

CLIMATE INVESTMENT FUNDS

July 4, 2014

Summary of the Co-Chairs
Meeting of the Clean Technology Fund Trust Fund Committee
June 26, 2014

Co-Chairs

Marco Aurélio S. Araújo, Brazil
Kate Hughes, United Kingdom

AGENDA ITEM 1. OPENING

1. The meeting was opened by Mr. Marco Aurélio S. Araújo, the alternate from Brazil, and Ms. Kate Hughes, the Trust Fund Committee member from the United Kingdom.

AGENDA ITEM 2. ADOPTION OF AGENDA

2. The Trust Fund Committee adopted the *Provisional Agenda* set forth in document CTF/TFC.12/1/Rev.1.

AGENDA ITEM 3. CTF SEMI-ANNUAL OPERATIONAL REPORT

3. The CTF Trust Fund Committee reviewed document CTF/TFC.13/3, *CTF Semi-Annual Operational Report*, and takes note of the progress that has been made in advancing the work of the CTF. The Committee welcomes the report's strategic overview of the CTF and the analysis of the trends of the approved projects. The Committee notes with appreciation the recent acceleration of project preparation and approvals.

AGENDA ITEM 4. RISK REPORT ON CTF TRUST FUND

4. The meeting of the CTF Trust Fund Committee, having reviewed the document entitled, *Risk report on CTF and SCF Trust Funds*, dated June 17, 2014,

- a) takes note of the progress made in implementing the ERM Framework and the update on Tier 1 risks, and
- b) agrees on the following steps proposed in the report to mitigate the highlighted risks.

Risk Management Issue 1: Declining margin between projected CTF net income and projected loan losses

5. The Committee requests the Trustee working with the MDBs to refine projected loss rates and private sector returns assumptions in the CTF cash flow model and to share an updated model with contributors by end of August 2014. The meeting further requests the MDBs to provide expected returns on equity investments if available at that stage and pricing floors for other financial instruments when they submit program or project proposals for funding approval.

6. The Committee agrees to set a target for the margin between projected CTF net income and projected loan losses and requests that the Trustee, in consultation with the CIF Administrative Unit and MDBs, proposes a specific target and an outline of how and when such a target might be achieved for consideration by the Committee at its meeting in November 2014.

7. The Committee further requests the Trustee to explore ways to increase investment income while protecting the principal of the Trust Fund and to inform the Committee of possible options at its next meeting.

Risk Management Issue 2: Potential funding shortage for CTF

8. The Committee requests the CIF Administrative Unit, the MDBs and the Trustee to continue their active management of the pipeline, portfolio and contribution schedule so as to eliminate or minimize any negative impact on the availability of the CTF funding for projects.

9. The Committee requests the CIF Administrative Unit and MDBs to propose to the Committee for its approval guidelines for removing project concepts from the CTF pipeline when such concepts do not reach the milestone of MDB approval in a reasonable timeframe.

AGENDA ITEM 5. DEDICATED PRIVATE SECTOR PROGRAMS – PHASE II

10. The Committee reviewed document CTF/TFC.13/5, *Dedicated Private Sector Programs Proposal – Phase II*, and notes with appreciation the work of the CIF Administrative Unit and the MDB Committee to develop the proposals contained therein.

11. The Committee approves the following program concepts and requests the MDBs to proceed to develop sub-programs and projects under each program within CIF countries and in accordance with the relevant CTF operational guidelines:

- a) The scaling up of the two approved programs under DPSP I, ***Utility-Scale Renewable Energy***, with a focus on utility-scale geothermal energy for an indicative amount of no more than USD 120 million and ***Renewable Energy Mini Grids and Distributed Power Generation*** for an indicative amount of no more than USD 53.5 million.
- b) The ***Mezzanine Finance for Climate Change Program*** for an indicative amount of no more than USD 35 million.
- c) The addition of two new subprograms under the ***Utility Scale Renewable Energy program*** with a focus on ***private and early stage renewable energy power*** for an indicative amount of no more than USD 35 million, and ***solar photovoltaic power*** for an indicative amount of no more than USD 95 million.
- d) The addition of one new program, the ***Energy Efficiency and Self-Supply Renewable Energy program***, for an indicative amount of no more than USD 20 million.

12. The Committee recalls that the CTF has one pipeline and that the approval of CTF funding by the Committee is dependent upon the submission of high quality project and program proposals and the availability of resources. The Committee requests the MDBs to work closely with the relevant countries in the development of the programs as provided for in the general principles, objectives and operational guidelines of the DPSP approved in October 2013.

13. Should a project or program proposal foresee project activities in a country assessed at being at moderate or high risk of debt distress, the MDB is requested to conduct a macro-economic analysis to evaluate the potential for the CTF project or program to impact the country's debt sustainability. Such analysis should be included as an annex when the project or program proposal is submitted for approval of CTF funding.

14. The Committee requests the CIF Administrative Unit and the MDBs to include information on the progress being made in implementing the Dedicated Private Sector Programs in the semi-annual operational reports of the CTF.

AGENDA ITEM 6. REVISED INVESTMENT PLAN FOR MENA CSP

15. The Committee reviewed document CTF/TFC.13/6, *Revised CTF Investment Plan for MENA CSP* (June 2014), submitted by the Governments of Algeria, Egypt, Jordan, Libya, Morocco, and Tunisia, in collaboration with the African Development Bank (AfDB) and the World Bank Group, and takes note of the updates on the implementation of the projects and programs financed by the CTF and the following proposed revisions to the *CTF Investment Plan for MENA CSP*:

- a) increasing the indicative allocation in CTF funding from USD 660 million from the last revision endorsed by the Committee in May 2013 to USD 750 million (the same amount as in the original *CTF Investment Plan for MENA CSP* endorsed in December 2009);
- b) adding Libya as a new participating country in the program (in addition to Egypt, Jordan, Morocco, and Tunisia) and including Algeria (which was one of the original five participating countries) as a country to participate in the technical assistance component of the program; and
- c) allocating or re-allocating indicative CTF funding as follows:

Country	CTF Financing (USD Million)	Project Capacity (MW)
Egypt	123	100 (Komo Ombo)
Jordan	50	Up to 100 (including CPV)
Libya	20	100
Morocco	197 238 50	160 (Noor I) 350 (Noor II&III) 100 (Phase II of Midelt or Tata)
Tunisia	62	50 (Akarit)
Technical Assistance (Algeria, Egypt, Jordan, Libya, Morocco, and Tunisia)	10	
Total	750	960

16. The Committee endorses the revisions as a basis for the further development of the proposed activities for CTF funding, subject to comments made at the meeting or submitted in writing by July 11, 2014. The Committee also recalls that the approval of CTF funding by the Committee is dependent upon the submission of high quality project or program proposals. The Committee requests AfDB and the World Bank Group to work closely with the participating countries in the MENA region to expedite the development of the projects for submission to the Committee for funding approval in the proposed timeframes.

AGENDA ITEM 7. REVISED INVESTMENT PLAN FOR NIGERIA

17. The Committee reviewed document CTF/TFC.13/7, *Revised CTF Investment Plan for Nigeria* (May 2014), submitted by the Government of Nigeria in collaboration with the African Development Bank (AfDB) and the World Bank Group, and takes note of the updates on the implementation of the projects and programs financed by the CTF and the following proposed revisions to the *CTF Investment Plan for Nigeria*:

- a) dropping the *Bus Rapid Transit Lagos Project* with an indicative allocation of USD 50 million in CTF funding (World Bank);
- b) dropping the *Bus-Based Mass Transport Support Project* with an indicative allocation of USD 50 million in CTF funding (World Bank);
- c) re-allocating USD 100 million as a result of a) and b) to a *Utility-Scale Solar PV Project* (World Bank);
- d) reducing the indicative allocation for the *Financial Intermediation for Clean Energy/Energy Efficiency Program* (AfDB) from USD 50 million to USD 25 million; and
- e) re-allocating USD 25 million as a result of d) to a *Utility-Scale Solar PV Project* (AfDB).

18. The Committee endorses the revisions as a basis for the further development of the proposed activities for CTF funding, subject to comments made at the meeting or submitted in writing by July 11, 2014, and notes that the total indicative allocation after the revisions remains at USD 250 million in CTF funding. The Committee also recalls that the approval of CTF funding by the Committee is dependent upon the submission of high quality project or program proposals. The Committee requests AfDB and the World Bank Group to work closely with Nigeria to expedite the development of the new projects for submission to the Committee for funding approval in the proposed timeframes (i.e., by October 2014).

AGENDA ITEM 8. OPTIONS FOR THE USE OF POTENTIAL NEW FUNDS UNDER THE CTF

19. The CTF Trust Fund Committee agrees to defer its consideration of the document CTF/TFC.13/8, *Options for the Use of Potential New Funds under the CTF*.

AGENDA ITEM 11. CLOSING

20. The meeting was closed on June 26, 2014.