



**Meeting of the CTF Trust Fund Committee**

Washington D.C. (Virtual)

Thursday, January 27, 2022

CTF RISK REPORT – SUMMARY



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CTF/TFC.27/4  
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## **PROPOSED DECISION**

The CTF Trust Fund Committee reviewed the document, CTF/TFC.27/4, *CTF Risk Report*, and welcomes the progress that has been made in advancing the work of CTF.

The Trust Fund Committee requests the CIF Administrative Unit to continue to identify, assess, monitor and report the key risk exposures to the program.

## 1 Introduction

1. Pandemic-related implementation challenges to CIF projects persist. Additionally, private sector investors' reluctance to commit funds, as well as public sector recipients' need to refocus resources to address the impacts of the pandemic continue to pose financial and operational risks.
2. The development of new variants, as well as the uneven and sparse availability of vaccines in many developing countries continue to exasperate and prolong these challenges.
3. While credit deterioration appears to have leveled off, or, in some cases, improved, CIF project implementation challenges will continue until vaccination rates in recipient countries reach sufficient levels to reduce the need for lockdowns and travel restrictions.

## 2 Risk Exposure Summary

4. Data as of June 30, 2021, was used to flag projects for implementation risk and compare them with projects flagged in the previous CTF Risk Report (which used data as of June 30, 2020 for implementation risk). Certain projects use more updated information, as indicated in the report. Data as of September 30, 2021 was used to assess other risks and compare them with risk assessments in the previous CTF Risk Report (which used data as of March 31, 2021 for those risk assessments).
5. The following matrix summarizes CTF's key risk exposures.

Summary Risk Matrix - CTF			
<u>Risk</u>	<u>Likelihood</u>	<u>Severity</u>	<u>Risk Score</u>
Implementation Risk	Likely	Severe	High
Currency Risk	Possible	Minimal	Low
Credit Risk	Likely	Moderate	High
Resource Availability Risk	Possible	Moderate	Medium

6. Implementation risk for CTF remains **High**. As of June 30, 2021, eight out of 138 projects representing USD 618 million (11 percent) of program funding have been flagged for this risk. The program's implementation risk score has been **High** for the past seven reporting cycles. The pandemic has affected six of the projects which are flagged for this risk. The following projects continue to experience delays of noteworthy magnitude.
  - Solar Rooftop PV – India (ADB overseeing USD 175 million CTF Funds) has made **very little progress over the past five years**, and **ADB will seek an extension of more than 10 additional years** for the project.
  - Ha Noi Sustainable Urban Transport Program - Project 2: Strengthening Sustainable Urban Transport for Hanoi Metro Line 3 – Vietnam (ADB overseeing USD 49 million CTF Funds)
    - Flagged in each of the last six reporting cycles;
    - Effective for over six years;

- Disbursed almost no CTF funds (USD 0.7 million);
  - ADB cancelled its loan for this project;
  - CTF loan expired in June 2019, but ADB retroactively extended it to June 2023; and
  - ADB is contemplating extending CTF's loan further.
- Ha Noi Sustainable Urban Transport Program - Project 1: Ha Noi Metro System Line 3 – Vietnam (ADB overseeing USD 50 million CTF Funds)
- Effective for over four years;
  - Disbursed almost no CTF funds (USD 0.4 million); and
  - ADB is contemplating an extension to June 30, 2026.
- Cebu Bus Rapid Transit Project – Philippines (World Bank overseeing USD 25 million CTF Funds)
- Flagged in each of the last six reporting cycles;
  - Effective for almost eight years;
  - Disbursed no CTF funds; and
  - The government no longer has a general budget for all World Bank projects (except one) in the Philippines for CY2022.
7. During the reporting period the GBP depreciated by 2.4 percent against the USD, causing the unrealized gain associated with these notes to decrease to USD 8 million from USD 14 million. The program's exposure to this risk remains **Low**. It should be noted, however, that if these notes remain unencashed for a prolonged period, they will be exposed to greater fluctuations in foreign exchange rates. The program's currency risk score has been **Low** for the current and prior three reporting cycles but had been **High** for the preceding four reporting cycles.
8. Credit risk exposure for CTF remains **High**, however, expected losses for CTF's loan portfolio declined to 2.9%, largely due to the revised approach to assessing the credit risk associated with the public sector portfolio (see section 3.4.1), and an increase in credit quality reported for the private sector portfolio. As of September, 2021, four loans were reported to be experiencing payment defaults (two representing EUR 8 million and two representing USD 14 million). Additionally, a EUR 16 million defaulted loan was sold in 2019. Two additional loans, although not yet experiencing payment defaults, are experiencing significant challenges and are highly likely to experience payment defaults imminently. The program's credit risk score has been **High** for the last six reporting cycles.
9. Resource availability risk declined to **Medium**. As of September 30, 2021, CTF's deficit in available resources had decreased to USD 265 million from USD 434 million as reported during the last reporting cycle largely due a decline in projects in the GESP pipeline.



## THE CLIMATE INVESTMENT FUNDS

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## 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.



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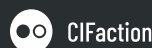
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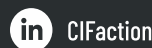
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