

CLIMATE INVESTMENT FUNDS

SREP/SC.22/4
January 15, 2020

Meeting of the SREP Sub-Committee
Nairobi, Kenya
March 2020

Agenda Item 4

SREP RISK REPORT

PROPOSED DECISION

The SREP Sub-Committee reviewed the document, SREP/SC.22/4, *Risk Report of the SREP*, and welcomes the progress that has been made in advancing the work of the SREP.

The SREP Sub-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. This report provides an update on assessments of the more significant risk exposures facing the Scaling up Renewable Energy Program in Low Income Countries (SREP). Data as of June 30, 2019 was used to flag projects for implementation risk and compare them with projects flagged in the previous SREP Risk Report (which was based on data as of December 31, 2018 for implementation risk), with certain projects using more updated information as indicated in the report. Data as of September 30, 2019 was used to assess the other risks and compare them with risk assessments made in the previous SREP Risk Report (which was based on data as of March 31, 2019 for these risk assessments).
2. The following matrix summarizes SREP's key risk exposures.

Summary Risk Matrix as of September 30, 2019 - SREP			
<u>Risk</u>	<u>Likelihood</u>	<u>Severity</u>	<u>Risk Score</u>
Implementation Risk	Possible	Moderate	Medium
Currency Risk	Very Likely	Moderate	High
Resource Availability Risk - Sealed and Reserve Pipelines	Likely	Moderate	High
Resource Availability Risk - Sealed Pipeline Only	Very Unlikely	Minimal	Low
Credit Risk	Likely	Moderate	High

3. Implementation risk for SREP remained **Medium**, with four out of 43 projects representing USD 34 million (7 percent) of program funding flagged for this risk. The program's implementation risk exposure has fluctuated between Low and Medium for the last five semiannual reporting cycles.
4. Currency risk for SREP remains **High** as GBP 94 million promissory notes remain outstanding and have declined in value by USD 32 million. The program's exposure to currency risk via promissory notes has been High for the last five semiannual reporting cycles.
5. SREP's risk of being unable to fund all projects in the combined sealed and reserve pipelines remains **High**, however there is **Low** risk that SREP will be unable to fund only the projects in its sealed pipeline. The program's resource availability risk exposure for the combined sealed and reserve pipelines has been High for the last five semiannual reporting cycles.
6. SREP's exposure to credit risk via its committed loan portfolio is **High** with expected losses of USD 24 million.

2 Assessment of key risk exposures¹

7. For SREP, the definition of risk is any threat to the achievement of SREP's objectives. This definition, along with the definition of SREP's objectives, establishes the context for appraising SREP's risk exposures.

2.1 Implementation risk

8. Implementation risk is the risk that a project, once effective, is not implemented in a timely manner. The CIF Administrative Unit has added an additional criterion for flagging projects for this risk to account for the heightened implementation risk of projects which extend their anticipated dates of final disbursement. The CIF Administrative Unit now flags a project for implementation risk if the project meets at least one of the following three criteria.
 - I. The project has been effective for 36 months but has disbursed less than 20 percent of program funds.
 - II. The project is within 15 months of the anticipated date of final disbursement but has disbursed less than 50 percent of program funds.
 - III. The anticipated date of final disbursement for the project has been extended, and less than 50 percent of approved funds have been disbursed.
9. The MDBs provide this information semi-annually, and the most recent information available is as of June 30, 2019. It is compared with projects flagged in the previous SREP Risk Report (based on data as of December 31, 2018).
10. At the program-level, SREP's risk score for implementation risk remained **Medium** as four projects representing USD 34 million of approved funding have been flagged for this risk.

¹ Severity, in the risk scoring process, is determined (where possible) based on the estimated impact of a risk as a percentage of the program's total pledges and contributions.

- Severe represents an estimated potential impact > 5% of the program's total pledges and contributions.
- Moderate represents an estimated potential impact 1% - 5% of total pledges and contributions.
- Minimal represents an estimated potential impact < 1% of total pledges and contributions.

However, because the impact on funds exposed to implementation risk may simply be delays in the implementation of projects which are ultimately successful (vs. a complete loss of funding for projects as is the case with currency), 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.

11. Table 1 illustrates the two projects representing USD 19 million of SREP funding have been flagged under the first criterion (vs. three projects totaling USD 27 million as of December 31, 2018). While one of the three projects flagged in December is no longer flagged, having increased disbursements to above 20 percent of program funding (*Biogas Extended Program – Nepal (World Bank)*), it remains flagged under the second criterion as it is now within nine months of the anticipated date of final disbursement but has disbursed only 24 percent of approved funds. The other two projects which remain on the current list are highlighted in orange in Table 1.

Table 1: SREP public sector projects effective for 36 months with less than 20 percent of approved funds disbursed

COUNTRY	PROJECT TITLE	MDB	SREP Funding (USD million)	Cumulative Disb. FY19-S2	Disbursement Ratio	Effectiveness Date	Months after effectiveness date	MDB Co-finance
Maldives	Accelerating Sustainable Private Investments in Renewable Energy (ASPIRE) Program	IBRD	11.7	2.1	18%	10/1/2014	58	16.0
Kenya	Electricity Modernization Project	IBRD	7.5	-	0%	9/17/2015	46	0.0

12. **Accelerating Sustainable Private Investments in Renewable Energy (ASPIRE) Program – Maldives (World Bank)** – USD 0.7 million was disbursed during the reporting period.

- a. Reason(s) for delay: SREP funds for the ASPIRE project are structured to mitigate payment risk from the utility buying the power and to provide tariff buy-down subsidies to private developers, based on market demand. Over half of the SREP funds are allocated to tariff buy-down subsidies. However, this feature was not included in the first round of the bidding process in 2015. The second round could not occur until the IDA guarantee became effective, which required extensive analysis comparing the PPA price with the cost of diesel-based generation. This delayed the effectiveness of the IDA guarantee by 10 months and it did not become effective until late 2018. Therefore, the second round was not launched until January 2019 and is ongoing.
- b. Measures underway to accelerate implementation: No specific measures are envisaged to speed up the implementation of the project. The second bidding round for 5 megawatts (MW) was launched in January 2019. Bid results were announced on September 12, 2019, with the winning bid proposing a tariff of USD 0.09 per kWh, a record low result for the Maldives. The SREP-funded payment security and tariff buy-down mechanism were included in the bidding package. Negotiations with the winning bidder are ongoing. The government has requested a two-year extension of the project implementation period (currently December 2019) to allow enough time to launch the tenders for an additional 20 MW of rooftop solar capacity. The anticipated date of final disbursement has now been extended to September 30, 2021 from December 31, 2019.
- c. Estimated timeframe within which project will have disbursed \geq 20% of SREP funds: A specific timeframe is not foreseen at this stage and is subject to negotiations with the winners of the various bidding rounds. At the end of the life of the project, unused funds

will be cancelled and returned to the Trustee.

13. Electricity Modernization Project – Kenya (World Bank)

- a. Reason(s) for delay: The construction of the mini-grid has not started because the construction (EPC) and operations and maintenance (O&M) contracts, which were awarded to a private operator on July 10, 2019 are yet to be signed. Securing the buy-in of Kenya Power Limited Corporation (KPLC) took a long time as the utility is not familiar with private sector-led mini-grids. Thus, it required additional time to negotiate the terms of the O&M contracts. Additionally, the rural electrification agency (REREC) was delayed in securing land for the construction of the mini-grid.
- b. Measures underway to accelerate implementation: KPLC is now fully on board with the project, and the land issue has been resolved. Project implementation will accelerate once the EPC contract is signed, and the construction works have commenced. The World Bank sent an official letter to REREC to remind them to sign the EPC contract, which is expected to occur by the end of November 2019.
- c. Estimated timeframe within which project will have disbursed \geq 20% of SREP funds: The anticipated date of final disbursement has now been extended to December 31, 2021 from June 30, 2020.

14. Table 2 illustrates that four projects representing USD 34 million of SREP funding have been flagged under the second criterion (vs. two projects totaling USD 20 million as flagged in the previous SREP Risk Report). The two projects flagged as of December 31, 2018 which remain at risk are highlighted in orange in Table 1.

Table 2: SREP public sector projects within 15 months of closing with less than 50 percent of approved funds disbursed

COUNTRY	PROJECT TITLE	MDB	SREP Funding (USD million)	Cumulative Disb. FY19-S2	Disbursement Ratio	Anticipated Date of Final Disbursement	Months Before Anticipated Date of Final Disbursement	MDB Co-financing (USD million)
Nepal	Biogas Extended Program	IBRD	7.9	1.4	24%	4/1/2020	9	0.0
Maldives	Accelerating Sustainable Private Investments in Renewable Energy (ASPIRE) Program	IBRD	11.7	2.0	18%	4/1/2020	9	16.0
Kenya	Electricity Modernization Project	IBRD	7.5	-	0%	6/30/2020	12	0.0
Honduras	Grid-Connected RE Development Support(ADERC)-Transmission	IDB	7.0	-	0%	6/1/2020	11	0.0

15. **Biogas Extended Program – Nepal (World Bank)** – No SREP funds were disbursed during the period. This project has been flagged in each of the last four SREP Risk Reports.

- a. Reason(s) for delay: The insufficient capacity of the project implementation unit led to delays in finalizing technology selection by the developers, a delay in financial closure of large individual sub-projects, and contract/project management issues with individual sub-projects. Furthermore, the bulk of SREP funds (USD 6.9 million out of USD 7.9 million) are used to reimburse partially the Government of Nepal for funds paid as

subsidies (capital cost buy-down) for completed and commissioned subprojects. The government issues 40 percent of the subsidy amount after the sub-projects are approved and ready for construction. SREP funds are only drawn once the projects are commissioned and operational. Therefore, disbursements are concentrated toward the end of the project's implementation.

- b. Measures underway to accelerate implementation: The issues pertaining to the low implementation capacity of the project implementation unit and the cumbersome administrative approval process of sub-projects were partially addressed in recent restructuring. The approval process was streamlined, the budget for project management support was increased through a reallocation of funds, and the target values of the results indicators were revised to reflect the higher number of sub-projects generating heat from biogas than electricity. The commissioning rate of sub-projects has since accelerated: 36 sub-projects (out of a total of 160) were commissioned over the last 12 months and seven very large projects (with a thermal generation capacity of 500 m³ or more) are under construction.

A further restructuring is envisaged to extend the project's life so it can continue to support sub-projects currently in the pipeline, to revise the disbursement mechanism to align with implementation progress, and to strengthen the project management support functions. Unless the project is restructured to amend the disbursement mechanism, the disbursement will continue to lag actual implementation progress.

- c. Estimated timeframe within which project will have disbursed \geq 50% of SREP funds: The World Bank has agreed to extend the project closing date to August 31, 2021 from December 31, 2019 as requested by the Government of Nepal. The World Bank is expecting a formal request to restructure the project. The timeframe within which the project will disburse more than 50 percent of SREP funds will be estimated after the proposed restructuring.

16. Accelerating Sustainable Private Investments in Renewable Energy (ASPIRE) Program – Maldives (World Bank) was also flagged under the first criterion (see Paragraph 13).

17. Electricity Modernization Project – Kenya (World Bank) was also flagged under the first criterion (see Paragraph 14).

18. Grid-Connected RE Development Support (ADERC)-Transmission – Honduras (IDB)

- a. Reason(s) for delay: Due to the power sector reform, there was a delay in the submission of the Loan Agreement from the Ministry of Finance to the Congress. It has now been submitted and the Congress approved it in its third session on September 18, 2019.
- b. Measures underway to accelerate implementation: The Government of Honduras and IDB are currently working to fulfill other conditions for eligibility. IDB expects that the Loan Agreement will become eligible in early November 2019.

- c. Estimated timeframe within which project will have disbursed \geq 50% of SREP funds: This milestone is scheduled for the first half of 2021.

19. The CIF Administrative Unit received no reports of any SREP projects meeting the third criterion.

2.1.1 MDB cancellation guidelines and criteria

20. During the December 2017 CIF Trust Fund Committees' and Sub-Committees' meetings, members expressed interest in receiving information pertaining to MDBs' potential decisions to cancel projects. Some MDBs have provided the following links to their guidelines.

- [ADB – Project Administration Instructions: Suspension and Cancellation of Loans](#)
- [ADB – Externally Financed Grant Regulations Applicable to Grants Financed from a Trust Fund or Other External Sources and Administered by ADB](#)
- [AfDB – Revised Guidelines on Cancellation of Approved Loans, Grants and Guarantees](#)
- [IBRD - Trust Fund Handbook \(see Section 5.9\)](#)

2.2 Currency risk via promissory notes

21. 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. SREP's exposure to currency risk remains **High**. There have been no further encashments since March 31, 2019, and GBP 94 million remained outstanding as of September 30, 2019. Between March 31, 2019 and September 30, 2019, the unrealized decline in the value of the outstanding promissory notes increased from USD 24 million to USD 32 million due to the 5.9 percent depreciation of the GBP.

22. Table 3 illustrates that it is very 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 3: SREP currency risk exposure summary

Program	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	(\$35.5)	(\$31.7)	Very Likely	Moderate	High

2.3 Resource availability risk²

23. 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. During the period from March 31, 2019 to September 30, 2019, SREP’s deficit in available resources to fund the combined sealed and reserve pipelines increased from USD 70 million to USD 94 million (see Table 4 and Annex A) and SREP’s risk of being unable to fund all projects in both of these pipelines remains **High**. However, SREP’s deficit in available capital resources to fund its sealed pipeline only is USD 6 million, and the program has a surplus in available grant resources (see Table 5 and Annex B). This means there is **Low** risk that the program will be unable to fund its sealed pipeline.

Table 4: SREP resource availability risk summary (sealed and reserve pipelines)

Available Resources as of September 30, 2019				
Program	Available Resources for Projects/Programs (\$Million)*	Risk Likelihood	Risk Severity	Risk Score
SREP** Grant	(\$71.6)	Likely	Severe	High
SREP** Capital	(\$22.2)			

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

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

Table 5: SREP resource availability risk summary (sealed pipeline only)

Available Resources as of September 30, 2019				
Program	Available Resources for Projects/Programs (\$Million)*	Risk Likelihood	Risk Severity	Risk Score
SREP** Grant	\$5.0	Unlikely	Minimal	Low
SREP** Capital	(\$5.7)			

² 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.

24. To mitigate this risk, the MDBs, and CIF Administrative Unit continuously monitor the resource availability situation and manage the pipeline development accordingly.
25. As of September 30, 2019, USD 67 million of the current shortfall in available resources can be attributed to realized and unrealized declines in the value of SREP's GBP-denominated promissory notes. An additional USD 17 million must be set aside to mitigate over-commitment risk that could result from further declines in the GBP.

2.4 Fraud and sexual exploitation and abuse

26. At its February 2019 meeting, the SREP Sub-Committee requested that the MDBs provide to the CIF Administrative Unit information regarding fraud and sexual exploitation and abuse associated with any SREP projects implemented by them to the extent that such information is provided to their own MDB boards and is subject to any necessary legal/confidentiality arrangements prior to disclosure.
27. The MDBs did not report any allegations or instances of fraud or sexual exploitation and 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 – Office of Institutional Integrity Annual Report](#)
 - [World Bank Group – Integrity Vice Presidency Annual Report](#)

2.5 Credit risk

28. At the March 8, 2018 Intersessional Meeting of the Trust Fund Committee of the Strategic Climate Fund (SCF), 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."
29. Because credit losses can impact the availability of these reflows to finance administrative costs, it is important to assess the credit risk associated with each SCF program's loan portfolio. Table 5 illustrates that the expected losses associated with SREP's public and private sector loan portfolios total USD 24 million and the credit risk associated with the program is therefore **High**.

Table 5: SREP public and private sector credit risk exposure summary based on loan commitments

Committed Loan Portfolio Credit Risk Exposure (as of 9/30/2019)									
Sector	Portfolio Risk Rating	Total Committed Loans (MM USD equivalent) ¹	Estimated Probability of Default (PD) ⁷	Estimated Loss Given Default (LGD) ⁶	Expected Loss Rate ³	Expected Losses (MM USD equivalent) ²	Total Loan Principal in Default ⁵ (MM USD equivalent)	# of Loans Experiencing Payment Default	Loan Principal in Default vs. Total Loan Amount Originated
Public	B ⁻⁸	87.4	18.1%	60.5%	10.9%	9.6	0.0	0.0	0.0%
Private	CCC ^{7,4}	43.4	55.1%	60.3%	33.2%	14.4	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: Defaults will rise modestly in 2019 amid higher volatility.

6. LGDs are based on the Portfolio Risk Rating's mapping to the LGD associated with Moody's credit rating equivalent as published in Moody's Annual Default Study: Defaults will rise modestly in 2019 amid higher volatility (i.e. LGD = 1 - Average Sr. Unsecured Bond Recovery Rate from the period of 1983-2018).

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

8. Based on weighted average PD (weighted by loan amount) associated with the external rating agency credit rating assigned to each recipient (in the case of split ratings, the PD associated with the lowest of Fitch, Moody's and S&P ratings is used) as of September 30, 2019. 5-year Average Cumulative Issuer-Weighted Global Default Rates from the period of 1983-2018 as published in Moody's Annual Default Study: Defaults will rise modestly in 2019 amid higher volatility are used.

Annex A: SREP resource availability – sealed and reserve pipelines

SREP TRUST FUND - RESOURCES AVAILABLE for COMMITMENTS				
<i>Inception through September 30, 2019</i>				
<i>(USD millions)</i>				
		Total	Capital	Grant
Cumulative Funding Received				
Contributions Received				
Cash Contributions		625.9	151.1	474.8
Unencashed Promissory Notes	b/	115.0	115.0	-
Allocation of Capital to Grants from Unencashed Promissory Notes	a/		(24.4)	24.4
Total Contributions Received		740.9	241.7	499.2
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)		750.8	241.7	509.1
Cumulative Funding Commitments				
Projects/Programs		674.2	232.3	441.9
MDB Project Implementation and Supervision services (MPIS) Costs		22.1	-	22.1
Administrative Expenses-Cumulative to 1st Feb 2016	c/	14.2	-	14.2
Country Programming Budget expense from 1st Jan 2018	c/	0.3		0.3
Total Cumulative Funding Commitments		710.9	232.3	478.6
Project/Program, MPIS and Admin Budget Cancellations	d/	(69.8)	(35.5)	(34.3)
Net Cumulative Funding Commitments (B)		641.1	196.8	444.3
Fund Balance (A - B)		109.7	44.9	64.8
Currency Risk Reserves	e/	(17.2)	(13.6)	(3.7)
Unrestricted Fund Balance		92.5	31.3	61.1
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/	(31.3)		(31.3)
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		(1.7)		(1.7)
Unrestricted Fund Balance (C) after reserves		59.4	31.3	28.1
Anticipated Commitments (FY20-FY21)				
Program/Project Funding and MPIS Costs	g/	149.7	53.5	96.2
Technical Assistance Facility	i/ k/	3.5		3.5
Total Anticipated Commitments (D)		153.2	53.5	99.7
Available Resources (C - D)		(93.8)	(22.2)	(71.6)
Potential Future Resources (FY20-FY21)				
Pledges		-		-
Contributions Receivable	h/	3.5		3.5
Release of Currency Risk Reserves	e/	17.2	13.6	3.7
Total Potential Future Resources (D)		20.8	13.6	7.2
Potential Available Resources (C - D + E)		(73.0)	(8.6)	(64.4)
Reflows from MDBs	i/	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 September 30, 2019 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 31.6 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 reduced by the approved commitment amount of USD 0.3 million for country engagement from January 2018.

g/ Includes both sealed and Reserve pipeline

h/ Contribution Receivable from Denmark is DKK 24.05 million (USDeq. 3.6 million).

i/ 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.

j/ 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.

k/ Commitments for the Technical Assistance Facility, as estimated by the CIFAU, will also be funded by contribution receivables.

Annex B: Resource availability – sealed pipeline only

SREP TRUST FUND - RESOURCES AVAILABLE for COMMITMENTS				
<i>Inception through September 30, 2019</i>				
<i>(USD millions)</i>				
		Total	Capital	Grant
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Contributions Received				
Cash Contributions		625.9	151.1	474.8
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Future Programming Reserves:				
Admin Expenses-Reserve (includes Country Programming 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/	(31.3)		(31.3)
Subtract				
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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		(1.7)		(1.7)
Unrestricted Fund Balance (C) after reserves		59.4	31.3	28.1
Anticipated Commitments (FY20-FY21)				
Program/Project Funding and MPIS Costs	g/	56.5	37.0	19.5
Technical Assistance Facility	i/k/	3.5		3.5
Total Anticipated Commitments (D)		60.1	37.0	23.1
Available Resources (C - D)		(0.6)	(5.7)	5.0
Potential Future Resources (FY20-FY21)				
Pledges		-		-
Contributions Receivable	h/	3.5		3.5
Release of Currency Risk Reserves	e/	17.2	13.6	3.7
Total Potential Future Resources (D)		20.8	13.6	7.2
Potential Available Resources (C - D + E)		20.1	7.9	12.2
Reflows from MDBs	i/	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 September 30, 2019 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 31.6 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 reduced by the approved commitment amount of USD 0.3 million for country engagement from January 2018.

g/ Includes only sealed pipeline

h/ Contribution Receivable from Denmark is DKK 24.05 million (USDeq. 3.6 million).

i/ 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.

j/ 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.

k/ Commitments for the Technical Assistance Facility, as estimated by the CIFAU, will also be funded by contribution receivables.