

# CLIMATE INVESTMENT FUNDS

December 15, 2011  
(Revised document)

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## **CTF PRIVATE SECTOR OPERATIONAL GUIDELINES**

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The private sector operational guidelines are also applicable to sub-sovereigns and Public Private Partnerships.

## Introduction

1. *Role of the Private Sector in an overall CTF strategy:* As the foundation of economic growth, the private sector has a significant role to play in the reduction of greenhouse gas (GHG) emissions. Strategies for achieving transformational outcomes and progress towards low carbon development will therefore need to include a combination of public and private initiatives. The relationship between public sector reform and private sector action is clear; while many private initiatives can be tested and operate in a less than optimal policy and regulatory environment, full engagement, and wide scale growth of the private sector will only occur if the policy and regulatory environment is both attractive and stable within a country. An appropriate business environment is particularly important for promotion of small and medium-sized enterprises that are critical to broad-based growth and technology adoption.
2. Experience has shown that private sector initiatives, especially those addressing market barriers that are not regulatory (see below), can successfully proceed and at times be a stimulus for subsequent regulatory change. At the same time, advances in technologies and opportunities for high impact GHG reducing private sector initiatives change over time, requiring an interactive and fluid approach to strategy development. Private sector initiatives can sometimes be tested in markets before regulatory issues are addressed or before official country strategies are developed. In these instances, the information obtained from undertaking such private sector initiatives not only contributes to but may also become the foundation and basis for future policy and regulatory change.
3. *Demonstration, replication, scale-up:* Private sector initiatives are used to address two primary market challenges: a) a dichotomy between perceived risks and real risks; and b) the disincentive for private investors created by the high costs associated with being a first mover in a new market. In both cases, private investors are discouraged from entering a new sector on their own.<sup>1</sup> CTF private sector initiatives will seek to achieve scale-up (a significant proliferation of the types of projects being supported - without a subsidy) by demonstrating, and creating a track record through a few initial investments. Once the private sector: i) understands the real market risks, and/or ii) the cost of the new technology decreases, and/or iii) the cost of carbon becomes internalised, replication is expected to occur without further subsidy, followed by a scale-up of investment and market transformation within the relevant country and/or sector.
4. *Engaging the Private Sector:* This document describes how the CTF will engage the private sector and implement an effective public/private strategy, recognizing that CTF funding arrangements for engaging the private sector will be different from the arrangements applied for public sector operations.
5. Recognizing that the CTF is to promote learning-by-doing, the structure and criteria for private sector projects and programs should be kept under review by the Trust Fund Committee, and the MDBs should prepare a report for the Committee, as appropriate, to allow for the

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<sup>1</sup> Note, i) if the real risks (e.g., of technology failure) are as high as the market perceives, or ii) if the eventual costs of the projects (beyond those for the first movers) remain high, so as to make the projects financially unfeasible without public support, then these projects should not be undertaken. This would result in significant market distortions.

consideration of any changes to the operational policies resulting from lessons learned that would serve to enhance the effectiveness of private sector operations.

6. All private sector projects and programs will adhere to the principles outlined in paragraph 5 of the Investment Criteria for Public Sector Operations.

### **Private Sector Proposals**

7. Private Sector projects and programs will support the initiatives outlined in paragraph 8 of the Investment Criteria for Public Sector Operations and will be based on an investment plan (“Investment Plan”). Private sector proposals will be submitted in the form of either individual large-scale projects (“Projects”), or program envelopes which aggregate several small and medium sized projects each utilizing less than \$50 million of CTF funds and all having a shared focus and objective (“Programs”). Proposals will explain how the Projects and Programs are expected to contribute towards the objective of achieving transformational outcomes in a sector, sub-sector, country, sub-national region, sub-region, or region while demonstrating that these outcomes would not be possible without support from the CTF.

### **Programming by MDBs**

8. MDBs may submit private sector proposals consistent with the endorsed country or regional investment plans. However, in order to facilitate an early start-up of the CTF's operations, MDBs may, during the first six months of CTF operations, submit proposals to the Trust Fund Committee once a country has requested a joint mission and the MDBs have jointly assessed the potential for investments in the country to meet CTF criteria for significant GHG emissions reduction, demonstration potential at scale, development impact, and implementation potential. If the MDB's assessment confirms a potential fit with CTF investment criteria, and after consultations with the relevant CTF government focal point, submission of such project proposals may precede or be in parallel with the preparation of the investment plan. All proposals would need to demonstrate that they are consistent with the investment criteria established for private sector initiatives and the objectives of the CTF.

### **Timing, Form and Content of Private Sector Proposals**

9. Timing and Form of Private Sector Proposals: Private sector Project or Program proposals in line with an endorsed country or sub-regional Investment Plan may be submitted to the Trust Fund Committee for consideration at any time throughout the year. Proposals will be submitted using the template outlined in Annex A, which includes the investment criteria and relevant country and Project/Program information. Annex B outlines the private sector cycle of activities for the CTF. When submitting a CTF proposal, each MDB will have to balance the level of detail required to present to the CTF Trust Fund Committee with the need to manage client expectations. Each MDB may choose when, within its own internal processes, it submits a proposal for CTF funding; however, in all cases, this must be prior to an MDB's final Board approval.

10. Content of Private Sector Proposals: Programs and Projects will be evaluated based on their merits as described in each proposal. Each proposal must include the following information:

a) *Description of the Project or Program*: Private sector proposals should contain the following elements:

- i. For each Project: a description of the project in generic terms; for purposes of confidentiality, company names and details that would make the project identifiable by third parties are not to be included in the description. Final approvals of CTF financing for Projects will be subject to the internal approval processes of the implementing MDB. For previously approved projects further approvals will be required by the Trust Fund Committee only if the final project design results in i) GHG savings that are less than 85% of the original estimate; and/or ii) the changes require an increase in the CTF element of the Project's budget; and/or iii) the ratio of funding from MDB/other financing sources to CTF funding decreases more than 10% from the original leverage ratio. In such cases the Project will be resubmitted to the Trust Fund Committee for approval of CTF financing via circulation on a no-objection basis for a period of 10 working days prior to being submitted through the MDB's internal approval processes. Minor but material updates or changes to the Project's design will be provided by the MDB through annual reports but will not require further approval by the Trust Fund Committee (see Reporting below).
- ii. For each Program: a profile of the types of sub-projects expected to be financed under the Program. For purposes of confidentiality, names, if known at the time of the Program's submission, and details that would make a sub-project identifiable by third parties are not to be included in the Program description. Sub-projects within a Program will not require additional CTF approval, unless agreed otherwise by the CTF at the time of original approval. Final approval of CTF financing for sub-projects will be subject to the internal approval processes of the implementing MDB. Minor but material updates or changes to the Project's design will be provided by the MDB through annual reports but will not require further approval by the Trust Fund Committee (see Reporting below).
- iii. All proposals: a description of the elements that go beyond supporting a Project's or Program's financing needs, such as advisory services and knowledge management initiatives should be included. In keeping with MDB private sector practice a proposed Project or Program budget may include initiatives aimed at reducing information barriers or other non-financial barriers to market transformation. These activities may include capacity building for private sector entities, particularly small- and medium-sized enterprises, and knowledge products aimed at sharing information among private sector entities, public sector organisations and public-private sector

entities, including financial intermediaries, as well as between and among the MDBs, and other relevant development partners.

b) *Strategy for achieving market transformation*: This section will describe how the Project or Program expects to achieve transformational action towards low carbon development in a sector, sub-sector, country, sub-national region, sub-region, or region. It will discuss how the proposal fits within: a) priority sectors for private sector investments identified in the Investment Plan b) already established country objectives and strategies, c) the existing policy and regulatory environment, and d) if relevant, how policy, regulatory and other institutional issues will be addressed to ensure the Project's or Program's success. Proposals must also describe how they leverage the MDB's ongoing activities and resources, and draw on areas of comparative advantage and organizational strength.

## **Investment Criteria**

11. Private sector projects and programs will be measured against the criteria outlined below.
  - a) *Potential GHG Emissions Savings*: as outlined in paragraphs 8-10 of the Investment Criteria for Public Sector Operations;
  - b) *Cost-Effectiveness*: as outlined in paragraph 11 of the Investment Criteria for Public Sector Operations and when relevant paragraph 12 of the same document<sup>2</sup>;
  - c) *Demonstration Potential at Scale*: as outlined in paragraphs 13-17 of the Investment Criteria for Public Sector Operations;
  - d) *Development Impact*: as outlined in paragraphs 18-21 of the Investment Criteria for Public Sector Operations;
  - e) *Implementation Potential*: the extent to which the current regulatory environment supports, or does not impede, the development of the private sector, and where barriers exist, explain how these will be addressed. Projects and Programs will also adhere to paragraph 24 of the Investment Criteria for Public Sector Operations;
  - f) *Additional Costs and Risk Premium*: CTF financing will provide a grant element tailored to cover the identifiable additional cost of an investment and/or to address identified perceptions of risk and other non-financial barriers. Projects and Programs will also adhere to paragraphs 28-29 of the Investment Criteria for Public Sector Operations.
  
12. In addition to the public sector criteria noted above, private sector projects will also be assessed against the following criteria:

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<sup>2</sup> Note that when CTF funds are being used to address non-financial barriers (such as risk perception – something common in many energy efficiency programs) the intervention may not result in a reduction of the cost of the technology.

- g) *Financial Sustainability*: the likelihood of long-term financial sustainability of a particular Project or Program once the CTF funds are no longer available/have been used. Projects and Programs should not be approved if they are likely to be dependent on a continuous flow of CTF funds. Particular emphasis should be on a Project's or Program's ability to perform profitably under prevailing and projected market conditions. The CTF subsidy element of the investment should be transparent and provided for limited scope, in terms of project finance component and time. The Project or Program should at a minimum have the potential to achieve a substantial reduction in the need for subsidies in similar future projects beyond the initial few projects supported by CTF.
- h) *Effective Utilization of Concessional Finance*: adherence to the principles for using concessional funds as outlined in Annex C. CTF funds should only be used by the MDB if it is unlikely that the project would go forward as contemplated without CTF resources (additionality).
- i) *Mitigation of Market Distortions*: the extent to which the project/program avoids market distortions. Program and Project proposals must discuss how they would seek to minimize or avoid distorting markets, displacing private sector investment or reducing market competitiveness particularly when it is proposed to use funds as grants. Similarly, it will be important to ensure CTF funds are complementary to carbon finance, and it will be necessary to demonstrate that the CTF intervention would not be supporting projects that could otherwise be financed by the Clean Development Mechanism alone.
- j) *Risks*: the risks inherent in the project and how these will be mitigated/addressed. The risks of the Project or Program (including implementation, financial, social and environmental, market transformation, etc.) must be discussed in light of why the project is expected to be successful. Each MDB will adhere to its own social and environmental safeguard policies.

13. Financial Instruments and Procedures: Each proposal must describe, in broad terms, the financing instruments to be utilized, and justify the use of each instrument in light of the market barrier being addressed and need to avoid or limit market distortions. The Proposal will explain if and how subsidies are limited to specific components, and discuss why this approach would provide significant additionality, i.e., why such projects would not go forward as contemplated without use of CTF funds.

14. CTF financing will not be uniformly offered to all private sector companies. In order to honour the CTF's objective of using the least amount of subsidy necessary to enable a project to take place, CTF funds will be structured on a case-by-case basis. For Program proposals, the amount and terms of the CTF funding offered to an individual sub-project client will be determined between the MDB and the client on the basis of efficient and effective use of CTF resources. Country, industry and individual company dynamics will impact the amount of subsidy a company will accept to undertake a project. Very often it will be the case that three

different companies in the same industry will require three different levels of subsidy to implement a given technology. For example, if catalyzing market uptake of waste heat recovery technologies in a sector were dependant on having the three market leaders implement the equipment, then the MDB would need to offer each company the minimum amount of subsidy required to have that company undertake the investment. If all companies were offered the same subsidy the MDB would likely be over-subsidizing some while not engaging others necessary to achieve the Program or Projects' objectives. Finding the right amount of subsidy is largely a matter of negotiation and is dependant on information not flowing between the companies or being available in the market.

15. *Modalities for blending with MDB financing:* To achieve greater leverage, private sector Projects and Programs will seek to blend CTF financing with MDB financing in the most efficient and effective way possible. Financing proposals offered to end-clients may or may not initially differentiate between funds provided by the CTF and funds provided by the MDB's own account, as highlighting the CTF funds could lead to the private sector entity demanding more subsidy than it otherwise would accept to undertake a given project.

16. *Financial instruments:* MDBs may use or create financial instruments as appropriate to meet the needs of their private sector clients and achieve the goals of the Project or Program. Each MDB must explain in the proposal why it believes it can structure and implement the financial instruments proposed for each Project and Program. CTF resources may be combined with other instruments and mechanisms available in the market, such as GEF resources, other donor funds, and/or carbon credits. In the case of such resource pooling and to the extent available at the time of submission, underlying Project and Program proposals may need to explain the particular advantages of combining these tools in the specific circumstances. It will be important to share and build upon lessons learnt through deployment of various financial instruments, and identify opportunities for replication and scale-up as appropriate.

17. *Pricing and terms:* The pricing and terms of the CTF funds offered to private sector clients will be tailored to address the specific risk, market, and structural aspects of each Project and Program. MDBs will seek to ensure that the subsidized financing minimizes or avoids market distortions.

## **Results Measurements**

18. In line with the Investment Criteria, proposals must include performance indicators for each Project, Program and the sub-projects within each Program, along with a timeline for such indicators.

## **Administrative and Project Management Costs**

19. *Project specific budget allocation for implementation and supervision costs:* Private sector projects will vary in tenor and complexity resulting in the need for different supervision budgets for each project (e.g., a five-year investment will typically require less supervision budget than a 10-year investment). As a result, private sector projects will not receive a standard percentage budget allocation per project, but will submit a customized budget request to cover

supervision costs over the life of the project along with each project/program submission for Trust Fund Committee approval. Extraordinary costs associated with complex restructurings or exists would require the submission of a request for additional budget to the Trust Fund Committee.

20. *Project and sub-project implementation includes:* sub-project due diligence; structuring, approval preparation and review; preparation and negotiation of legal agreements; and, board approvals; project and sub-project loan/grant disbursement management; oversight of, or management costs related to, sponsor capacity building or completing knowledge management products; and procurement and management of consultants.

21. *Project and sub-project supervision includes:* monitoring and completion of reports, site visits, negotiation and implementation of waivers and restructurings; monitoring and evaluation of individual projects, including independent evaluation of completion/performance reports.

### **Reporting**

22. MDBs will report on the progress of all Projects and Programs annually or more frequently if requested by the Trust Fund Committee. To ensure consistency in reporting and evaluation, universal measurement criteria will be developed by the MDB Committee. The measurement criteria will be in line with already existing best practice.

**Annex A**

**CTF PRIVATE SECTOR PROPOSAL TEMPLATE**

<i>Name of Project or Program</i>	
<i>CTF amount requested / Total Project Cost (US\$):</i>	
<i>Country targeted</i>	
<i>Indicate if proposal is a Project or Program</i>	
<b>DETAILED DESCRIPTION OF PROJECT OR PROGRAM</b>	
<p><b><i>Description of the Project or Program including:</i></b></p> <ul style="list-style-type: none"> <li>➤ for each Proposal, a description of the country and sector targeted, as well as the technology supported, including an explanation for the technology choice.</li> <li>➤ for each Project, a description of the project in generic terms; for purposes of confidentiality, company names and details that would make the project identifiable by third parties are not to be included in the description.</li> <li>➤ for each Program, a profile of the sub-projects expected to be financed under the Program (sector, average size, geography, ranges of expected results, etc.) and the number of investments expected in portfolio.</li> <li>➤ the financial instruments expected to be used including how the concessional finance portion will be applied (which components of the project, percent of overall financing, etc.).</li> <li>➤ a description of the elements that go beyond the financing offered, such as advisory services and knowledge management initiatives and instruments.</li> <li>➤ note the expected life of the Project or Program from date of approval (investment &amp; supervision period).</li> </ul>	
<p><b><i>Describe the Proposal's strategy for achieving market transformation, including:</i></b></p> <ul style="list-style-type: none"> <li>➤ explain how the Project or Program addresses the objective of transformation to a low carbon economy in terms of market transformation at a country and/or sector level.</li> <li>➤ describe how the Proposal fits i) the identified role of the private sector as described in the Investment Plan; and ii) within a country's existing regulatory environment and government policies; where it does not, explain how this will be addressed/mitigated.</li> <li>➤ explain how the MDB will leverage its ongoing activities and existing strengths.</li> </ul>	

<b>FIT WITH INVESTMENT CRITERIA</b>	
<p><b><i>i) Potential GHG Emissions Savings:</i></b></p> <ul style="list-style-type: none"> <li>➤ Calculate the amount of CO<sub>2</sub>-equivalent emissions savings expected to result during the life of the technology and/or service from the proposed Project or a range for the Program. Emissions reductions will be calculated by assessing the fuel savings attributable to the Project or Program for the country or region and technology specified multiplied by the CO<sub>x</sub> intensity of the marginal technology.</li> <li>➤ Note whether the technology is technically viable, commercially available and whether mitigation potential is high or low (per paragraphs 11-12 of this document).</li> </ul>	
<p><b><i>ii) Cost-Effectiveness:</i></b></p> <ul style="list-style-type: none"> <li>➤ The expected GHG reduction during the life of the technology per CTF dollar invested.</li> <li>➤ Note if a reduction in the cost of the technology is expected due to technological progress, learning curves or any other market occurrence.</li> </ul>	
<p><b><i>iii) Demonstration Potential at Scale:</i></b></p> <ul style="list-style-type: none"> <li>➤ Note: i) the expected GHG emissions from the sector under a business as usual case; ii) the expected reduction of emissions resulting directly from the CTF financed intervention; and iii) potential emissions savings that would result if the CTF intervention were to be replicated throughout the targeted area or sectors.</li> </ul>	
<p><b><i>iv) Development Impact:</i></b></p> <ul style="list-style-type: none"> <li>➤ Describe non-GHG related development impacts achieved through the Project or Program. A key objective of the CTF is to demonstrate the potential for low-carbon technologies to contribute to sustainable development and the achievement of the Millennium Development Goals. Proposals with co-benefits will be viewed favourably. Examples of development impacts include reduction in energy intensity of GDP or for the relevant sector; energy security in terms of avoided imports of fuels and diversification of energy supply; acceleration of access to affordable, modern energy or transport services for the poorest; and a reduction in air pollution.</li> </ul>	
<p><b><i>v) Implementation Potential:</i></b></p> <ul style="list-style-type: none"> <li>➤ Note the extent to which the current regulatory environment supports, or does not impede, the development of the private sector; where barriers exist, explain how these will be addressed. Outline the range of resources mobilized by non-CTF funds, including the MDBs and the private sector – both domestic and international, including carbon finance, if appropriate.</li> </ul>	

<p><b>vi) Additional Costs &amp; Risk Premium:</b></p> <ul style="list-style-type: none"> <li>➤ Explain how CTF financing is being tailored to address the identifiable additional cost of an investment or to address risk perception and other non-financial barriers. Note whether CTF financing will complement other forms of donor or CDM finance.</li> </ul>	
<p><b>vii) Financial Sustainability</b></p> <ul style="list-style-type: none"> <li>➤ Describe how sustainability will be achieved (i.e. why similar future projects would need significantly less or no concessional finance). Projects should not be approved if they are dependent on a continuous flow of CTF funds. The Project or Program should at a minimum have the potential to achieve a substantial reduction in the need for subsidies in future projects.</li> <li>➤ Identify specific institutional factors that will be necessary to enhance the commercial viability of the technology/project, if any.</li> </ul>	
<p><b>viii) Effective Utilization of Concessional Finance</b></p> <ul style="list-style-type: none"> <li>➤ Justify why the concessional finance is needed (why the projects would not go forward without concessional finance).</li> <li>➤ Discuss why the structure suggested is most appropriate for achieving the Proposal's goals.</li> <li>➤ Note the use of any other concessional or carbon related finance in the project and how CTF will add value.</li> </ul>	
<p><b>ix) Mitigation of Market Distortions</b></p> <ul style="list-style-type: none"> <li>➤ Discuss how the Project or Program will seek to minimize or avoid distorting markets, displacing private sector investment, including carbon finance where it is supporting similar investments within a country and/or sector, or reducing competitiveness.</li> </ul>	
<p><b>x) Risks</b></p> <ul style="list-style-type: none"> <li>➤ Discuss the risks inherent in the Project or Proposal and how these are being mitigated/addressed.</li> </ul>	
<p><b>xii) Performance Indicators</b></p> <ul style="list-style-type: none"> <li>➤ List relevant "Performance Indicators" for the project.</li> </ul>	

## Annex B

### PROPOSED PRIVATE SECTOR CYCLE OF ACTIVITIES

Steps/Actions Required	Responsible Party	Performance Standards
1. Preparation of Investment Plans, including identification of areas for private sector activity	Recipient country Government, MDBs and private sector	According to template approved by TFC
2. Prepare and submit proposals to TFC for approval	MDB	In the form of Annex A (proposal template)
3. TFC reviews proposals and approves	TFC	In the form of Annex A
4. Trustee commits amount of approved proposal	Trustee & MDB	As agreed with Trustee
5. Appraise, structure, and negotiate Projects and individual Program sub-projects	MDB	Based on CTF private sector investment criteria
6. Resubmission of any Proposal that differs substantially from Approval	MDB to TFC	Memorandum circulated on a no-objection basis
7. MDB management-level approval	MDB	According to MDB's operational policies and procedures
8. In accordance with each MDB's internal requirements a summary of project information which indicates at a minimum the company name and a brief project description will be circulated to the TFC when it is released to the public	MDB	No later than 30 days prior to MDB Board approval (for information purposes only)
9. MDB obtains board approval for Project, Program, or sub-project, as appropriate	MDB Board	According to MDB's operational policies and procedures
10. MDB submits cash transfer request to IBRD as Trustee	MDB and Trustee	As agreed with Trustee
11. MDB signs legal contracts with client	MDB and private sector	According to MDB's operational policies and procedures
12. Supervision and management of the portfolio projects	MDB	Consistent with MDB's operational policies and procedures
13. Annual Report submitted to the CIF Administrative Unit	MDB	Based on the Performance Indicators established at Proposal Approval

## Annex C

### Principles of Using Concessional Funding of the Clean Technology Fund

#### Fundamental Approach

1. *Avoiding distortion and crowding out:* Financial support through the CTF should be targeted at global benefits of the projects and proportional to incremental costs of their achievement. It should be structured in a way that maximizes incentives to improve environmental performance of the projects and their early implementation. It should not compete with the private financial sector, but instead should be structured so that it reinforces the activities of the private project sponsors and leverages private finance to uncharted territories of targeted projects. Where these principles are compromised by donor conditions, the MDB will seek to minimise the adverse impact of the financing structure.
2. *Guarding flexibility:* Different countries have different risk profiles and different barriers to the implementation of projects. Applying a uniform rate for concessionality risks may over subsidise some recipients, while being insufficient to prompt action with others. Ideally, requests for concessional elements should be accompanied by rigorous analysis of the reasons for the level chosen, and an assessment of the risks and benefits attached to it.

#### Calculation of subsidy base and subsidy intensity

3. *Significant portion of concessional financing (in particular grants) will be used for technical assistance and advisory services to project sponsors and local financial institutions, such as project preparation, training of project sponsors and financial institutions, and marketing of project opportunities to them. MDB experience shows that project-related technical assistance is the most effective and the least distortionary way of removing many institutional barriers to targeted projects, such as lack of know-how and excessive risk perception. Well-targeted technical assistance reduces the need for investment subsidies.*
4. *Subsidy to project costs borne by project sponsors, in whatever form, will be calculated as CTF \$ invested per tonne of CO<sub>2</sub>e reduced against reasonably established baseline and boundaries. However, because of the diversity of private climate mitigation projects and clients, the MDB requires flexibility in determining certain parameters of this formula:*
  - a. *Level of concessionality (subsidy intensity) will differ by project type, technology, sector and the country in order to account for specific market conditions and different incremental costs. A flat subsidy rate per tonne of CO<sub>2</sub>e could result in insufficient cash flow to trigger some climate mitigation projects (e.g. energy efficiency in buildings or municipal infrastructure) and in excessive cash flow (windfall profits) for other projects (e.g., certain process improvements in industry, certain renewable energy sources).*
  - b. *Proxies for measured CO<sub>2</sub>e emission reduction will be applied in particular for small projects reached through financial intermediaries. Direct measurement of emission reduction may be feasible for large, stand-alone projects (e.g., rehabilitation of thermal power or heating plants). However for smaller projects a more practical and*

efficient approach would be to rely on conservative and robust technical proxies that would ensure proportionality with climate impact, but would be easier to monitor.

- c. *Timing of disbursement.* The strongest incentive structure would be provided if performance premiums mimicked the cash flow of the carbon finance transactions and were disbursed upon delivery of verified emission reductions. However an accelerated schedule of disbursement (e.g., upon technical project milestones) can be applied for certain project and client types, where payments on delivery would not trigger the projects either because of high implicit discount rates applied by project sponsors or lack of up-front cash flow. Accelerated disbursement will be designed so as not to lose incentives for project's "climate performance".