

CLIMATE INVESTMENT FUNDS

CTF/TFC.18/3
November 11, 2016

Meeting of the CTF Trust Fund Committee
Washington, DC
Monday, December 5, 2016

CTF SEMI-ANNUAL OPERATIONAL REPORT (SUMMARY)

PROPOSED DECISION

The CTF Trust Fund Committee reviewed document CTF/TFC.18/3, *CTF Semi-Annual Operational Report*, and welcomes the progress that has been made in advancing the work of the CTF.

The Committee appreciates the analysis conducted by the CIF Administrative Unit, in collaboration with the MDBs, on resource availability, pipeline review, and portfolio updates.

The Committee requests the CIF Administrative Unit and the MDBs to continue to review projects and programs for which funding has been approved by the Committee, but not yet approved by the MDBs, with a view to continue to identify stalled projects and sub-projects under programs and the amount of funding that could be released and reallocated to the active projects and programs in the pipeline in accordance with the pipeline management and cancellation policy approved by the Trust Fund Committee.

1 Introduction

1. This report provides an update on the status of the Clean Technology Fund (CTF), the portfolio of the CTF-funded programs and projects under the endorsed investment plans, the Dedicated Private Sector Programs (DPSP), and related activities. This report covers the period from January 1 to June 30, 2016.

2 Strategic issues

2.1 New financing modalities

2. The Trust Fund Committee requested the CIF Administrative Unit, in collaboration with the MDBs and the Trustee, to explore detailed modalities to strengthen the current business model of the CTF by mobilizing additional capital from public and private sources for enhanced mitigation actions in developing countries. Two modalities—one involving securitization, the other a risk mitigation facility—were explored in detail and preliminary concepts were presented to the Committee in June 2016.
3. As a follow up, the Committee requested the CIF Administrative Unit, working with the MDBs and the Trustee, to further develop the proposals for its consideration by the next Committee meeting in December 2016. Based on the outcome of additional consultations including with the rating agencies, a final proposal on new financing modalities for CTF 2.0, in the form of a separate paper, will be finalized and presented to the Committee for their consideration at its December 2016 meeting.
4. Assessment of the portfolio's financial and risk management requirements: In order to address the Committee request to strengthen the current financial management system of the CTF, including portfolio risk management and monitoring to support any potential new financing modalities, an assessment involving end-to-end project portfolio, financial and risk management, and financial reporting practices of the CIF that would ensure the delivery of timely and accurate reporting to the CIF Trust Fund Committee, was initiated and a final report will be shared before the December 2016 meetings.

2.2 Resource availability

5. The CIF Administrative Unit, in consultation with the MDBs and the Trustee, has regularly updated the pipeline and other necessary commitments to estimate the available resources for commitment. As of September 30, 2016, the total amount of resources available for funding commitment was **USD 332 million**. Potential future resources including currency risk reserve, unpaid contributions, and projected investment income, total **USD 221 million**.
6. As of September 30, 2016, the pipeline of projects under active development total **USD 801 million**. As per the current pipeline, the available resources will cover all projects scheduled to be submitted for approval until May 2017, assuming that all contributions will be paid in and all promissory notes will be encashed. It should be noted, however, due to exchange

rate fluctuations, there has been a continuous decline of the USD value of the unencashed promissory notes, thereby reducing the amount of resources available for funding commitment.

2.3 Pipeline management and cancelation policy

- At the Trust Fund Committee meeting in June 2016, Committee members provided feedback on the proposed *CTF Pipeline Management and Cancelation Policy*, based on which a revised proposal was approved by the Committee through a decision-by-mail in September. The measures include new timeframes for project delivery from Trust Fund Committee approval of funding to MDB board approval. If a project/program fails to meet the applicable timeframes, the CTF resources associated with the project (or sub-projects) would be canceled and released to the trust fund. The policy allows requests for extension under exceptional circumstances and sets a deadline of June 30, 2017 for submission of all remaining projects/programs in the current pipeline, after which, any remaining resources will be used for future CTF programming.

3 Status of the CTF

3.1 Portfolio overview and trends

- The CTF portfolio and pipeline consists of 121 projects and programs from 16 endorsed investment plans and the DPSP, totaling USD 5.8 billion in CTF funding. Implementation of investment plans and DPSP has been advancing steadily. Funding approval by the Trust Fund Committee has reached 81 percent of the indicative allocations.

Table 1: Overview of CTF Portfolio

	Project Allocations			Approved Funding		Disbursement
	TOTAL	IP	DPSP	TFC	MDB	
CTF Funding (USD M)	5,804.0	5,312.5	491.5	4,962.6	3,757.1	1,664.5
Number of projects	121	102	19	100	80	61

3.2 Portfolio updates

- Eight projects with a total funding of USD 419 million, were approved by the Trust Fund Committee during this period¹. On the other hand, three public sector projects and two private sector sub-projects, with USD 181 million in CTF funding, were approved by the MDBs during the current reporting period.

¹ Subsequent to the cut-off date of June 30, 2016, the following projects have received approval by the Trust Fund Committee: (i) DPSP-Regional, *Private Sector Geothermal Program: Indonesia & Philippines*, ADB Private, USD 30 million; (ii) Nicaragua, *Geothermal Exploration and Transmission Improvement Program under the PINIC*, IDB, Public, USD 10 million.

3.3 Disbursements

10. As of June 30, 2016, 30 public and 31 private sector projects/programs have disbursed USD 1.6 billion cumulatively, two-thirds of which correspond to the public sector and one-third to the private sector projects/programs. Disbursements, as a percentage of (cumulative) MDB approvals, have shown an upward trend over the past three years. 21 projects and 16 sub-projects have fully disbursed a total of USD 906 million in public sector projects/programs and USD 341 million in private sector projects/programs.

4 Results reporting

11. Seventy projects, with USD 3.89 billion in MDB-approved funding, have now started reporting results showing real impact on the ground. They are resulting in 7.5 MtCO₂ of GHG emissions reductions per year, equivalent to taking 1.4 million cars off the road, installing over 3.3 GW of renewable energy capacity, saving around 3,600 GWh of energy annually, equivalent to saving six million barrels of oil annually, and moving around 0.2 million additional passengers to a sustainable mode of transport per day, while mobilizing over USD 15 billion in co-financing from various sources, including the private sector.

5 Cross-cutting themes

5.1 Gender

12. The Trust Fund Committee approved projects/ programs were reviewed to identify progress regarding gender “quality at entry” and compared to baseline performance of the CTF portfolio as of June 30, 2014. The three scorecard indicators related to the presence of sector-specific gender analysis, gender-disaggregated indicators, and women-specific activities were reviewed for each project. Results showed significant improvement relative to both, earlier reporting periods and to the historical baseline.

5.2 Knowledge and learning

13. Energy efficiency: The CIF Administrative Unit, working closely with the CTF MDB Committee, has launched analytical work to better understand the effective use of public finance, particularly concessional climate finance provided through the CTF, in scaling up investment in energy efficiency, mainly in middle income countries. This work is expected to be concluded in September 2017.

14. Gender: While EBRD has prepared a toolkit with CTF financial support which synthesizes best practices and key entry points for gender in energy efficiency in district heating, ADB has completed a gender review of its CIF portfolio across the CTF, PPCR, and SREP. A note on gender and renewable energy livelihoods, highlighting key sector entry points and good practices in gender mainstreaming, is also being prepared by CIF Administrative Unit for final publication by December 2016.