



## **Meeting of the CTF Trust Fund Committee**

**Washington D.C. (Hybrid)**

**Wednesday, February 1, 2023**

## **CTF RISK REPORT – EXECUTIVE SUMMARY**

## 1.1 Ukraine Military Conflict


1. As Russia's full-scale invasion approaches its 1-year anniversary, the situation remains highly unpredictable and volatile, with no resolution in sight. During the reporting period Russia has targeted Ukraine's infrastructure, and specifically its energy infrastructure with air strikes. CTF projects in the country continue to be directly impacted.
2. As mentioned in the last CTF Risk Report the CIF Administrative Unit began conservatively estimating that defaults will occur on all disbursed amounts for all projects in Ukraine, noting that one project had defaulted at that point. Indeed, four additional projects defaulted during the current reporting period. MDBs report that they have paused most projects in the country and are dropping some projects from CTF's pipeline.
3. Significant portions of Ukraine's telecommunications infrastructure have been destroyed, and obtaining timely information on the status of CTF's projects remains challenging and slow. At this point the duration of the conflict should be regarded as indefinite, and the regions of the country which Russia targets militarily are unpredictable and can change at any time.

## 1.2 Risk Exposure Summary

4. Data as of June 30, 2022, 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 December 31, 2021, for implementation risk). Certain projects use more updated information, as indicated in the report. Data as of September 30, 2022, 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, 2022, 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	Minimal	Low

6. Implementation risk for CTF and remains **High**. As of June 30, 2022, nine out of 152 projects representing USD 637 million (11 percent) of program funding have been flagged for this risk. The program's implementation risk score has been **High** for the past nine reporting cycles.
7. During the reporting period the GBP depreciated by 17 percent against the USD resulting in an unrealized loss of USD 50 million associated with CTF's GBP denominated notes vs. an unrealized gain of USD 1 million as of the last reporting period. The program's exposure to this risk remains **Low**. It should be noted, however, that as more promissory notes are received, exposure to this risk will increase. The program's currency risk score has been **Low** for the past five reporting cycles but had been **High** for the preceding four reporting cycles.
8. Resource availability risk decreased to **Low**. As of September 30, 2022, CTF achieved a surplus in available resources of USD 121 million largely due to further receipts of pledged



contributions, and project cancellations.

9. Credit risk exposure for CTF remains **High**. Since Russia's invasion of Ukraine, five CTF private sector loans representing EUR 5.8 million have defaulted and the CIFAU continues to conservatively estimate that defaults will occur on all disbursed amounts for projects in this country due to the nature of the current military conflict in the nation. Additionally, the two other loans reported to be at imminent risk of default in the last Risk Report have now defaulted (USD 3 million and 13 million respectively). As of September 30, 2022, 12 loans were reported to be experiencing payment defaults (eight representing EUR 34 million and four representing USD 30 million). The program's credit risk score has been **High** for the last seven reporting cycles.



## 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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