

CLIMATE INVESTMENT FUNDS

May 20, 2013

Summary of the Co-Chairs
Meeting of the Clean Technology Fund Trust Fund Committee
May 2-3, 2013

Co-Chairs
Mr. Frank Fass-Metz, Germany
Mr. Marco Aurelio dos Santos Araújo, Brazil

NOTE: The following summary includes the decisions agreed by the Trust Fund Committee on each of the agenda items. The Trust Fund Committee notes that it keeps the CTF program under continuous review and supervision and that subsequent decisions may supersede or expand upon decisions reached in a previous meeting.

AGENDA ITEM 1. OPENING

1. The meeting was opened by Mr. Frank Fass-Metz, the outgoing co-chair. Mr. Artur Cardoso de Lacerda, the other elected co-chair, could not serve as a co-chair due to his participation in the Voice Secondment Program of the World Bank until July 14, 2013.

AGENDA ITEM 2. ELECTION OF CO-CHAIRS

2. The meeting re-elected Mr. Frank Fass-Metz, the Trust Fund Committee member from Germany, as co-chair to serve 18 month terms from this meeting in May 2013 until the first Trust Fund Committee meeting after the 2014 Partnership Forum scheduled for November 2014. The meeting elected Mr. Marco Aurelio dos Santos Araújo, the Trust Fund Committee member from Brazil, as co-chair to serve from this meeting in May 2013 until July 14, 2013. It was agreed that Mr. Artur Cardoso de Lacerda would assume his seat on the Trust Fund Committee and responsibilities as the co-chair once he resumes his position in the Government of Brazil, serving as co-chair from July 15, 2013 until the first Trust Fund Committee meeting after the 2014 Partnership Forum scheduled for November 2014.

AGENDA ITEM 3. ADOPTION OF AGENDA

3. The Trust Fund Committee adopted the provisional agenda set forth in document CTF/TFC.11/1/Rev.6/CRP.1, with the deletion of agenda item 17, *Proposal for reporting on enabling environments for promoting energy investments*, which was extensively discussed at the joint meeting of the CTF and SCF Trust Fund Committees.

AGENDA ITEM 4. CTF SEMI-ANNUAL OPERATIONAL REPORT

4. The CTF Trust Fund Committee reviewed document CTF/TFC.11/3, *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 strategic overview of the CTF and the analysis of the trends of the approved projects.

5. The Trust Fund Committee notes that a significant number of projects scheduled for submission to the Committee during FY13 were not submitted as proposed. The Committee further notes the project approval calendar for FY14 and urges the MDBs and countries to submit the project proposals to the Committee for funding approval in the proposed timeframes and to work closely to expedite the implementation of the projects.

6. The Trust Fund Committee further notes that a number of investment plans have recently been revised and that several more plans are expected to be updated or revised in the next six months. The Committee requests countries and the MDBs to make every effort to expedite the

preparation of the projects and programs under the endorsed revised/updated plans and to advance the work of revising or updating the remaining plans in a timely manner.

7. The Trust Fund Committee requests the CIF Administrative Unit, working in collaboration with the MDBs, to prepare an analysis of reporting requirements for the CTF and recommend steps as to how they can be improved and made more efficient, and submit the analysis to the Committee for consideration at its meeting in November 2013.

AGENDA ITEM 5 (A). REVISED CTF INVESTMENT PLAN FOR COLOMBIA

8. Recalling its endorsement in March 2010 of the *CTF Investment Plan for Colombia*, the Trust Fund Committee reviewed document CTF/TFC.11/4, *Revised CTF Investment Plan for Colombia*, submitted by the Government of Colombia, in collaboration with the Inter-American Development Bank and the World Bank Group. The Committee takes note of the proposed revisions to the *CTF Investment Plan for Colombia* and the proposed reallocation of funding, including:

- a) increasing by USD 1 million the indicative CTF allocation under the Sustainable Urban Transport System Program for implementation by IBRD;
- b) decreasing by USD 11 million (USD 0.24 million IDB and USD 10.76 million IFC) the indicative CTF allocation under the Energy Efficiency Program from USD 50 million in the original plan to USD 39 million in the revised plan; and
- c) adding a Non-conventional Renewable Energy Program with an indicative CTF allocation of USD 10 million for implementation by IDB.

9. The Trust Fund Committee endorses the revisions as a basis for the further development of the proposed activities for CTF funding, notes that the total indicative allocation after the revisions remains at USD 150 million in CTF funding, requests that Colombia take into account written comments submitted by May 24, 2013, and recalls that the approval of CTF funding by the Committee is dependent upon the submission of high quality project or program proposals.

10. The Trust Fund Committee further takes note of the intention of the Government of Colombia to submit all remaining programs to the Trust Fund Committee under the revised plan for funding approval by September 2014 and requests the MDBs to work closely with Colombia to expedite the development of the programs for timely submission to the Committee.

AGENDA ITEM 5 (B). PROPOSED AMENDMENTS TO THE COLOMBIA SUSTAINABLE ENERGY FINANCE PROGRAM

11. Recalling its approval in December 2010 of USD 17.5 million in CTF funding for the program entitled, *Colombia Sustainable Energy Finance (C-SEF)*, submitted jointly by the Inter-American Development Bank and the International Finance Corporation (IFC), and recognizing its endorsement of a revised investment plan for Colombia, the Trust Fund Committee approves

document CTF/TFC.11/18, *Proposed Amendments to the Colombia Sustainable Energy Finance Program*, submitted by IDB and IFC, including:

- a) cancellation of USD 4.6 million in CTF funding for investments to be implemented by IFC;
- b) cancellation of USD 0.05 million in CTF funding for the associated IFC implementation and supervision budget; and
- c) modification of the scope of the investment component to be implemented by IDB so that the beneficiaries will include not only commercial banks but also other financial intermediaries, such as investment funds or facilities, financial trusts, leasing companies, asset managers, energy service companies (ECOs), and insurance companies.

AGENDA ITEM 6. UPDATE OF CTF INVESTMENT PLAN FOR KAZAKHSTAN

12. Recalling its endorsement in March 2010 of the *CTF Investment Plan for Kazakhstan*, the Trust Fund Committee reviewed document CTF/TFC.11/5, *Update of CTF Investment Plan for Kazakhstan*, submitted by the Government of Kazakhstan, in collaboration with the Asian Development Bank, the European Bank for Reconstruction and Development, and the World Bank Group. The Committee takes note of the proposed changes to the *CTF Investment Plan for Kazakhstan* and the proposed reallocation of funding, including:

- a) reallocating USD 21 million indicative CTF allocation under the Renewable Energy Development Program for implementation from EBRD to IFC;
- b) increasing USD 21 million indicative CTF allocation under the Municipal Energy Efficiency and District Heating Modernization Program from the USD 63 million in the original plan to USD 84 million in the new plan;
- c) dropping the Energy Efficiency Financing through Financial Intermediaries Program, which had an indicative allocation of USD 21 million under the original plan for implementation by IFC; and
- d) under the Municipal Energy Efficiency and District Heating Modernization Program, increasing USD 50 million of CTF indicative allocation for implementation by ADB while decreasing from the same program USD 8 million for implementation by EBRD and USD 21 million for implementation by IFC (changed to EBRD in September 2012), and reallocating USD 21 million to this program from the dropped Energy Efficiency Financing through Financial Intermediaries Program.

13. The Trust Fund Committee endorses the revisions as a basis for the further development of the new activities for CTF funding, noting that the total indicative allocation after the changes

to the plan remains at USD 200 million in CTF funding, and requests that Kazakhstan take into account written comments submitted by May 24, 2013.

14. The Trust Fund Committee further takes note of the intention of the Government of Kazakhstan to submit all remaining programs to the Trust Fund Committee under the new plan for funding approval in the next 18 months and requests the MDBs to work closely with Kazakhstan to expedite the development of the programs for timely submission to the Committee.

AGENDA ITEM 7. REVISED CTF INVESTMENT PLAN FOR MENA CSP

15. Recalling its endorsement in December 2009 of the *CTF Investment Plan for MENA CSP* and an update provided in November 2010 (CTF/TFC.6/Inf.2), the Trust Fund Committee reviewed document CTF/TFC.11/6, *Revised CTF Investment Plan for MENA CSP*, submitted by Algeria, Egypt, Jordan, Morocco, and Tunisia, in collaboration with the African Development Bank and the World Bank Group. The Committee takes note of the proposed revisions to the *CTF Investment Plan for MENA CSP* and the reallocation of funding among the participating countries, including:

- a) Algeria's confirmation that it will not request CTF funding;
- b) increasing the indicative CTF allocation for Egypt under the plan from USD 95 million to USD 123 million;
- c) decreasing the indicative CTF allocation for Jordan under the plan from USD 112 million to USD 50 million;
- d) increasing the indicative CTF allocation for Morocco under the plan from USD 197 million to USD 415 million;
- e) decreasing the indicative CTF allocation for Tunisia from USD 186 million to USD 62 million; and
- f) adding a technical assistance component of USD 10 million in CTF funding to establish a platform for knowledge exchange (USD 2 million) and a competitive grant program (USD 8 million) to support companies in the region to engage in the supply chain in solar thermal technology.

16. The Trust Fund Committee endorses the revised plan as a basis for the further development of the proposed project and program concepts, confirms the calendar for project development, including Trust Fund Committee and MDB approvals, requests that the countries participating in the MENA CSP program take into account written comments submitted by May 24, 2013, and finally requests that the proposed projects and programs be submitted to the Trust Fund Committee for funding approval in the proposed timeframes.

17. The Committee takes note that the total indicative allocation for the plan has decreased by USD 90 million in CTF funding, from USD 750 million in the original plan endorsed in November 2010 to USD 660 million in the revised plan, and reconfirms that the approval of CTF funding by the Committee is dependent on the submission of high quality project or program proposals. The Committee agrees to release USD 90 million in CTF funding from the MENA CSP investment plan so that it can be made available to finance other CTF projects in the pipeline.

18. The Trust Fund Committee requests the MDBs to work closely with the stakeholders in the participating countries in the MENA region to expedite the development of the proposals for timely submission to the Committee for approval of CTF funding.

AGENDA ITEM 8. REVISED CTF INVESTMENT PLAN FOR MEXICO

19. Recalling its endorsement in January 2009 of the *CTF Investment Plan for Mexico*, the Trust Fund Committee reviewed document CTF/TFC.11/7, *Revised CTF Investment Plan for Mexico*, submitted by the Government of Mexico, in collaboration with the Inter-American Development Bank and the World Bank Group. The Trust Fund Committee takes note of the proposed revisions to the *CTF Investment Plan for Mexico* and the proposed reallocation of funding, including:

- a) decreasing the indicative CTF allocation to the Private Sector Wind Development program (IFC) from USD 30.0 million to USD 15.6 million;
- b) dropping the Private Sector Energy Efficiency program (IFC), which had an indicative CTF allocation of USD 20.0 million under the original endorsed investment plan; and
- c) re-allocating USD 34.4 million from the above two programs to a new project entitled, Geothermal Exploration Risk Reduction Project (IDB).

20. The Trust Fund Committee endorses the revisions as a basis for the further development of the new activities for CTF funding, noting that the total indicative allocation under the revised plan remains at USD 500 million in CTF funding, and requests that Mexico take into account written comments submitted by May 24, 2013.

21. The Trust Fund Committee further takes note of the schedule of submission of the Geothermal Exploration Risk Reduction Project (IDB) to the Trust Fund Committee for funding approval in December 2013 and requests IDB to work closely with Mexico to expedite the development of the proposal for timely submission to the Committee.

AGENDA ITEM 9. REVISED CTF INVESTMENT PLAN FOR UKRAINE

22. Recalling its endorsement in March 2010 of the CTF Investment Plan for Ukraine, the Trust Fund Committee reviewed the document, CTF/TFC.11/8, *Revised CTF Investment Plan for Ukraine*, submitted by the Government of Ukraine in collaboration with EBRD and the World

Bank Group. The Committee takes note of the proposed revisions to the *CTF Investment Plan for Ukraine*, including the cancellation of the project concept entitled, *Zero Emissions Power from the Gas Network*, and the reallocation of USD 100 million in requested CTF funding proposed for that project to the other three projects originally foreseen in the plan addressing renewable energy, energy efficiency, and smart grids. The Committee endorses the revised plan as a basis for the further development of the proposed project and program concepts, subject to comments submitted in writing by May 24, 2013. The Committee confirms the calendar for project development, including Trust Fund Committee and MDB approvals, and requests that the proposed projects and programs be submitted to the Trust Fund Committee for funding approval by the end of March 2014.

23. The Committee takes note of the continued request for an indicative allocation of USD 350 million in CTF funding to support the Ukraine investment plan, recalling that the approval of CTF funding by the Committee is dependent on the submission of high quality project or program proposals. The Committee requests the MDBs to work closely with the stakeholders in Ukraine to expedite the development of the proposals for timely submission to the Committee for approval of CTF funding.

AGENDA ITEM 10. PROPOSAL FOR DEVELOPMENT POLICY LOAN TO PROMOTE INCLUSIVE GREEN GROWTH AND SUSTAINABLE DEVELOPMENT IN HIMACHAL PRADESH PROJECT IN INDIA

24. The Trust Fund Committee reviewed document CTF/TFC.11/9, *Proposal for Development Policy Loan to Promote Inclusive Green Growth and Sustainable Development in Himachal Pradesh Project in India*, and takes note of the information provided in the document, and invites India to take into account written comments from Committee members submitted by May 24, 2013. Members are invited to submit any written comments on the proposal to the CIF Administrative Unit by May 24, 2013, for transmission to the Government of India and IBRD so that the members' views may be taken into account in the further development of the proposal.

AGENDA ITEM 11. PROPOSAL FOR FURTHER ENHANCEMENT OF CTF PIPELINE MANAGEMENT

25. The Trust Fund Committee, having reviewed document CTF/TFC.11/10, *Proposal for Further Enhancement of CTF Pipeline Management*, welcomes the proposal to strengthen pipeline management. The Committee endorses the proposed measures, including assigning priority to readiness in the pipeline management process and shortening the timeframes for the agreed milestones.

26. The Committee agrees that a single pipeline of CTF projects based on endorsed investment plans should be managed and that an over-programming rate of 30 percent based on CTF pledged resources is a reasonable target. The Committee further agrees that over-programming of pledged resources should be reviewed annually with a view to maintaining a robust pipeline, and that second-stage plans from any country that has made significant progress in the implementation of its endorsed investment plan may be proposed and endorsed for inclusion in the pipeline.

27. The Trust Fund Committee requests the CIF Administrative Unit and the MDB Committee to track separately commitments made pursuant to the first thirteen investment plans, or revisions of those plans, and to monitor whether resources committed to such projects and programs exceed the amount of funding available from contributions made in accordance with pledges made prior to October 2010. The Trust Fund Committee should be informed if a project or program is included in the annual approval calendar for which there is not sufficient commitment authority under such initial pledges.

AGENDA ITEM 12. PROPOSAL FOR GLOBAL PRIVATE SECTOR PROGRAM

28. The Trust Fund Committee reviewed the proposal for a CTF global private sector program (document CTF/TFC.11/11) and agrees that a private sector program should be developed for decision at the Committee's meeting in November 2013. The Trust Fund Committee requests the CIF Administrative Unit and the MDBs to elaborate proposals for sub-programs that focus on current CTF pilot countries utilizing USD 150 million of dedicated existing CTF resources.

29. The Trust Fund Committee also requests the CIF Administrative Unit and MDBs to develop sub-programs for consideration that can be applied at a regional or global scale to be financed with new contributions.

30. In elaborating proposals for sub-programs, the following considerations should be addressed:

- a) country ownership;
- b) business case for the sub-program, including issues such as impact on emissions, demand, additionality and leverage;
- c) governance;
- d) criteria for selection of projects;
- e) scale of financing; and
- f) consistency with CTF criteria and guidelines

31. The Trust Fund Committee requests the CIF Administrative Unit and the MDBs to circulate drafts of the sub-program proposals to the Committee members no later than August 16, 2013, with an invitation for written comments within a three week period so that the proposals may be revised to take into account comments received before their submission to the Trust Fund Committee no later than October 7, 2013.

AGENDA ITEM 13. CIF FINANCING AND CARBON MARKETS

32. The CTF Trust Fund Committee reviewed document CTF/TFC.11/12, *CIF Financing and Carbon Markets*, along with document CTF/TFC.10/9, *Interactions between CIF Financing and Carbon Markets*, and welcomes the analysis showing that while there are interactions between the CTF and the carbon markets, carbon market financing is a small portion of total co-financing in CTF-funded projects. The analysis shows further that CTF projects are operating in sectors and locations that are able to attract commercial finance but that are not routinely financed in CDM operations.

33. For non-financial intermediary projects directly financed by the MDB, in the CTF project/program proposal or the Annex H sub-project information sheet, MDBs should:

- a) inform the Trust Fund Committee if the program or sub-projects within a program is registered for carbon revenues (CDM/JI or other compliance mechanism) and, for sub-projects within a program, the estimated volume of carbon credits as per the Project Design Document (PDD) or equivalent; and
- b) provide an outline of the additionality of the CTF funding.

34. The Trust Fund Committee requests the CIF Administrative Unit, working in collaboration with the MDB Committee, to provide relevant information in the annual CTF monitoring reports, for projects/sub-projects that intend to seek carbon finance or have received carbon credits.

35. The Trust Fund Committee further requests an amendment to the last sentence of paragraph 28 of the CTF Investment Criteria to read: “The key decision criterion is whether carbon finance is an insufficient incentive to deploy the low carbon technology at scale in the recipient country, *considering the current context of carbon market financing (CDM/JI or other compliance mechanism) in the relevant market/sector*” (italicized text added).

AGENDA ITEMS 14 – 16. COMMUNICATIONS FROM THE GOVERNMENT OF JORDAN, PAKISTAN, PERU, COSTA RICA, AND URUGUAY

36. The Trust Fund Committee takes note of the expression of interest in developing CTF country-based programs submitted by Costa Rica, Jordan, Pakistan, Peru, and Uruguay. The Committee requests the CIF Administrative Unit to prepare, in collaboration with the MDB Committee, for review at its November 2013 meeting, a paper on a range of approaches and criteria and a transparent process that could guide the Committee’s consideration of requests from potential new pilot countries. In preparing the paper, account is to be taken of the CIF objectives, and in particular the objective of achieving significant reductions of GHG emissions and building on country ownership and readiness. Members are invited to submit written comments and ideas to be taken into account in preparing the paper by June 1, 2013.

37. Recalling the decision agreed at its meeting in November 2012 on *CIF and the Emerging Financial Architecture for Climate Change*, the Trust Fund Committee invites the joint meeting

of the CTF and SCF Trust Fund Committees to discuss, at its meeting in November 2013, developments in the elaboration of the operational procedures and modalities of the GCF in advance of a discussion by the CTF Trust Fund Committee on the paper requested in the above paragraph.

AGENDA ITEM 18. INTERIM PROPOSAL RELATED TO THE USE OF LOCAL CURRENCY LOANS

38. The CTF Trust Fund Committee welcomes document CTF-SCF/TFC.10/6, *Interim Proposal Related to the Use of Local Currency Loans for Private Sector Projects under the CTF Trust Fund*, and reiterates the Committee's support for local currency lending in CTF private sector programs/projects.

39. The Trust Fund Committee encourages the MDBs to continue with the preparation of local currency programs/projects, pending the Committee's approval on the approach for using local currency lending under the CTF Trust Fund.

40. To enable the Committee to make an informed decision, the CTF Trust Fund Committee requests the MDBs to explore options for deploying CTF Trust Fund resources for local currency lending in private sector programs/projects in a cost effective manner.

41. In this regard, the Trust Fund Committee requests the CIF Administrative Unit, working with the MDBs and the Trustee, to prepare a paper for review and approval by the CTF Trust Fund Committee on the approach for using local currency in private sector projects. The paper should include the following:

- a) detailed information provided by the MDBs by May 24, 2013, on: (i) the menu of tools and instruments that can be deployed by each MDB for mitigating risks of local currency lending and the countries in which these tools and instruments are expected to be deployed in the next 24 months, pursuant to the MDB's policies and procedures; and (ii) the expected costs, fees and expenses associated with the implementation of such tools and instruments to be borne by the CTF Trust Fund (for example, based on a USD 10 million loan with tenors of 5, 7 and 10 years);
- b) information prepared by the Trustee, two weeks after receipt of the information from the MDBs, on: (i) how the costs, fees and expenses described in paragraph (41)(a)(ii) above as well as any residual losses/gains that may be incurred from the tools and instruments proposed by the MDBs would be borne among the CTF Contributors pursuant to the CTF Standard Provisions and Principles regarding Contributions to the Clean Technology Fund; and (ii) whether any amendments to such documents and any other legal documents, including the Financial Procedures Agreements, would be required, and if so, the proposed amendments required for the documents; and
- c) the proposed processes for the approval by the CTF Trust Fund Committee for the CTF Trust Fund to bear the costs, fees and expenses.

42. The Trust Fund Committee agrees that there will be a four week period for review and approval of the decision on a no-objection basis. The CTF Trust Fund Committee requests the CIF Administrative Unit to arrange video conferences or calls, if requested by any Committee member, to facilitate clarifications of questions and ultimately agreement by the CTF Trust Fund Committee within such four week period.

43. The Trust Fund Committee acknowledges that the agreed approach for using local currency in CTF private sector programs/projects will inform the ongoing work under Enterprise Risk Management program.

44. The Trust Fund Committee notes the advice from the MDBs that adhering to the timeline mentioned in this decision and the timely consideration of any required amendments to the legal documents would not delay any programs/projects.

AGENDA ITEM 19. OTHER BUSINESS

45. The Trust Fund Committee takes note of the statement made by the Clean Air Institute regarding black carbon.

CLOSING

46. The meeting was closed on May 3, 2013.