

CLIMATE INVESTMENT FUNDS

CTF/TFC.17/3
May 12, 2016

Meeting of the CTF Trust Fund Committee
Oaxaca, Mexico
Thursday, June 16, 2016

CTF SEMI-ANNUAL OPERATIONAL REPORT (SUMMARY)

PROPOSED DECISION

The CTF Trust Fund Committee reviewed document CTF/TFC.17/4, *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 the scale of the expected shortfall of resources. The Committee requests the CIF Administrative Unit and the MDBs to continue to review projects and programs for which funding has been approved by the Committee, but not yet approved by the MDBs, with a view to continue to identify stalled projects and sub-projects under programs and the amount of funding that could be released and reallocated to the active projects and programs in the pipeline [in accordance with the pipeline management and cancellation policy approved by the Trust Fund Committee].

[The Committee may consider additional decision items based on the outcomes of the discussion of the CIF strategic directions at the Joint Meeting of the CTF-SCF Trust Fund Committees.]

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 and the Dedicated Private Sector Programs (DPSP), and related activities. The report covers the period from July 1 to December 31, 2015.

2 Strategic Issues

2.1 Resource Availability and Expected Shortfall

2. In order to present a clear picture on resource availability and the scale of expected shortfall of resources, the CIF Administrative Unit, in consultation with the MDBs, has regularly updated the pipeline. As of December 31, 2015, the total amount of resources available for funding commitment was **USD 709 million**. A total of **USD 264 million** is expected to be received in 2016.
3. The pipeline of projects that are under active development total **USD 1,295 million**. As per the current pipeline, the available resources will cover all projects scheduled to be submitted for approval until September 2016, as well as some to be submitted in October 2016. The pipeline is updated frequently in consultation with the MDBs so as to prioritize the expected submissions according to the availability of resources.
4. Considering all the projects in the pipeline and resources from the receivable pledges, the expected shortfall of resources would amount to **USD 357 million** excluding reserves, or **USD 199 million** including reserves.

2.2 Pipeline Management and Cancellation Policy

5. The CIF Administrative Unit has undertaken several extensive reviews of the CTF pipeline and portfolio with the MDBs to determine if any projects in the pipeline could be dropped and if any projects and programs for which funding had been approved by the Trust Fund Committee but had not reached MDB approval could be released due to significant delays or other changing circumstances.
6. In the process of this exercise, the CIF Administrative Unit and the MDBs also looked at the existing pipeline management guidelines and explored elements that could be considered to improve the process, including a potential cancellation policy. The results of this exercise, along with the new measures considered, will be included in a proposal for pipeline management and cancellation policy to be presented to the Trust Fund Committee for approval. Once approved, some additional resources may be made available to finance the projects and programs in the CTF pipeline, thereby reducing the amount of shortfall.

2.3 Risk Management

7. The CIF enterprise risk management (ERM) framework was established to identify, assess, and report on the CIF's risk exposures relative to corresponding tolerances. This information supports the CIF governing bodies' financial, strategic, and operational decision-making.
8. In January 2016 the CIF Administrative Unit operationalized the CTF Risk Dashboard as an online platform for reporting CTF-related risk assessments. The dashboard reports risk assessments of approximately 15 Tier 1 and Tier 2 risks, classifying them into the following four risk categories to facilitate TFC-level monitoring of the CTF's risk exposures:
 - a) **Strategic Risk:** Risks that affect or are created by the CTF's business strategy and strategic objectives.
 - b) **Operational Risk:** The risk that inadequate or failed internal processes, people, or systems or external events will adversely affect the achievement of the CTF's objectives.
 - c) **Financial Risk:** The risk that exposure to credit, market¹, or liquidity risks will adversely affect the achievement of the CTF's objectives.
 - d) **Compliance, Legal and Reputational Risk:**
 - *Compliance/ Legal Risk: The risk that failure to comply with laws, rules, regulations, contractual obligations, prescribed practices, or standards or codes of conduct will result in fines, civil monetary penalties, payment of damages, the voiding of contracts, or otherwise adversely affect the achievement of the CTF's objectives.*
 - *Reputational Risk: The risk that a perception develops that the CTF is unethical or imprudent, adversely affecting the achievement of the CTF's objectives.*

2.4 New Financing Modalities

9. The Trust Fund Committee, at its meeting in November 2015, noted the work done and analysis conducted by the CIF Administrative Unit and requested the CIF Administrative Unit, in collaboration with the MDBs and the Trustee, to further explore detailed modalities, including legal and institutional changes required, to strengthen the current business model of the CTF in mobilizing additional capital from public and private sources and deploy its resources efficiently and effectively for enhanced mitigation actions in developing countries.
10. The CIF Administrative Unit has further explored these options, which may or may not involve use of reflows from existing CTF assets or new contributions. These options include *CTF Green Markets*, *Risk Mitigation Facility* and/or an alternative involving a combination of

¹ Market risk refers to the risk that fluctuations in prices of traded assets and commodities as well as fluctuations in interest and exchange rates and other market indices, adversely affect the achievement of the CTF's objectives. As Tier 1 risks, credit and liquidity risks are defined later in the paper.

these options. Based on further consultations with the MDBs, external stakeholders, and Trust Fund Committee members, the proposed options have been refined and outlined in a separate paper for further consideration by the Trust Fund Committee in June 2016.

11. The choice of any new financing modality to be developed for the future CTF “2.0” is dependent on contributors’ guidance and agreements on:

- Use of reflows from grant and capital contributions, and/or
- Provision of new resources in the form of new funds (grants/equity), and/or
- Provision of contingent funds in order to mobilize potential new investments.

12. The CIF Administrative Unit, in consultation with the MDBs, has also looked into potential new program areas that could be considered based on the latest MDB strategies and action plans to meet their climate change commitments, some of which may require new resources from the contributors.

3 Status of the CTF

3.1 Portfolio Overview and Trends

13. The CTF portfolio and pipeline consists of 123 projects and programs from 16 endorsed investment plans and the DPSP, with total indicative allocations of USD 6.1 billion in CTF funding. Implementation of investment plans and DPSP has been advancing steadily. Funding approval by the Trust Fund Committee has reached 75 percent of the indicative allocations.

Table 2: Overview of CTF Portfolio

| | Indicative Allocation | | | Approved | | Disbursement |
|----------------------|-----------------------|---------|-------|----------|---------|--------------|
| | TOTAL | IP | DPSP | TFC | MDB | |
| CTF Funding (in \$M) | 6,093.5 | 5,585.0 | 508.5 | 4,538.4 | 3,543.2 | 1,582.2 |
| Number of projects | 123 | 105 | 18 | 92 | 76 | 60 |

3.2 Approvals

14. *TFC Approvals:* Twelve projects with a total funding of USD 330 million were approved by the Trust Fund Committee between July 1 and December 31, 2015, with around half of the funding approved for DPSP projects,

15. *MDB Approvals:* Thirteen projects with a total funding of USD 196 million were approved by the Trust Fund Committee between July 1 and December 31, 2015, close to half of which belonged to DPSP portfolio.

3.3 Gender

16. Three “scorecard” indicators regarding presence of *1) sector-specific gender analysis, 2) gender-disaggregated indicators, and 3) women-specific activities*, were reviewed for each investment plan and project across all four programs from January 1 to December 31, 2015 to identify program progress regarding gender “quality at entry”, and compared to baseline performance of the CIF portfolio as of June 30, 2014. CTF performance on indicators had improved relative to the baseline with sector-specific gender analysis found to have been undertaken in 40 percent of projects approved in 2015 compared with a baseline of 21 percent. Gender-disaggregated indicators at project level were present in 30 percent of projects compared with a baseline of 15 percent. Finally, one-quarter of projects approved had planned specific activities aimed at women compared with a baseline of 17 percent.
17. EBRD’s analytical efforts in the area of gender and energy efficiency have included three distinct gender assessments for Turkey, Ukraine, and Kazakhstan, with actionable recommendations for task teams. The Turkey assessment has been posted on the CIF Gender webpages for further dissemination, while those of Ukraine and Kazakhstan will be posted in FY16. In addition, the team is on track for June 2016 delivery of a toolkit synthesizing best practices and key entry points for gender in energy efficiency, drawing on gender assessments from the three countries. A note is also being prepared by the CIF Administrative Unit on gender and employment in the renewable energy sector.

3.4 Disbursements

18. As of December 31, 2015, a total of USD 1.6 billion has been disbursed cumulatively by the six MDBs against the total funding of USD 3.5 billion approved by the MDBs and USD 4.5 billion approved by the Trust Fund Committee. This is equivalent to 35 percent of Trust Fund Committee approvals or 45 percent of MDB approvals. Nineteen projects with USD 1,166 in funding have fully disbursed, over a third of which can be attributed to the Noor CSP projects in Morocco, the largest CSP plant in the world.