

CLIMATE INVESTMENT FUNDS

December 15, 2011

CLEAN TECHNOLOGY FUND GUIDELINES FOR MANAGEMENT OF PIPELINE AND REVISIONS TO INVESTMENT PLANS

I. INTRODUCTION

1. This document merges the relevant sections of two documents on pipeline management, which were previously approved by the CTF Trust Fund Committee,¹ to provide a streamlined text on guidelines for CTF pipeline management. The document comprises three substantive sections. Section II outlines the pipeline management approach, including principles and process. Section III describes the criteria to be applied by the MDB Committee for proposing approval calendars. Section IV outlines the steps on managing pipeline changes when revisions to an endorsed investment plan are proposed.

II. CTF Pipeline Management Approach

2. An important objective of pipeline management is to contribute to the effectiveness and efficiency of the CTF by providing predictability and confidence in the management of the funds to the governance bodies of the funds as well as the country teams that are responsible for preparing programs and projects. In addition, a pipeline management system is a tool to ensure that projects and programs submitted to the Trust Fund Committee for approval of CTF funding do not exceed the resources available in the Trust Fund.

3. **Contributions.** The Trustee has developed a Resource Availability Projection Tool to facilitate planning on when resources will be available for commitment in each of the CIF funds. This tool provides forecasts of available funds on a monthly basis and a summary of the cumulative contributions to the trust fund for the various forms of contributions (grants, capital, and loans). It is assumed that all pledges to the CIF will be met in full by the end of 2012.

4. Projections are based on the Trustee's discussions with contributor countries and experience and past practices in other multi-donor funds managed by the Trustee.

5. **Programs and Projects.** The pipeline of projects and programs is provided by the MDBs based on an indicative timeline for development of activities outlined in the endorsed investment plans. The MDBs' forecast for each project or program includes indicative dates for submission to the Trust Fund Committee for approval of CTF funding and for approval by the MDBs.

6. The CTF pipeline management approach builds on cash flow projections of inflow of contributions as provided by the Trustee and outflow of pipeline programming requirements as provided by the MDBs. These cash flow projections provide an analytical tool to assess the liquidity position of the CTF funds at any point of time, ensure that resources are available through the year, and smooth out the step pattern resulting from contributions being concentrated in the period of May to June of each year. It also ensures effective project processing by providing information to country teams

¹ See *Proposal for Pipeline and Portfolio Risk Management*, CTF/TFC.6/5/Rev.1, November 3, 2010; and *CTF Programming for FY12 and Enhancements to Pipeline Management*, August 5, 2011.

that allow them to reasonably plan their work programs and schedule for approval of projects.

7. **Pipeline Management Principles.** In proposing the pipeline management approach, the following principles and objectives have been taken into account:

- a) *Data accuracy:* Several levels of checks and balances should be established to ensure that data are accurate and reflect, to the extent possible, reasonable and realistic projections of both resource availability and pipeline needs. Each MDB is responsible for submitting accurate data in a timely manner. The CIF Administrative Unit is responsible for compiling the data into a user friendly pipeline, confirming that the data are consistent with the endorsed investment plans, identifying any “red flags”, and facilitating resolution by the MDB Committee of any conflicting requests for resources.
- b) *Partnership:* MDBs collaborating on the same investment plan should consult each other and inform the country before submitting data for inclusion in the pipeline management system. The CTF funding for projects and programs to be proposed to the Trust Fund Committee for approval should be consistent with the CTF resource allocation proposed in the endorsed investment plan, unless otherwise agreed by the MDBs and the respective government.
- c) *Collective agreement:* As the CTF is a collaborative partnership among the MDBs, pipeline management will be handled through collective deliberations with the objective of reaching a common position within the MDB Committee. When issues arise, the MDB Committee will review the available resource and programming needs within the pipeline requirements of each MDB and agree on a “calendar of approvals” following prioritization criteria as set forth in Section III below. If, on an exceptional basis, the MDB Committee is unable to reach an agreement on a “calendar of approvals,” unresolved issues will be brought on a case-by-case basis to the attention of the relevant Vice Presidents or equivalent level manager of the MDBs involved in the disagreement for advice and resolution.

8. **Pipeline Management Process.** Although the pipeline will be kept under review on a quarterly basis, it is proposed that the pipeline be managed on a fiscal-year basis (a 12-month horizon) to allow country teams to better plan their work. The following process has been agreed by the MDB Committee to achieve this goal:

- a) Prior to the start of the fiscal year (July – June)², the MDB Committee, based on the projection of resources provided by the Trustee, will agree on an overall programming figure for the fiscal year. For example, for the CTF in FY11, it is

² For planning purposes, the CTF pipeline management will follow Trustee’s fiscal year (June 30 to July 31).

estimated that this would be approximately US\$2.0 billion, including a reserve.³ At mid-point in the fiscal year, a preliminary approval calendar for the first six months of the next fiscal year will be prepared.

- b) As an input to this process, the CIF Administrative Unit, based on the programming information submitted by the MDBs, will prepare a comprehensive list of programs and projects expected to be submitted for funding approval during the fiscal year. The Trustee will prepare a projection of resource availability for the fiscal year.
- c) The MDB Committee, based on the information provided under a) and b) above, will develop a proposed approval calendar for the fiscal year, with an indication of programs or projects to be submitted to the Trust Fund Committee for funding approval during each quarter of the fiscal year, taking into account the criteria in Section III below.
- d) The MDBs will seek to spread out submission of programs and projects to the Trust Fund Committee over the course of the year to avoid “front-loading” or “bunching” of project approvals. It is expected that there may be more approval activity during the last quarter of the fiscal year (April to June) due to slippage.
- e) The approval calendar will be reviewed on a quarterly basis, and revised as necessary, by the MDB Committee.
- f) The approval calendar, and any quarterly revision, will be disseminated to the Trust Fund Committee Members for information.

III. Pipeline Management Criteria

9. In proposing an approval calendar for the fiscal year, the MDB Committee will apply the following criteria:
- a) *Project/program readiness*: Resources should only be committed for projects or programs that are ready to move forward to final approval and implementation so that CTF resources are effectively and efficiently used for on-the-ground activities. Hence, programming projections should be as realistic as possible with regard to the timing of program or project processing and should include information on the expected timeline for committing resources, including the expected date of final MDB approval, so that the MDB Committee can accurately predict resource needs and cash flows. Private sector programs encompassing an envelope of funding for a number of projects should be presented to the Trust Fund Committee

³ The reserve is a virtual restriction set on the CTF Trust Fund resources available to support funding decisions, in order to protect commitments made by the Trustee from the effect of exchange rate volatility. The reserve also allows the maintenance of minimum liquidity requirements set to ensure debt service payments on Loan Contributions.

for approval only when projects utilizing at least one third of the program's resources have been identified and are mandate-ready. Public sector programs and projects should normally be presented to the Trust Fund Committee for approval before appraisal and negotiations of the lending terms.

- b) Despite best efforts at realistic planning, it is inevitable that there may be delays in processing of programs and projects. The MDB Committee will review any public sector program or project for which CTF funding has been approved, but which has not been submitted for MDB Board approval within 9 months of the CTF funding decision. For private sector programs, the MDB Committee will review any program for which CTF funding has been approved but more than a third of the funds within the program have not been submitted for Board approval within (a) 9 months from the CTF funding decision for financial sector programs, and (b) 18 months from the CTF funding decision for infrastructure projects. Based on its quarterly review, the MDB Committee may decide that the approved funds be reallocated so as to provide more funding space for other faster-moving projects. Should the MDB Committee decide this course of action, it will inform the Trust Fund Committee of the reallocation by mail. Any project or program for which CTF funding has been reallocated due to delays in its processing may be resubmitted to the MDB Committee for reentry into the pipeline subject to availability of funds as soon as the delays have been resolved.
- c) *Balance:* The pipeline management system should ensure that there is a balanced approach amongst regions and investment plans. Therefore, in agreeing upon the approval calendar, the MDB Committee should consider the funds already approved under each investment plan and, in the aggregate, for each region and should seek to achieve an equitable balance among plans and regions. In order to promote a strong partnership and collaboration among the MDBs, it is also important to strive for active engagement of all the MDB partners. The MDB Committee will strive to promote a balanced distribution of funds through each of the MDB partners.
- d) *Public sector-private sector distribution:* CTF funding is to be used to support both public and private sector activities. It is important to have a critical mass of operations in both sectors. The distribution of activities within each sector should be considered if it is necessary to prioritize the approval schedule of projects and programs in the pipeline, and the distribution of available funding should reflect the proportionate allocation of resources to public sector and private sector investments agreed in the country investment plans, whenever possible.

- e) *Technological/sectoral diversity*: Diversity in technologies applied in CTF programs will help to strengthen the impact of the CTF as a mechanism to pilot new approaches to address climate change. The MDB Committee should, when necessary, give priority consideration in scheduling the approvals to programs and projects that reflect technologies not yet piloted in the CTF.
- f) *Co-financing opportunities*: Leveraging resources beyond the CTF funding is an important element of the CTF objectives. It is important to consider if potential sources of co-financing may be jeopardized should a program or project be delayed.

10. In discussing the approval calendar, the MDB Committee will screen the pipeline first for project/program readiness before assessing projects and programs against the other criteria which are all considered equally important.

IV. Managing Changes to Endorsed Investment Plans

11. According to the *Clean Technology Fund Guidelines for Investment Plans*, an investment plan should be considered a dynamic document, with the flexibility to consider changing circumstances and new opportunities. The guidelines further state that “[i]t would require re-submission to the Trust Fund Committee in the event of changes in the sector or sub-sectors selected for CTF support, or requested increases in the resource envelope.”

12. In line with the existing guidelines, any change to an investment plan deemed to be strategic by the country or the MDBs should be presented to the Trust Fund Committee for review and endorsement. In particular, guidance and endorsement from the Trust Fund Committee will be sought, through a decision by mail, for the following types of change to an investment plan:

- a) increasing the resource envelope for an investment plan;
- b) adding, dropping, or shifting resources between sectors or sub-sectors by more than 15 percent of the funding envelope of an investment plan or by more than US\$30 million, whichever is lower;
- c) shifting resources between the private and the public sector.⁴

13. Any other amendments to an investment plan will be notified to the Trust Fund Committee through the quarterly update of the CTF pipeline, which will include information on the status of each of the projects in the pipeline.

⁴ Projects implemented by the private sector arms of the MDBs are classified as private sector projects, whereas those implemented by the public sector arms of the MDBs are classified as public sector projects. It is recognized that projects implemented by the public sector arms of the MDBs may also engage the private sector through on-lending and/or other schemes.

14. When the proposed changes to an investment plan require endorsement by the Trust Fund Committee, a request to the Trust Fund Committee should be submitted for review. Such a request should include the following:

- a) review of the status of the implementation of the original investment plan;
- b) explanation of the circumstances and rationale for revising the investment plan and making changes to the projects or programs included;
- c) description of the proposed changes; and
- d) assessment of the potential impact of the proposed changes on achieving the objectives and targets of the original investment plan.

15. The Trust Fund Committee will review the revised investment plan and consider whether or not to endorse the proposed changes. If the proposed changes are endorsed by the Trust Fund Committee, the pipeline will be updated accordingly.

16. If the proposed changes are not endorsed, the Trust Fund Committee may propose an alternative way forward, in consultation with the concerned country and MDBs. Such proposals will indicate whether the projects and programs concerned will be removed from the pipeline, whether the associated resources will be released from the funding allocation to the investment plan, and, in the case of funding being released, how the released resources may be used.

17. In the event that funding is released from an investment plan, the Trust Fund Committee may consider as a first option to keep the released resources available to the country for funding of new projects or programs for that country or region within the scope of a revised investment plan to be endorsed by the Trust Fund Committee.

18. Other options for programming the released resources may include:

- a) reallocating the released resources for another endorsed investment plan to fund projects and programs therein;
- b) reserving the released resources for a new investment plan; or
- c) making other arrangements as appropriate.

19. Furthermore, the above process of releasing resources and subsequently programming such resources at the level of an investment plan also apply to projects or programs not approved by the Trust Fund Committee upon submission (or resubmission, if applicable) or withdrawn by the countries and MDBs.