful implementation of the RAP and LRP in order to secure the land for SHP mini-grid construction.

c. *Estimated timeframe within which the project will have disbursed ≥ 50 percent of SREP funds:* Disbursement expected to exceed 50 percent by third and fourth quarter of FY22.

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

- By June 30, 2022: USD 13.0 million
- By June 30, 2023: USD 15.5 million
- By June 30, 2024: USD 25.0 million

72. **Off-Grid Solar PV-Solar Irrigation – Bangladesh (ADB)** – This project was also flagged under the second criterion (see above for description.

73. **Upscaling Renewable Energy Sector Project – Mongolia (ADB)**

a. *Reason(s) for delay:* Delay with Umnogovi Wind Sub-project (53 percent of SREP/SCF contribution): This project was initially delayed due to low measured wind speed at the initial site selected, after which a new site was selected and additional measurements collected before bidding documents could be issued. The bid was advertised in December 2021 with a bid submission date in February; no bids were received. A meeting with bidders suggested the small project size and remote location made it challenging to prepare a bid. MOE and the PMU are investigating the potential to combine the two wind sub-projects to increase attractiveness to bidders.

Delay with Altai Solar PV Sub-project (40 percent of SREP/SCF contribution): Originally, this sub-project was bid jointly with the Altai Soum Hybrid Sub-project, and of the bids submitted, no bidders were qualified for both, so the packages were split, and the Altai Solar PV package bid separately. The first procurement exercise for this sub-project failed during negotiations with the only substantially responsive bidder. The second procurement of this sub-project was initiated in November 2021, and the contract award is expected in June 2022.

Delay with Shallow Ground Heat Pumps (7 percent of SREP/SCF contribution). This has progressed, though there were slight delays when one sub-project site was found to be unsuitable during the geotechnical study.

b. *Measures underway to accelerate implementation:* ADB is actively supporting the government in addressing technical challenges and in exploring potential sub-project reconfiguration to achieve the desired outcomes, despite site specific challenges. All future procurement will also follow the single-stage, one-envelope procedure, which shortens the time for bid evaluation.

c. *Estimated timeframe within which the project will have disbursed ≥ 50 percent of SREP funds:* Q1 of 2023

d. *Expected disbursement of SREP funds over the next 12 and 24 months:* 100 percent of Altai solar PV sub-project within the next 12 months. Disbursement related to Umnogovi is dependent on reconfiguration being attractive to bidders.

74. **National Solar Parks Program – Cambodia (ADB):**

a. *Reason(s) for delay:* Firstly, the recruitment of Project Implementation Consultant was delayed, and it took 12 months to get the contract signed until mid-March 2020. The Evaluation of Expressions of Interest and Drafting of Requests for Proposal, and the Technical Evaluation of Proposals alone took over five months, where the plan was just over one month.

Secondly, the executing agency (Electricite du Cambodge – EDC) commenced civil works on the transmission line in June 2021 prior to fulfillment of ADB's safeguard requirements. EDC was immediately advised to stop ongoing civil works in all tower locations where compensation payments are not yet paid. To rectify this non-compliance, EDC was required to (i) update and submit the Due Diligence Report and Corrective Action Plan for the Sections 1&2, and (ii) update the Land Acquisition Resettlement Plan for the Section 3, to ADB for review and approval.

b. *Measures underway to accelerate implementation:* All key social safeguards have now been addressed and resolved and civil works are ongoing. A physical review mission is planned in June 2022 to do site visits and expedite all remaining civil works so that the project will be completed as scheduled on June 30, 2023. ADB project team also holds monthly and quarterly meetings with EDC, the contractor, consultants, and the Ministry of Economy and Finance who represents the Government, to resolve and respond to emerging issues timely.

c. *Estimated timeframe within which the project will have disbursed ≥ 50 percent of SREP funds:* More disbursements are expected to come from Q2 2022 onwards as civil works have resumed.

d. *Expected disbursement of SREP funds over the next 12 and 24 months:* ADB expects cumulative disbursements to reach USD 4.2 million by December 31, 2022, and USD 14.0 million August 31, 2023.

5.2 Currency risk via promissory notes

75. SREP's exposure to currency risk remains **High**. There have been no further encashments since March 31, 2021, and GBP 94 million remained outstanding as of March 31, 2022. Between March 31, 2021, and March 31, 2022, the unrealized decline in the value of the outstanding promissory notes increased from USD 18 million to USD 24 million due to the depreciation of the GBP.

76. Table 14 illustrates that it is likely that SREP will realize a moderate (relative to the size of the program) decline in available resources due to the currency risk exposures via GBP-denominated promissory notes.

Table 14: SREP currency risk exposure summary

Currency Risk Exposure (Millions) as of March 31, 2022							
Program	Original Amount Pledged/ Received	Pledged Amount Outstanding/ Unencashed	Realized Currency Gain/ (Loss)	Unrealized Currency Gain/ (Loss)	Risk Likelihood	Risk Severity	Risk Score
SREP	£268.0	£93.5	($37.0)	($24.0)	Likely	Moderate	**High**

5.3 Resource Availability Risk

77. During the period from March 31, 2021, to March 31, 2022, SREP eliminated its deficit in available capital resources (achieving a USD 25 million surplus), and reduced its deficit in grant resources to USD 7 million to fund the *combined sealed and reserve pipelines* (see Table 15 and Annex B). SREP's risk of being unable to fund all projects in both of these pipelines decreased to **Low**.

Table 15: Resource availability risk summary, sealed and reserve pipelines

Available Resources as of March 31, 2022				
Program	Available Resources for Projects/Programs ($Million)*	Risk Likelihood	Risk Severity	Risk Score
SREP** Grant	($7.2)	Possible	Minimal	**Low**
SREP** Capital	$25.1			

*Available Resources for Projects/Programs represesent Unrestricted Fund Balance for Project/Program Commitments less Total Anticipated Commitments, as reflected in Annex A.

**SREP's resource availability is based on the sealed and reserve pipelines.

78. SREP maintained a surplus in available capital and grant resources to fund its *sealed pipeline only* (see Table 16 and Annex C) and therefore the risk that the program will be unable to fund its sealed pipeline remains **Low**.

Table 16: Resource availability risk summary, sealed pipeline only

Program	Available Resources for Projects/Programs ($Million)*	Risk Likelihood	Risk Severity	Risk Score
SREP** Grant	$28.5	Very Unlikely	Minimal	Low
SREP** Capital	$41.6			

*Available Resources for Projects/Programs represesent Unrestricted Fund Balance for Project/Program Commitments less Total Anticipated Commitments, as reflected in Annex A.

**SREP's resource availability is based on the sealed pipeline only.

5.4 Credit Risk

79. Table 17 illustrates that the expected losses associated with SREP's loan portfolio declined to USD 15 million, largely due to the change in methodology for assessing public sector credit risk (see section 2.6). The credit risk associated with the program is now **Medium**.

Table 17: Public and private sector credit risk exposure summary based on loan commitments

Committed Loan Portfolio Credit Risk Exposure (as of 3/31/2022)									
Sector	Portfolio Risk Rating[5]	Total Committed Loans (MM USD equivalent)[1]	Estimated Probability of Default (PD)	Estimated Loss Given Default (LGD)[6]	Expected Loss Rate[3]	Expected Losses (MM USD equivalent)[2]	Originated Principal in Default[5] (MM USD equivalent)	# of Loans Experiencing Payment Default	Principal in Default vs. Total Loan Amount Originated
Public	B+[8]	85.3	0.0%	0.0%	0.0%	0.0	0.0	0.0	0.0%
Private	CCC[7,4]	43.4	58.9%	58.7%	34.6%	15.0	0.0	0.0	0.0%
Portfolio		**128.7**	**19.9%**	**58.7%**	11.7%	**15.0**	**0.0**	**0.0**	**0.0%**

1. Committed loan amounts are provided by the Trustee.

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

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

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

5. Derived based on the mapping of the portfolio's estimated PD to the corresponding rating agency credit rating as published in _Moody's Annual Default Study: After a sharp decline in 2021, defaults will rise modestly this year_ .

6. LGDs are based on the Portfolio Risk Rating's mapping to the LGD associated with Moody's credit rating equivalent as published in _Moody's Annual Default Study: After a sharp decline in 2021, defaults will rise modestly this year_ (i.e. LGD = 1 - Average Sr. Unsecured Bond Recovery Rate from the period of 1983-2021).

7. Based on internal credit ratings or PDs assigned to their respective private sector CTF loans by reporting MDBs (EBRD, IDB and IFC), weighted by loan amount. The resulting credit rating for the combined portfolio of private sector CTF loans administered by these three MDBs is then applied to the entire portfolio of private sector CTF loans.

8. Based on weighted average PD (weighted by loan amount) associated with the external rating agency credit rating assigned to each recipient (in the case of split ratings, the PD associated with the lowest of Fitch, Moody's and S&P ratings is used) as of March 31, 2022. 5-year Average Cumulative Issuer-Weighted Global Defalt Rates from the period of 1983-2021 as published in _Moody's Annual Default Study: After a sharp decline in 2021, defaults will rise modestly this year_ were used.

6 Annex A: FIP resource availability

FIP TRUST FUND - RESOURCES AVAILABLE for COMMITMENTS *Inception through March 31, 2022* *(USD millions)*		Total	Capital	Grant
Cumulative Funding Received				
Contributions Received				
Cash Contributions		702.8	209.3	493.6
Unencashed promissory notes	b/	49.4	49.4	
Unencashed promissory notes- TAF		-		-
Cash Contribution - Allocation from Capital to Grants	c/	-	(14.0)	14.0
Total Contributions Received		752.3	244.7	507.6
Other Resources				
Investment Income earned -up to Feb 1, 2016	d/	14.5	-	14.5
Total Other Resources		14.5	-	14.5
Total Cumulative Funding Received (A)		**766.8**	**244.7**	**522.1**
Cumulative Funding Commitments				
Projects/Programs		653.6	207.6	446.0
MDB Project Implementation and Supervision services (MPIS) Costs		34.4	-	34.4
Administrative Expenses-Cumulative to 1st Feb 2016	d/	25.6	-	25.6
Country Programming Budget from 1st Jan 2018	d/	0.6		0.6
Technical Assistance Facility	i/	3.0		3.0
Total Cumulative Funding Commitments		717.2	207.6	509.6
Project/Program,MPIS and Admin Budget Cancellations	e/	(54.3)	(35.0)	(19.3)
Net Cumulative Funding Commitments (B)		**662.8**	**172.5**	**490.3**
Fund Balance (A - B)		**104.0**	**72.2**	**31.8**
Currency Risk Reserves	f/	**(7.4)**	**(7.4)**	
Currency Risk Reserves-TAF		-		-
Unrestricted Fund Balance (C)		**96.6**	**64.8**	**31.8**
Future Programming Reserves:				
Admin Expenses-Reserve (includes Country Programing budget/Learning and Knowledge exchange reserve) and for FY 20-28 (net of estimated investment income and reflows). Breakup of various components are provided below. (Model Updated as of December 31,2017)	g/	(11.0)		(11.0)
subtract				
Administration Expense reserve for CIFAU, MDB & Trustee — USD 20.9 Million				
Country Programming Budget Reserve — USD 1.0 Million				
Learning and Knowledge Exchange Reserve — USD 1.1 Million				
add				
Estimated Investment Income Share for FIP — USD 5.4 Million				
Projected Reflows — USD 6.6 Million				
Technical Assistance Facility	i/ j/	**(6.1)**		(6.1)
Unrestricted Fund Balance (C) after reserves		**79.4**	**64.8**	**14.7**
Anticipated Commitments (FY22-23)				
Program/Project Funding and MPIS Costs		71.7	64.0	7.7
Technical Assistance Facility		-		-
Total Anticipated Commitments (D)	k/	**71.7**	**64.0**	**7.7**
Available Resources (C - D)		**7.8**	**0.8**	**7.0**
Potential Future Resources (FY22-23)				
Pledges	a/	0.3		0.3
Contributions Receivable		-		-
Release of Currency Risk Reserves	e/	7.4	7.4	-
Release of Currency Risk Reserves-TAF	e/	-		-
Total Potential Future Resources (E)		**7.8**	**7.4**	**0.3**
Potential Available Resources (C - D + E)		**15.5**	**8.2**	**7.4**
Reflows from MDBs	h/	2.2		2.18

a/ The balance of the pledge amount from the U.S

b/ This amount represents USD equivalent of GBP 37.7 million.

c/ Promissory Notes amounting to GBP 9.9 million received as capital contributions are available to finance grants (including administrative costs) according to the terms of the contribution agreements/arrangements. The Promissory Notes were encashed for USD 14.03 on May 27, 2021

d/ From Feb 1, 2016, Investment income across all SCF programs has been posted to a notional Admin "account", from which approved Administrative Budget expenses for the Trustee, Secretariat and MDBs are committed. The Country Programming budgets are recorded under individual programs.

e/ This refers to cancellation of program and project commitments approved by the SCF TFC

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

g/The amount of this reserve is estimated by the CIFAU and Trustee using the 10-year forecast of the Admin Budget less the 10-year estimate of Investment Income and reflows. Pro-rata estimates across three SCF programs are based on the 22% fixed pro rata share of the FIP's cash balance as at December 31, 2017 approved by the SCF TFC on March 8, 2018. The decision reads as "allocate USD 11.6 million from the available grant resources in the FIP Program Sub-Account to finance estimated Administrative Costs from FY19 to FY28, such that the projected, indicative amount of approximately USD 81.8 million in FIP grant resources remains available for allocation to FIP project's. This reserve amount has been reduced by USD 0.5 million approved for country engagement from January 2018.

h/ 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 SCF funding approved by the SCF Trust Fund Committee. For the avoidance of doubt, the Reflow does not include any return of funds from SCF grants or Administrative Costs, including cancelled or unused funds, or any investment income earned on SCF resources held by any MDB.The usage of reflow from MDBs are approved by the SCF TFC on March 8, 2018 to cover the shortfall in administrative expenses net of the SCF investment income. The reflows includes the commitment fee, front end fee and late payment fee.

i/ The CTF and SCF Trust Fund Committees agreed on July 20, 2018 to establish the Technical Assistance Facility for Clean Energy Investment Mobilization under the terms of the SCF.

j/ Commitments for the Technical Assistance Facility, as estimated by the CIFAU.

k/ Anticipated commitments as estimated by the CIFAU.

7 Annex B: SREP resource availability—sealed pipeline only

SREP TRUST FUND - RESOURCES AVAILABLE for COMMITMENTS *Inception through March 31, 2022* *(USD millions)*		Total	Capital	Grant
Cumulative Funding Received				
Contributions Received				
Cash Contributions		655.9	151.1	504.7
Unencashed Promissory Notes	b/	122.6	122.6	-
Unencashed promissory notes- TAF		-		-
Allocation of Capital to Grants	a/		(26.0)	26.0
Total Contributions Received		778.5	247.7	530.8
Other Resources				
Investment Income earned -up to Feb 1, 2016	c/	9.9		9.9
Other Income		-		
Total Other Resources		9.9		9.9
Total Cumulative Funding Received (A)		788.4	**247.7**	**540.7**
Cumulative Funding Commitments				
Projects/Programs		721.5	237.5	484.0
MDB Project Implementation and Supervision services (MPIS) Costs		23.0	-	23.0
Administrative Expenses-Cumulative to 1st Feb 2016	c/	14.2	-	14.2
Country Programming Budget expense from 1st Jan 2018	c/	(0.1)		(0.1)
Technical Assistance Facility		14.7		14.7
Total Cumulative Funding Commitments		773.3	237.5	535.8
Project/Program, MPIS and Admin Budget Cancellations	d/	(125.7)	(65.9)	(59.9)
Net Cumulative Funding Commitments (B)		**647.6**	**171.7**	**475.9**
Fund Balance (A - B)		**140.8**	**76.1**	**64.8**
Currency Risk Reserves	e/	**(18.4)**	**(14.5)**	**(3.9)**
Currency Risk Reserves-TAF		-		-
Unrestricted Fund Balance		**122.5**	**61.6**	**60.9**
Future Programming Reserves:				
Admin Expenses-Reserve (includes Country Programing budget/Learning and Knowledge exchange reserve) and for FY 20-28 (net of estimated investment income and reflows). Breakup of various components are provided below. (Model Updated as of December 31,2017)	f/	(31.7)		(31.7)
Subtract				
Administration Expense reserve for CIFAU, MDB & Trustee USD 37.9 Million				
Country Programming Budget Reserve USD 1.9 Million				
Learning and Knowledge Exchange Reserve USD 1.1 Million				
Add				
Estimated Investment Income Share for SREP USD 9.0 Million				
Projected Reflows USD 0.6 Million				
Technical Assistance Facility	i/j/	(0.6)		(0.6)
Unrestricted Fund Balance (C) after reserves		**90.1**	**61.6**	**28.5**
Anticipated Commitments (FY22-FY23)				
Program/Project Funding and MPIS Costs	g/	20.0	20.0	-
Technical Assistance Facility	i/j/	-		-
Total Anticipated Commitments (D)		**20.0**	**20.0**	**-**
Available Resources (C - D)		**70.1**	**41.6**	**28.5**
Potential Future Resources (FY22-FY23)				
Pledges		-		-
Contributions Receivable		-		-
Release of Currency Risk Reserves	e/	18.4	14.5	3.9
Release of Currency Risk Reserves-TAF		-		-
Total Potential Future Resources (E)		**18.4**	**14.5**	**3.9**
Potential Available Resources (C - D + E)		**88.5**	**56.1**	**32.4**
Reflows from MDBs	h/	0.0		0.0

a/ Promissory Notes amounting to GBP 19.84 million received as capital contributions are available to finance grants (including administrative costs) according to the terms of the contribution agreements/arrangements. The Promissory Notes are valued as of March 31, 2022 exchange rate.

b/ This amount includes USD equivalent of GBP 93.47 million from the UK.

c/ From Feb 1, 2016, Investment income across all SCF programs has been posted to a notional Admin "account", from which approved Administrative Budget expenses for the Trustee, Secretariat and MDBs are committed. The Country Programming budgets are recorded under

d/ This refers to cancellation of program and project commitments approved by the SCF TFC

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

f/ The amount of this reserve is estimated by the CIFAU and Trustee using the 10-year forecast of the Admin Budget less the 10-year estimate of Investment Income and reflows. Pro-rata estimates across three SCF programs are based on the 37% fixed pro rata share of the SREP's cash balance as at December 31, 2017 approved by the SCF TFC on March 8, 2018. The decision reads as "allocate USD 31.7 million from the available grant resources in the SREP Program Sub-Account to finance estimated Administrative Costs from FY19 to FY28, such that the projected, indicative amount of approximately USD 59.6 million in SREP grant resources remains available for allocation to SREP projects".This reserve amount has been inreased by the approved commitment amount of USD 0.1 million for country engagement net cancellations from January 2018.The reflows

g/ Includes only sealed pipeline

h/ 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 SCF funding approved by the SCF Trust Fund Committee. For the avoidance of doubt, the Reflow does not include any return of funds from SCF grants or Administrative Costs, including cancelled or unused funds, or any investment income earned on SCF resources held by any MDB.The usage of reflow from MDBs are approved by the SCF TFC on March 8, 2018 to cover the shortfall in

i/ The CTF and SCF Trust Fund Committees agreed on July 20, 2018 to establish the Technical Assistance Facility for Clean Energy Investment Mobilization under the terms of the SCF.

j/ Commitments for the Technical Assistance Facility, as estimated by the CIFAU.

8 Annex C: SREP resource availability—sealed and reserve pipeline

SREP TRUST FUND - RESOURCES AVAILABLE for COMMITMENTS Inception through March 31, 2022		Total	Capital	Grant
Cumulative Funding Received				
Contributions Received				
Cash Contributions		655.9	151.1	504.7
Unencashed Promissory Notes	b/	122.6	123	-
Unencashed promissory notes- TAF		-		-
Allocation of Capital to Grants from Unencashed Promissory Notes	a/		(26.0)	26.0
Total Contributions Received		778.5	247.7	530.8
Other Resources				
Investment Income earned -up to Feb 1, 2016	c/	9.9		9.9
Other Income		-		
Total Other Resources		9.9		9.9
Total Cumulative Funding Received (A)		788.4	**247.7**	**540.7**
Cumulative Funding Commitments				
Projects/Programs		721.5	237.5	484.0
MDB Project Implementation and Supervision services (MPIS) Costs		23.0	-	23.0
Administrative Expenses-Cumulative to 1st Feb 2016	c/	14.2	-	14.2
Country Programming Budget expense from 1st Jan 2018	c/	(0.1)		(0.1)
Technical Assistance Facility		14.7		14.7
Total Cumulative Funding Commitments		773.3	237.5	535.8
Project/Program, MPIS and Admin Budget Cancellations	d/	(125.7)	(65.9)	(59.9)
Net Cumulative Funding Commitments (B)		**647.6**	**171.7**	**475.9**
Fund Balance (A - B)		**140.8**	**76.1**	**64.8**
Currency Risk Reserves	e/	**(18.4)**	**(14.5)**	**(3.9)**
Currency Risk Reserves-TAF		-		-
Unrestricted Fund Balance		**122.5**	**61.6**	**60.9**
Future Programming Reserves:				
Admin Expenses-Reserve (includes Country Programing budget/Learning and Knowledge exchange reserve) and for FY 20-28 (net of estimated investment income and reflows).Breakup of various components are provided below. (Model Updated as of December 31,2017)	f/	(31.7)		(31.7)
Subtract				
Administration Expense reserve for CIFAU, MDB & Trustee — USD 37.9 Million				
Country Programming Budget Reserve — USD 2.4 Million				
Learning and Knowledge Exchange Reserve — USD 1.1 Million				
Add				
Estimated Investment Income Share for SREP — USD 9.0 Million				
Projected Reflows — USD 0.6 Million				
Technical Assistance Facility	i/j/	(0.6)		(0.6)
Unrestricted Fund Balance (C) after reserves		**90.1**	**61.6**	**28.5**
Anticipated Commitments (FY22-FY23)				
Program/Project Funding and MPIS Costs	g/	72.2	36.5	35.7
Technical Assistance Facility	i/j/	-	-	-
Total Anticipated Commitments (D)		**72.2**	**36.5**	**35.7**
Available Resources (C - D)		**17.9**	**25.1**	**(7.2)**
Potential Future Resources (FY22-FY23)				
Pledges		-		-
Contributions Receivable		-		-
Release of Currency Risk Reserves	e/	18.4	14.5	3.9
Release of Currency Risk Reserves-TAF		-		-
Total Potential Future Resources (E)		**18.4**	**14.5**	**3.9**
Potential Available Resources (C - D + E)		**36.3**	**39.6**	**(3.3)**
Reflows from MDBs	h/	0.03		0.03

a/ Promissory Notes amounting to GBP 19.84 million received as capital contributions are available to finance grants (including administrative costs) according to the terms of the contribution agreements/arrangements. The Promissory Notes are valued as of March 31, 2022 exchange rate.
b/ This amount includes USD equivalent of GBP 93.47 million from the UK.
c/ From Feb 1, 2016, Investment income across all SCF programs has been posted to a notional Admin "account", from which approved Administrative Budget expenses for the Trustee, Secretariat and MDBs are committed. The Country Programming budgets are recorded under individual programs.
d/ This refers to cancellation of program and project commitments approved by the SCF TFC.
e/ Amounts withheld to mitigate over-commitment risk resulting from the effects of currency exchange rate fluctuations on the value of outstanding non-USD denominated promissory notes.
f/ The amount of this reserve is estimated by the CIFAU and Trustee using the 10-year forecast of the Admin Budget less the 10-year estimate of Investment Income and reflows. Pro-rata estimates across three SCF programs are based on the 37% fixed pro rata share of the SREP's cash balance as at December 31, 2017 approved by the SCF TFC on March 8, 2018. The decision reads as "allocate USD 31.7 million from the available grant resources in the SREP Program Sub-Account to finance estimated Administrative Costs from FY19 to FY28, such that the projected, indicative amount of approximately USD 59.6 million in SREP grant resources remains available for allocation to SREP projects".This reserve amount has been inreased by the approved commitment amount of USD 0.1 million for country engagement net cancellations from January 2018.The reflows includes the commitment fee, front end fee and late payment fee.
g/ Anticipated commitments for SREP program includes both Sealed and Reserve pipeline. Anticipated commitments as estimated by the CIFAU.
h/ 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 SCF funding approved by the SCF Trust Fund Committee. For the avoidance of doubt, the Reflow does not include any return of funds from SCF grants or Administrative Costs, including cancelled or unused funds, or any investment income earned on SCF resources held by any MDB.The usage of reflow from MDBs are approved by the SCF TFC on March 8, 2018 to cover the shortfall in administrative expenses net of the SCF investment income.
i/ The CTF and SCF Trust Fund Committees agreed on July 20, 2018 to establish the Technical Assistance Facility for Clean Energy Investment Mobilization under the terms of the SCF.
j/ Commitments for the Technical Assistance Facility, as estimated by the CIFAU.

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.

THE CLIMATE INVESTMENT FUNDS

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