

# CLIMATE INVESTMENT FUNDS

August 28, 2017

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**[APPROVED BY MAIL]: COLOMBIA: CLEAN ENERGY DEVELOPMENT PROJECT  
(CTF)(WORLD BANK)--XCTFCO113A-**

**WORLD BANK RESPONSE TO COMMENTS FROM UNITED KINGDOM**

The proposal outlines how the CTF funding will be used to guarantee FDN's support and will be used as a last resort measure. To clarify, if this last resort financing is not needed what will happen to the CTF investment? When does the project team plan that any unused funds will be returned to CTF?

(Team response): If CTF resources are not used, then the uncommitted amount (USD 40 Mil or part thereof) will be returned back to the CTF Trustee by the IBRD (as Implementing Entity). This is consistent with other CTF guarantee operations (India, PRSF and Philippines PHRED). The project will have an 'Availability Period', currently contemplated to be 5 years from the execution. If CTF resources are not committed to sub-projects within the Availability Period, they will revert back to the CTF Trustee.

- Has analysis been carried out to suggest that the \$129m from FDN along with the "last resort" funding from the CTF and IBRD (\$40m, \$15m) will successfully leverage around \$515m of private finance? Is there a risk of other components crowding out private investments in this programme?

(Team response): The IBRD amount is \$41m. Market soundings associated with project preparation so far have shown that the structure will encourage commercial and private investors to support project developers, thereby "crowding-in" private investments rather than crowding them out.

The Bank team's analysis in preparing the project was carried out based on WB experience in other similar guarantee programs in EE and RE in other countries. The financial analysis and the calculation of leverage amount already takes into account potential participation of non-commercial (development finance) finance for a proportion of investment. Thus, the assumption on the amount of private finance is robust. In addition, since the financing needs for both EE and RE projects are significant, the participation of all financing source is essential to unlock the investments. This program will also pave the road for future private sector participation on a commercial basis, since it will establish the right business and financial models and promote their replication.

- Regarding the risk assessment, it seems that sequencing of some of the mitigation measures is important. Ensuring that the regulatory environment gives investors' confidence appears to be a priority. Presumably too, investors would want to be assured that the transmission infrastructure is in place, or will be in place by the time their projects are completed. Could the project team provide assurance that these measures will be in place in order to provide investors' with confidence to invest? If this is not within the scope of this project then could the project team explain who will take this forward.

(Team response): The team agrees with this observation. Indeed, the sequencing of the measures is critical and having certainty on the regulation as well as contract (PPA) design is a priority. It is important to observe that the Government of Colombia is taking the necessary steps to design and introduce market instruments to support the development of non-conventional renewables.

The Energy Regulatory Commission (CREG) has already released a formal document elaborating on four different regulatory options (all of them auctions with different characteristics), and it is in the process of consulting the alternatives with market participants

and other key stakeholders. The World Bank is supporting the process providing technical inputs to support the decision making on this front.

The Bank, as described in the PAD, is supporting the GoC with many of the technical inputs necessary to prepare the Government entities for smooth integration of renewable energy.

On the transmission side, the Bank will also provide technical inputs to the Ministry of Energy (Planning Unit, UPME) on best practice to structure and prepare transmission expansion projects for renewable energy development. UPME is already preparing the grounds for the bidding of the transmission line that will connect the Guajira region with the load centers, so the timeline of activities seems to be progressing satisfactorily.

The Bank is in constant dialogue with the Ministry of Energy, regulator and planning agency to ascertain that the necessary implementation steps are in place to get the transmission line from La Guarija is up and running prior to the commissioning of the first wind park in the region. The World Bank is also in constant dialogue with the regulator regarding the conditions for open access of the transmission line by new entrants.

The PAD describes the sequencing of procurement, construction and implementation of transmission line and renewable energy projects. The design of the project and the timeline for execution will include flexibility to accommodate the sequencing of auction processes to ensure that the implementation of generation projects supported under the CTF project are synchronized with the availability of transmission network.

- Could the project team provide additional information on the number of jobs it expected to be generated from this proposal, and could this be disaggregated by gender.

(Team response): The team has not estimated yet the number of jobs that may be generated during the project given that information on the number of projects (type and size) to be supported under the risk mitigation facility will only be known during implementation. However, the team is considering a mechanism to monitor number of jobs (disaggregated by gender). In addition, the team -together with FDN- will make sure that the Environmental and Social Management System (ESMS) includes a gender expert and that both men and women are included in consultations (both before and after construction).

The World Bank team has included a gender expert who will make sure that an appropriate gender strategy is defined by appraisal (for example, that all activities such as consultations, or grievance redress mechanisms are gender-informed).