

CLIMATE INVESTMENT FUNDS

CTF/TFC.7/3
June 2, 2011

Meeting of the CTF Trust Fund Committee
Cape Town, South Africa
June 22, 2011

Agenda Item 5

**TRUSTEE REPORT ON THE
FINANCIAL STATUS
OF THE CLEAN TECHNOLOGY FUND**

Proposed CTF Trust Fund Committee Decision

The CTF Trust Fund Committee welcomes the *Trustee Report on the Financial Status of the Clean Technology Fund, CTF/TFC.7/3*, and takes note of the status of contributions to the CTF Trust Fund; the funding availability under the trust fund, and the update of activities undertaken by the Trustee to manage the trust fund.

I. Introduction

1. This report provides the Trust Fund Committee of the Clean Technology Fund (CTF) with information on the financial status of the CTF Trust Fund. The paper is divided into six sections. Following the introduction in this Section I, Section II presents the status of contributions to the CTF; Section III discusses the endorsed CTF Investment Plans; Section IV reports on the total funding decisions made by the CTF Trust Fund Committee; Section V shows funding availability of the CTF Trust Fund; and Section VI reports on the update of activities undertaken by the Trustee to manage the CTF Trust Fund. Annex 1, prepared based on information provided by the Multilateral Development Banks (MDBs), presents the status of disbursements made by the MDBs as of December 31, 2010.

II. Status of Contributions

2. Contributions comprise both pledges and commitments from Contributors. Pledges represent a Contributor's expression of intent to make a contribution and form the basis for the endorsement of CTF Investment Plans by the CTF Trust Fund Committee, as further discussed in the next section. Pledges are converted to "commitments" by way of a countersigned Contribution or Loan Agreement/Arrangement. Table 1 presents the contributions to the CTF, broken down into pledged and committed amounts in the pledge currency. The contributions to the CTF amount to USD eq. 4.5 billion, valued at the exchange rates available on the date of the Climate Investment Funds (CIF) pledging meeting. The current value of the contributions amounts to USD eq. 4.4 billion as of March 31, 2011 (a difference of USD eq. 144 million).

CLEAN TECHNOLOGY FUND								
Table 1: Contributions								
as of March 31, 2011								
(in millions)								
Contributor	Contribution Type	Currency	Contribution Amounts			Historical Value in USD eq. a/	Current Value in USD eq. b/	FX changes
			Pledged	Committed	Total			
Australia	Grant	AUD	-	100	100	84	86	2
France	Loan	EUR	-	203	203	300	288	(12)
Germany c/	Loan	EUR	-	500	500	739	615	(124)
Japan d/	Grant	USD	-	1,000	1,000	1,000	1,109	109
Spain	Capital	EUR	-	80	80	118	113	(6)
Sweden	Grant	SEK	-	600	600	92	81	(12)
United Kingdom e/	Capital	GBP	-	385	385	716	615	(101)
United States f/	Grant	USD	1,065	427	1,492	1,492	1,492	-
						4,543	4,399	(144)

a/ Represents pledges valued on the basis of exchange rates as of September 25, 2008, the CIF official pledging date.

b/ Represents realized amounts plus unrealized amounts valued on the basis of exchange rates as of March 31, 2011.

c/ The EUR 500 million pledge was committed in USD in the amount of USD eq. 615 million.

d/ The USD 1 billion pledge was committed in JPY in the amount of JPY eq 93 billion.

e/ Amount pledged under the Strategic Climate Fund and allocated to the Clean Technology Fund.

f/ The total pledge made by the United States to the CIFs is USD 2 billion; the allocation across the programs is indicative and based on an extrapolation of current allocations by the United States.

3. Contributors may make a contribution to the CTF in the form of a: (i) Grant Contribution, (ii) Capital Contribution, or (iii) Loan Contribution. Grant or Capital Contributions to the Trust Fund may be paid by cash or, with the Trustee’s agreement, promissory notes payable on demand or similar obligations in a form acceptable to the Trustee in accordance with the terms of the Contribution Agreements/Arrangements with the Trustee. Loan Contributions are paid in cash in accordance with the terms of the Loan Agreement with the Trustee.

4. Table 2 shows the receipts on committed amounts from Contributors to the CTF Trust Fund as of September 30, 2010 and March 31, 2011. The Trustee had received USD 2.5 billion in total from the Contributors as of March 31, 2011.

CLEAN TECHNOLOGY FUND						
Table 2: Receipts on Committed Amounts						
as of March 31, 2011						
(in millions)						
<u>Contributor</u>	<u>Contribution Type</u>	<u>Currency</u>	<u>As of March 31, 2011</u>		<u>As of September 30, 2010</u>	
			<u>Committed</u>	<u>Receipts</u>	<u>Committed</u>	<u>Receipts</u>
Australia	Grant	AUD	100	100	100	75
France	Loan	EUR	203	203	-	-
Germany	Loan	USD	615	615	615	615
Japan	Grant	JPY	92,655	32,429	92,655	32,429
Spain	Capital	EUR	80	50	80	30
Sweden	Grant	SEK	600	500	600	500
United Kingdom	Capital	GBP	385	385	385	385
United States	Grant	USD	427	427	300	300

III. CTF Investment Plans endorsed by the CTF Trust Fund Committee

5. CTF Investment Plans, developed under the leadership of the relevant government, outline the proposed use of CTF resources in recipient countries through a joint MDB program. The Investment Plan is agreed between and owned by the government and the MDBs.¹ Investment Plans are submitted to the CTF Trust Fund Committee to endorse the further development of activities for CTF financing and to facilitate prioritization of projects in the pipeline. The value of the amounts pledged to the CTF forms the basis for endorsement of Investment Plans by the CTF Trust Fund Committee. As noted in Table 1, the current value of CTF pledges as of March 31, 2011 is USD eq. 4.4 billion.

6. To date, the CTF Trust Fund Committee has endorsed 14 Investment Plans for a total amount of proposed CTF funding of USD 4.6 billion (see Table 3). The endorsed amount exceeds the value of the pledges by USD eq. 210 million. The Investment Plan for Nigeria was endorsed at the November 2010 CTF Trust Fund Committee meeting, with the understanding that the resources pledged to the CTF have already been allocated

¹ “CTF Guidelines for Investment Plans” August 6, 2009

to earlier Investment Plans. Since November 2010, no additional pledges to the CTF have been received to support the funding of the projects in the Investment Plan for Nigeria.

CLEAN TECHNOLOGY FUND				
Table 3: Investment Plan Balance				
as of March 31, 2011				
(in USD millions)				
Total Pledged Amount a/	4,399		-	
(-) Investment Plans Endorsed	4,600			
(-) Budgets Approved	19			
(+) Investment Income	10			
Balance for new IPs	(210)			
	<u>As of March 31, 2011</u>		<u>As of September 30, 2010</u>	
<u>Country/Region</u>	<u>Amount Endorsed</u>	<u>Projects Approved</u>	<u>Amount Endorsed</u>	<u>Projects Approved</u>
Colombia	150	18	150	-
Egypt	300	151	300	150
Indonesia	400	125	400	-
Kazakhstan	200	42	200	-
Mexico	500	319	500	319
Middle East and North Africa	750	-	750	-
Morocco	150	-	150	-
Nigeria	250	-	-	-
Philippines	250	30	250	20
South Africa	500	450	500	-
Thailand	300	70	300	40
Turkey	250	172	250	172
Ukraine	350	28	350	-
Vietnam	250	30	250	30
Total	4,600	1,434	4,350	731
a/ Represents USDeq. current value.				
b/ Endorsed subject to the availability of funds beyond what is planned for in the current pipeline				

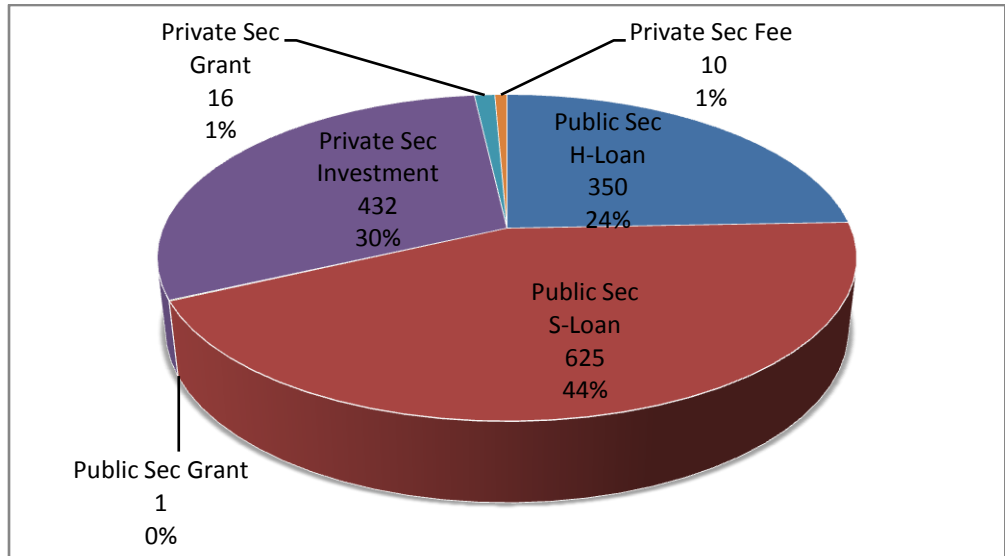
IV. Funding Decisions

7. The cumulative funding decisions for projects included in the endorsed Investment Plans and administrative budgets made by the CTF Trust Fund Committee as of March 31, 2011 amount to USD 1.5 billion (see Table 4). Of the amount of endorsed Investment Plans of USD 4.6 billion, the CTF Trust Fund Committee approved funding for 22 projects totaling USD eq. 1.4 billion, representing 31% of the total endorsed amount. Table 4 also shows the breakdown of the project approvals by the MDBs. The project proposals pending approval as of March 31, 2011 or submitted to the CTF Trust Fund Committee after March 31, 2011 are not included in the table. The breakdown of the cumulative funding decisions by financing type² is shown in Chart 1.

² Public sector harder concessional loan (H-Loan) has terms of 0.75% interest, 20 years maturity and 10 years grace on principal repayments; public sector softer concessional loan (S-Loan) has terms of 0.25% interest, 40 years maturity and 10 years grace on principal repayments.

CLEAN TECHNOLOGY FUND		
Table 4: Cumulative Funding Decisions		
Inception to March 31, 2011		
(in USD millions)		
	<u>As of March 31, 2011</u>	<u>As of September 30, 2010</u>
Projects and Fees	<u>1,434</u>	<u>731</u>
ADB	-	-
AfDB	151	-
EBRD	120	50
IBRD	875	500
IDB	59	53
IFC	229	127
Administrative Budget	<u>19</u>	<u>19</u>
Total	1,453	750

Chart 1: Funding Decisions by Financing Type (USD millions)



V. Funding Availability

8. Table 5 shows the Funds held in Trust for the CTF as of March 31, 2011 (USD eq. 2.3 billion), based on the cumulative receipts and cash transfers since inception. This amount is brought forward to Table 6 to calculate the Funding Availability for the CTF Trust Fund. Funding availability for the CTF Trust Fund Committee refers to Funds held in Trust with no restrictions less (i) funding decisions pending cash transfers; and (ii)

amounts pending decision by the CTF Trust Fund Committee. Accordingly, the net funding availability in the CTF Trust Fund as of March 31, 2011 amounts to USD eq. 1 billion.

CLEAN TECHNOLOGY FUND		
Table 5: Schedule of Receipts and Cash Transfers		
Updated as of March 31, 2011		
(in USD eq. millions)		
	<u>As of March 31, 2011</u>	<u>As of September 30, 2010</u>
<u>1. Cumulative Receipts</u>	2,559	2,092
a. Cash receipts and encashed promissory notes	2,385	1,674
b. Unencashed promissory notes a/	164	409
c. Investment income earned on undisbursed balance	10	9
<u>2. Cumulative Cash Transfers</u>	283	227
a. Projects	260	211
b. Project Fees	6	2
c. Administrative Budget	15	14
d. Principal Repayments and Interest Payments	2	-
<u>3. Funds held in Trust (3 = 1 - 2)</u>	<u>2,277</u> a/ b/	<u>1,864</u>

a/ Valued on the basis of exchange rates as of March 31, 2011
b/ Includes a balance of EUR 184 million

CLEAN TECHNOLOGY FUND		
Table 6: Schedule of Funds Available		
Updated as of March 31, 2011		
(in USD eq. millions)		
	<u>As of March 31, 2011</u>	<u>As of September 30, 2010</u>
<u>1. Funds held in Trust</u>	2,277	1,864
a. Cash and Investments	2,112	1,456
b. Unencashed Promissory Notes	164	409
<u>2. Financial Reserve a/</u>	44	61
<u>3. Funds held in Trust with no restrictions (3 = 1 - 2)</u>	2,233	1,803
<u>4. Funding decisions pending cash transfers</u>	1,174	523
a. Projects and Fees	1,170	517
b. Administrative Budget	4	5
<u>5. Amounts pending CTF Trust Fund Committee funding decisions</u>	25	508
<u>6. Funds available to support CTF Trust Fund Committee funding decisions (6 = 3 - 4 - 5)</u>	<u>1,034</u> b/ c/	<u>773</u>

a/ Represents amount reserved to cover foreign exchange fluctuations and minimum liquidity requirements.
b/ Valued on the basis of exchange rates as of March 31, 2011
c/ Includes funds available of EUR 174 million.

VI. Update on Trustee Activities

9. **Investment Management:** Table 7 illustrates the composition of instruments in which the CTF Trust Fund portfolio was invested as of March 31, 2011. Assets held in trust by the World Bank (as the Trustee) are maintained in a commingled investment portfolio (the "Pool") for all trust funds administered by the World Bank. The assets in

the Pool are managed in accordance with the investment strategy established for all trust funds administered by the World Bank. The Pool is actively managed so that the probability of incurring negative returns is no more than 1% over the applicable investment horizon.

10. The CTF Trust Fund funds are invested in a portfolio with longer duration and consequently potential for higher returns. The CTF Trust Fund was eligible to participate in this investment class because of the larger liquid balances that are expected to be held for a longer time period.

CLEAN TECHNOLOGY FUND	
Table 7. Asset Mix of the Trust Fund Portfolio	
as of March 31, 2011	
<u>Asset Class</u>	<u>Percentage</u>
Govt	16%
Mortgage-backed Security	17%
Asset-backed Security	2%
Agency	3%
Sovereign/Govt Gtd	13%
Money Markets/Fin. Inst	49%
Corporates	0%
	100%

11. As of March 31, 2011, the CTF Trust Fund has earned investment income of approximately USD 10 million on the undisbursed balance of the Trust Fund. The investment income return since inception was approximately 1.59%.

12. **Accounting and Reporting:** The Trustee is currently undertaking the external audit of the financial statements prepared under the special purpose basis of accounting for the CTF Trust Fund for the calendar year ended December 31, 2010. The audited financial statements will be sent when available to the CTF Trust Fund Committee members along with the external auditor’s report.

13. **Systems Development:** In FY10, the Trustee began the development of an automated and secure systems platform to manage the CTF and Strategic Climate Fund Trust Funds. The system will support Trustee financial operations as well as CIF operations, specifically pipeline management and related workflow between the MDBs, CIF Administrative Unit, and the Trustee. The system platform will leverage other existing platforms owned by the World Bank.

14. System products delivered to date include the following customized applications and modules:

- a. A Pledge/Contribution application managed by the Trustee that supports the tracking of the types of contributions allowed under the CIFs (i.e grant, capital,

and loans). The benefits provided by the application include more efficient and transparent management and reporting by the Trustee to the CIF partners, and improved pipeline management to match the financing needs of the countries vis à vis the available types of donor funding;

- b. An Investment Plan application that allows the Trustee to record and report on “soft” allocation of funds to countries within the pledged amount. This also supports pipeline management;
 - c. A Private Sector Program application that provides appropriate control functions to enable the Trustee to commit to the MDBs approved lump-sum funds for private sector projects. This lump-sum commitment enables the MDBs to initiate negotiations with clients and provides a flexible framework that is more suited to managing private sector operations; and
 - d. Enhanced Commitment and Cash Transfer application that is customizable and flexible to support the CIFs as well as other new programs.
15. The above applications also provide important financial information that feed into the cash flow and other financial models maintained by the Trustee and CIF Administrative Unit.

Disbursement Report as of December 31, 2010

1. The CTF Trust Fund Committee requested the CIF Administrative Unit, in collaboration with the MDB Committee, to report regularly on disbursements under the CTF.
2. It has been agreed that the disbursement information by the CTF will be made available for review by the CTF Trust Fund Committee on a semi-annual basis.
3. The attached CTF Disbursement Report was prepared by the Trustee based on information provided by the MDBs as of December 31, 2010, and was circulated to the Trust Fund Committee in February 2011.
4. The next report will be prepared as of June 30, 2011, and circulated to the Trust Fund Committee by mail.

Table 1: Disbursement Summary

MDBs	Trustee Commitments (USD mil)	Trustee Transfers (USD mil)	MDB Disbursements a/ (USD mil)	Disbursement Rate (%)
AfDB	-	-	-	-
ADB	-	-	-	-
EBRD	76.17	42.40	40.32	95%
IDB	57.47	30.19	30.00	99%
IFC	214.25	35.90	25.00	70%
IBRD	625.00	109.00	20.77	19%
Total	972.88	217.49	116.09	53%

a/ Includes both public and private sector operations.

Table 2: Disbursements by Country

Countries	Trustee Commitments (USD mil)	Trustee Transfers (USD mil)	MDB Disbursements a/ (USD mil)	Disbursement Rate (%)
Colombia	17.00	-	-	-
Egypt	150.00	-	-	-
Indonesia	125.00	-	-	-
Mexico	316.54	116.36	45.00	39%
Philippines	19.50	-	-	-
South Africa	49.08	-	-	-
Thailand	69.00	-	-	-
Turkey	170.35	95.23	71.09	75%
Ukraine	27.02	-	-	-
Vietnam	29.40	5.90	-	-
Total	972.88	217.49	116.09	53%

a/ Includes both public and private sector operations.

Table 3: Disbursements by Projects - Public Sector a/

MDBs	Projects	Trustee Commitments (USD mil)	MDB Disbursements (USD mil)
IBRD	Turkey - Private Sector Renewable Energy and Energy Efficiency Project	100.00	20.77
IBRD	Indonesia - Geothermal Clean Energy Investment Project	125.00	-
IBRD	Mexico - Efficient Lighting and Appliances Project	50.00	-
IBRD	Egypt - Wind Power Development Project	149.75	-
IBRD	Egypt - Wind Power Development Project	0.25	-
IBRD	Mexico -Urban Transport Transformation Program	200.00	-

a/ Private sector project-specific disbursements are not publicly available.

