

CLIMATE INVESTMENT FUNDS

May 27, 2010

**GUIDELINES FOR THE APPROVAL AND MANAGEMENT OF CTF PREPARATION GRANTS
FOR PUBLIC AND PRIVATE SECTOR PROJECTS**

Note

At its meeting on May 28, 2009, the Clean Technology Fund (CTF) Trust Fund Committee approved the document *Financing Products, Terms, and Review Procedures for Public Sector Operations*, which discusses financing products available under the CTF, the terms for such financing, MDB fees for project development and supervision costs, and standard CTF co-financing conditions and review procedures. It also establishes guidelines and eligibility criteria for project preparation grants.

This paper elaborates upon the guidelines to be followed for the approval and management of CTF funding to assist in the preparation of projects and programs

Objectives

1. The purpose of Clean Technology Fund (CTF) preparation grants is to develop a quality investment portfolio by: (i) strengthening consensus among key national stakeholders and development partners; (ii) enhancing capacity of national institutions for robust policy reform and priority setting; (iii) ensuring that CTF investments are based on sound analytical work linking low carbon development to economic growth and poverty-alleviation strategies; and, (iv) assessing the poverty and social impacts of programs and projects.

Grant Execution Arrangements

2. Project preparation grants will generally be recipient-executed, but may be executed by an MDB (see paragraph 7 (ii) below). All preparation grants will be supervised by the MDB in order to ensure compliance with its operational policies and procedures, including procurement and financial management guidelines. The closing date of CTF grants should not exceed 2 years from the date of signature of the grant agreement by the MDB.

Eligible Grant Activities

3. CTF preparation grants may be used for developing CTF co-financed projects by recipient countries. The following activities will be eligible:

- i. Analytic work to inform a country's policies and programs
- ii. Design of policy reforms and preparation of legislation and regulations
- iii. Consultation workshops
- iv. Training
- v. Institutional development
- vi. Feasibility Studies
- vii. Environmental and social impact assessments
- viii. Technical, managerial and financial project design.

Grant Amount

4. Maximum total CTF preparation grant allocation for a project will be US\$1 million.

Eligible Expenditure

5. The preparation grant will finance expenditures for: (i) consultants' services, local training, workshops and seminars, and (ii) operating costs and office equipment for the implementation management of grant activities not to exceed 10% of the grant amount

Ineligible Expenditure

6. The following expenditures will be ineligible: (i) salaries for civil servants in recipient countries hired as consultants or otherwise; (ii) purchase of vehicles; (iii) foreign training and study tours; and (iv) salaries and travel of MDB staff and consultants.

Content of Preparation Grant Request

7. Preparation Grants requests have to be consistent with the above criteria and guidelines as per document on “Clean Technology Fund: Financing Products, Terms, and Review Procedures for Public Sector Operations” and its Annex B. In addition Preparation Grant Requests should include:

- i. A brief explanation of why the grant is to be MDB-executed.
- ii. A detailed description of scope of work and rationale for any of the activities and if relevant, terms of reference, deliverables and timeline.
- iii. A budget sufficiently detailed to justify the requested funding and showing co-financing from other sources for preparation of the project.

Approval Process

8. Approvals of Preparation Grants follow the same procedures as the projects, requiring submission of requests to the CTF Trust Fund Committee by email with a two-week notice.