



Meeting of the SCF Trust Fund Committee

Washington D.C (Hybrid)

Friday, June 24, 2022

SCF RISK REPORT SUMMARY

PROPOSED DECISION

The SCF Trust Fund Committee reviewed the document, SCF/TFC.16/4, *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.

1 Introduction

1. As COVID-19 vaccination rates climb, various countries are easing the mitigating measures which have been disrupting project implementation in CIF's recipient countries, however, vaccination rates in CIF recipient countries remain extremely uneven, and pandemic-related implementation challenges persist. Vaccination rates in African countries, as well as Small Island Developing States (SIDS), continue to lag with almost 90 percent of recipient countries from Africa and 60 percent of SIDS achieving vaccination rates of less than 40 percent. For this reason, all CIF programs continue to face heightened pandemic-related implementation challenges and we continue to see 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.

2 Summary of key risk exposures — FIP

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

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

3. 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.
4. GBP 93 million of FIP's promissory notes were encashed during the period, significantly reducing 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.
5. 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.
6. 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 Summary of key risk exposures — PPCR

7. 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


8. 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.
9. 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 Summary of key risk exposures—SREP

10. 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

11. 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.
12. 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.
13. 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.
14. 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**.



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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