

CLIMATE INVESTMENT FUNDS

CTF/TFC.14/3/Rev.1
November 14, 2014

Meeting of the CTF Trust Fund Committee
Washington D.C.
November 17, 2014

Agenda Item 3

CTF SEMI-ANNUAL OPERATIONAL REPORT

(SUMMARY)

PROPOSED DECISION

The CTF Trust Fund Committee (TFC) reviewed document CTF/TFC.14/3/Rev.1, *CTF Semi-Annual Operational Report*, and takes note of the accelerated 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 resource situation and the portfolio.

I. INTRODUCTION

1. This semi-annual operational report provides an overview of the status of the CTF and an update of the CTF activities. It covers the period from April 1 to September 30, 2014.

II. STRATEGIC OVERVIEW OF THE CTF

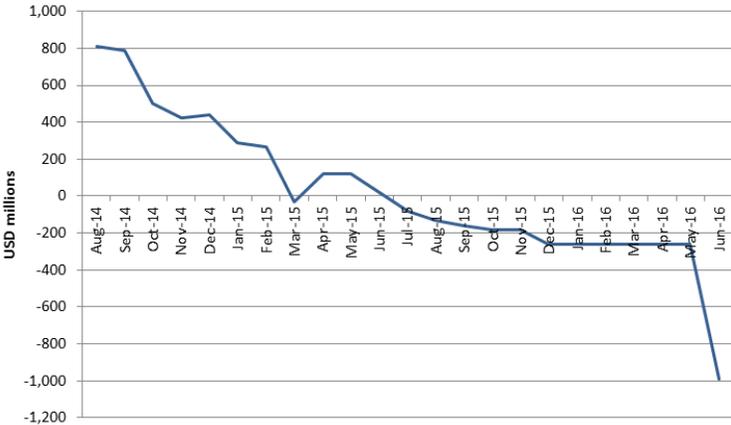
2. An overview of the CTF is provided in the table below:

	As of Sept. 30, 2014	FY15 Forecast
No. of investment plans endorsed	16	0
No. of investment plans revised or for revision	15	1
No. of projects/programs under investment plans approved or for approval by the TFC	66	25
No. of DPSP sub-programs approved or for approval by the TFC	4	15
No. of projects/programs approved or for approval by MDBs	51*	26
No. of DPSP sub-programs approved or for approval by MDBs	1	8
Funding approved or for approval (USD million)	3,870	1,087
Disbursements (USD million) (as of June 30, 2014)	835	

* Excludes *Turkey Impact Assessment* which is not subject to MDB board approval.

3. Development of CTF projects and programs accelerated considerably during FY14, resulting in the highest level of funding approvals since the beginning of the CTF operations. CTF disbursements have also picked up in recent months, and the momentum is expected to continue in the coming months.

4. The figure below illustrates the availability of CTF resources from August 2014 onward, reflecting information from the Trustee and the proposed project submission calendar.



5. It is worth noting that the expected shortfall of resources for the CTF is leading towards and contributing to a loss of momentum in the delivery of climate finance by the MDBs to recipient countries. The shortfall will have a negative impact on the MDBs institutional capacity that has been built in supporting recipient countries to develop and implement CTF operations. In fact, the MDBs are already conveying the message around the expected funding

situation to the project teams and the recipient countries. Without additional resources, the MDBs are likely to wind down the preparation of projects that could be eligible for the CTF (e.g., under the DPSP or revised investment plans), put the preparation of many programmed projects on hold, or even completely stop the preparation of new projects which are scheduled for submission in FY16. It is also worth pointing out that this expected resource shortfall is happening precisely at a time when the MDB teams, recipient countries, and private sector sponsors have become more actively engaged in the CTF in developing programs and projects.

6. **Reporting on Results.** Thirty-seven projects/programs that had been approved by the MDBs by April 30, 2014 were requested to report and 21 of them reported actual¹ results for at least one of the five core indicators. A small number of projects in a few countries reported most of the results. Results for most of the core indicators – particularly infrastructure projects such as concentrated solar power and geothermal generation – will only be seen once the direct investment infrastructure projects become operational. The exception is the core indicator on co-financing leveraged as more results have already been reported on this indicator.

7. From this year's reporting round it is clear that CTF implementation is accelerating. A significant portion of the total cumulative results achieved to date was reported in 2014: 50 percent of the direct finance leveraged through CTF funding, 46.1 percent of the installed capacity, 40.0 percent of energy savings, and 36 percent of the avoided GHG emissions. Comparing achieved cumulative results to the expected lifetime results also paints a positive picture: As of June 30, 2014, 36 percent of direct finance had been leveraged and 23 percent of renewable energy capacity had been installed. The data have to be interpreted with caution given that in most cases the results achieved reflect a few projects that are more advanced with implementation. Therefore the results achieved to date are not representative of the entire portfolio.

8. **Co-financing.** For the 70 projects/programs approved by the TFC, the total amount of co-financing is expected to be USD 34.7 billion. The sources of co-financing include the private sector (32 percent), MDBs (28 percent), bilateral agencies (14 percent), governments (14 percent), and others (12 percent).² The overall CTF co-financing ratio is 1:8.6.

9. **Knowledge Management.** In June 2014, the CIF concluded a year-long project carried out by the Climate Policy Initiative (CPI) examining the effective use of public finance to scale up Concentrated Solar Power (CSP) deployment and reduce its costs. Project outputs include two case studies of CSP investments, market and policy analysis of the Spanish and international markets, three dialogues, and a lessons learned paper recommending actions that both national governments and international financial institutions can take to enhance the effectiveness of their support for CSP and achieve cost reductions. The CIF also commissioned CPI to undertake a second project to explore the effective use of public finance to unlock geothermal development, following the case study and dialogue approach.

¹ "Actual results" means a number greater than zero. Several projects reported zero results.

² One project – *India Himachal Pradesh Environmentally Sustainable Development Policy Loan* – includes USD 100 million in CTF funding and USD 1.958 billion classified as private sector co-financing (equity and debt). Given the unique nature of the policy loan, it is excluded from the source breakdown analysis.

III. UPDATES SINCE LAST SEMI-ANNUAL OPERATIONAL REPORT

10. At the last TFC meeting in June 2014, the Committee endorsed the revised investment plans for Nigeria and for the regional program in the Middle East and North Africa on CSP. A second phase of DPSP was endorsed with an indicative allocation of USD 358.5 million. Together with DPSP Phase I, the TFC has endorsed a total of eight program concepts with an indicative allocation of USD 508.5 million in CTF funding.

11. During the current reporting period, the TFC approved 18 new funding allocations, totaling USD 631.9 million in CTF funding. The Committee also approved three sub-programs under DPSP I and one sub-program under DPSP II. Overall funding approval by the TFC over the indicative allocation has reached 67.6 percent for the 16 endorsed country and regional investment plans or 63.5 percent including the DPSP.

12. During the current reporting period, USD 576.06 million in CTF funding associated with 15 projects and programs was approved by the MDBs.

13. CTF disbursements during the second half of FY14 (January to June 2014) saw a significant increase over the first half, increasing from USD 44.9 million to USD 210.9 million. Total disbursements for the CTF amounted to USD 835 million as of June 30, 2014.

14. From October 2014 to June 2015, the MDBs have projected to submit 40 projects/programs totaling USD 1,087 million in CTF funding. Among these, 25 are under the country/regional investment plans, and 15 are under the DPSP (USD 365.5 million).

IV. PORTFOLIO ANALYSIS

15. The table below shows the approval timelines for approved projects and programs:

Project Type	Average Months from IP Endorsement to TFC Approval	Average Months from TFC Approval to MDB Approval
Public	15.1	4.6
Private – Financial	10.1	9
Private – Infrastructure	9.4	11.3

16. Among the 70 projects/programs approved by the TFC, renewable energy accounts for 68 percent of the total funding, energy efficiency 14 percent, and transport 11 percent. The rest are mainly projects/programs that channel CTF funding through financial intermediaries while specific sectors and technologies are not identified at the time of funding approval by the Trust Fund Committee.

17. CTF funding distribution by region shows that 31 percent of the total approved funding is in Africa, 30 percent in Asia, 20 percent in Latin America, 18 percent in Europe and Central Asia, and 1 percent in the Middle East (i.e., Jordan).