

CLIMATE INVESTMENT FUNDS

CTF/TFC.19/3
May 18, 2017

Meeting of the CTF Trust Fund Committee
Washington D.C.
Tuesday, June 6, 2017

Agenda 3

CTF SEMI-ANNUAL OPERATIONAL REPORT (SUMMARY)

PROPOSED DECISION

The CTF Trust Fund Committee reviewed document CTF/TFC.19/3, *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 and requests the CIF Administrative Unit and the MDBs to continue to monitor the projects and programs for which CTF funding has been approved, with a view to identifying stalled projects and sub-projects under programs and the amount of funding that could be made available for future CTF programming.

The Committee further requests the CIF Administrative Unit and the MDBs to explore options for utilizing any available resources for further programming and to present them to the Committee for consideration at its next meeting in December 2017.

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 July 1 to December 31, 2016.

2 Strategic issues

2.1 New financing modalities

2. At its meeting in December 2016, the Trust Fund Committee, reaffirmed its collective resolve to pursue, as soon as possible, options for maximizing the impact of the CTF through the development of new financing modalities under CTF 2.0 to leverage existing contributions by mobilizing and accessing finance in the private capital markets.
3. As of March 2017, the following progress has been made:
 - a) *Statement of principles:* All contributors have now signed the Statement of Principles that reflects understandings reached by CTF Contributor countries to make the outstanding unallocated balance, including any reflows and return of other funds of the Trust Fund available for future financing modalities of the CTF. This includes the following common understanding:
 - i. Making available the outstanding unallocated balance of the Trust Fund, including any reflows and return of other funds would be necessary for the successful implementation of any CTF new financing modalities.
 - ii. Furthermore, it was concluded that the following would be necessary preconditions to the implementation of any future financing modalities under CTF2.0:
 - Use of reflows: All the Loan contributors and the Trustee would need to agree to amend their respective Loan Agreements/ Arrangements so as to enable the Trustee to commit, transfer or otherwise use any Reflows or Return of Other Funds
 - Temporary Postponement of Pro-Rata Share Withdrawal: Capital and Grant contributors and the Trustee would need to agree in writing to postpone their right to withdraw respective pro-rata shares
 - iii. Any amendments to the Loan Agreements/Arrangements and any agreements to temporarily waive the rights maintained under the Contribution Agreements/Arrangements will be subject to contributors' and World Bank's internal approval processes

- b) *Rating evaluation*: Two agencies--Moody's and S&P--have been engaged, to evaluate the CTF portfolio of assets in light of the new financing modality. The credit rating assessment depends on access to and review of key details of both private and public sector projects that typically are confidential and may require clients' no-objection in order to be used. The nature and the volume of the required project-level information turned out to be significantly beyond any previously developed and agreed dataflow frameworks that are in place between the MDBs and CIF Administrative Unit and the Trustee, especially on the private sector side. The CIF Administrative Unit, working with the MDBs, has managed to collect the needed information for the public sector projects and is advancing the discussions towards a workable approach around the private sector projects. A status update is to be provided to the members in June.
- c) *CTF 2.0 Framework Document* outlining the key underlying elements necessary for the operationalization of a new financing modality is under review with IBRD and will be shared with the Trust Fund Committee in due course.
- d) *Legal structure and domiciliation analysis* of possible jurisdictions for the incorporation and domiciliation of the special purpose vehicle will be included in the CTF 2.0 Framework Document.

2.2 Risk management

- 4. Risk Report: In May 2017, the CIF Administrative Unit provided an update to the Trust Fund Committee on the key risk exposures through the Annual Risk Report. The report highlights eleven projects flagged for Implementation Risk (i.e., the risk that, after a project becomes effective, it is not implemented in a timely manner). It also presents the CTF's updated credit exposures for the public and private sector loan portfolios. The weighted average credit ratings for these portfolios remain double-B, and single-B minus, respectively. Please see the 2017 Annual Risk Report for further details.

2.3 Resource availability

- 5. CTF is at a critical juncture at present in terms of its programming cycle as it looks to commit all its existing resources to the current pipeline while trying to explore modalities for raising resources for the future. In order to have a clear understanding of available resources for commitment, the CIF Administrative Unit, in consultation with the MDBs and the Trustee, has regularly updated the pipeline and funding approvals. As of March 31, 2017, the total amount of resources available for funding commitment was **USD 449 million**.
- 6. As of March 31, 2017, the pipeline of projects total USD 830 million, of which the *sealed* pipeline, i.e. projects expected to be submitted by June 30, 2017, is **USD 489 million**. As per the current pipeline, the available resources will cover all projects scheduled to be submitted for approval until June 2017, assuming that all promissory notes will be encashed and the currency risk reserves will be released, resulting in an expected balance of **USD 102 million** potentially available for future CTF programming. It is also recognized that a number of projects/programs

in the sealed pipeline may not materialize by the June 30 deadline, which will lead to additional CTF resources available for future programming.

7. In recent months, the MDBs have informed the Trustee and the CIF Administrative Unit about a net cancellation of approved funding by USD 180 million as of March 31st. The CIF Administrative Unit is working with the MDBs to identify additional stalled projects and programs for which funding has been approved by the Trust Fund Committee as well as those that fail to meeting the deadlines per the CTF Pipeline Management and Cancellation Policy. The CIF Administrative Unit, in consultation with the MDBs, will explore options to utilize any available resources for further programing and present them to the Committee for consideration in due course.

2.4 Other highlights

8. Recent highlights include publications focused on gender and the energy sector with strategic partners such as ESMAP and EBRD. In May 2017, a dialogue on “*Lessons from the CIF experience in scaling-up energy efficiency*”, bringing together the CTF countries, MDBs, private and public sectors, and experts from other organizations, was held in conjunction with the Vienna Energy Forum. Lastly, a proposal from the World Bank to review the effectiveness of various financing instruments in facilitating the mobilization of private capital for the scale-up of grid connected solar power in Africa, was approved under Evaluation & learning (E&L) umbrella and is expected to start generating learning in FY18.

3 Status of the CTF

3.1 Portfolio overview and trends

9. The CTF portfolio and pipeline consists of 121 projects and programs from 16 endorsed investment plans and the DPSP, totaling USD 5.7 billion in CTF funding. Implementation of investment plans and DPSP has been advancing steadily. Funding approval by the Trust Fund Committee accounts for 81 percent of the indicative allocations (see Table 1).

Table 1: Overview of CTF portfolio (as of December 31, 2016)

	Indicative Allocations			Approved		Disbursement
	TOTAL	IP	DPSP	TFC	MDB	
CTF Funding (USD M)	5,720.3	5,229.5	490.8	4,919.4	4,144.4	1,907
Number of projects	121	102	19	102	89	71

3.2 Portfolio updates

10. During the current reporting period, two projects with a total funding of USD 40 million, were approved by the Trust Fund Committee, while six projects and eight private sector sub-projects, with USD 386 million in funding, were approved by the MDBs.

3.3 Disbursements

11. As of December 31, 2016, 71 projects/programs have disbursed close to USD 1,907 million cumulatively. Disbursements, as a percentage of MDB approvals, have shown an upward trend over the past three years, moving from 30 to 46 percent between FY14 and first half of FY17. Projects/programs equivalent to USD 1,350 million in CTF commitments have fully disbursed, over two-thirds of which are public sector projects.

4 Cross-Cutting themes

4.1 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. Findings revealed that CTF performance on these indicators had improved relative to the historical baseline. The CIF Gender Action Plan – Phase 2 was approved by the Joint CTF SCF Trust Fund Committee in December 2016 for implementation through 2020. The new phase focuses on three pillars of gender interventions in relation to: (i) CIF-wide and program governance; (ii) local and national institutions; and (iii) green growth and sustainable livelihoods. Phase 2 results will be tracked under a new set of impact indicators, in addition to those already in place at the level of outputs.