

CLIMATE INVESTMENT FUNDS

CTF/TFC.9/6
April 13, 2012

Meeting of the CTF Trust Fund Committee
Washington, D.C.
May 3, 2012

Agenda Item 6

PROPOSAL FOR ESTABLISHING TARGETS TO MONITOR DELIVERY OF CTF PROJECTS

Proposed Decision by the CTF Trust Fund Committee

The Trust Fund Committee reviewed document CTF/TFC.9/6, *Proposal for Establishing Targets to Monitor Delivery of CTF Projects*, and approves the targets and actions proposed in the document. In approving the targets, the Trust Fund Committee underscores that the targets are indications of the maximum time that should be allowed for achieving each milestone before remedial action is considered. The Committee encourages countries, MDBs and other stakeholders to strive to reach each milestone in significantly less time than the agreed target so as to ensure an effective and efficient delivery of CIF funds and early achievement of results.

I. INTRODUCTION

1. In November 2011, the joint meeting of the CTF and SCF Trust Fund Committees approved the measures and associated follow-up actions to enhance the performance of the CIF presented in the document, *Measures to Improve the Operations of the Climate Investment Funds*.¹ One of the approved follow-up actions under the heading, *Operations*, is to consider setting a target for submitting project proposals for approval of CIF funding after endorsement of an investment plan and for beginning disbursement after MDB approval of CIF-funded projects. The CIF Administrative Unit and the MDBs were requested to prepare a proposal concerning the establishment of targets for consideration by the Trust Fund Committees at their joint meeting in May 2012. It was requested that the proposal take into account experience of the MDBs in developing public and private sector programs and projects, CIF experience to date, and the trade-offs between speed, complexity, innovation and risks.

2. This paper has been developed by the CIF Administrative Unit, in consultation with the MDBs, and is being presented to the CTF Trust Fund Committee for consideration. The proposals in the paper draw from the experience and information of CTF operations, including pipeline data and guidelines for pipeline management.

II. CTF PIPELINE MANAGEMENT

Current Practice of Pipeline Management

3. In June 2010, the MDB Committee, in establishing CTF pipeline management criteria, agreed that it will review any public sector program or project for which CTF funding has been approved, but which has not been submitted for MDB approval within 9 months of the CTF funding decision. For private sector programs, the MDB Committee agreed to review any program for which CTF funding has been approved but more than a third of the funds within the program have not been submitted for MDB approval within (a) 9 months from the CTF funding decision for financial sector programs, and (b) 18 months from the CTF funding decision for infrastructure projects.

4. Based on its quarterly review, the MDB Committee may decide that the approved funds should be reallocated so as to provide more funding space for other faster-moving projects. Should the MDB Committee decide this course of action, it will inform the Trust Fund Committee of the reallocation by mail. Any project or program for which CTF funding has been reallocated due to delays in its processing may be resubmitted to the MDB Committee for reentry into the pipeline subject to availability of funds as soon as the delays have been resolved.²

5. To date, although many projects have exceeded the 9 months benchmark for MDB approval from CTF funding approval, no project has been subject to the review by the MDB Committee for possible funding reallocation since no shortfall of resources has been experienced to render the necessity of reallocating resources from projects that have received CTF funding

¹ *Measures to Improve the Operations of the Climate Investment Funds*, November 18, 2011.

² *CTF Guidelines for the Management of Pipeline and Revisions to Investment Plans*, December 15, 2011.

approval but are slow to reach MDB approval to fast-moving projects that await CTF funding approval.

Traffic Light System to Track Project Delivery

6. In November 2011, a traffic light system was introduced as a tool to facilitate the management of the CTF pipeline. The traffic light system currently tracks two milestones of project delivery: (a) CTF funding approval from the expected date of submission of the project concept indicated in the endorsed investment plan; and (b) MDB approval from the date of CTF funding approval by the Trust Fund Committee.³

7. The latest results of the CTF pipeline traffic lights are presented in the *Semi-Annual Report on CTF Operations* submitted to the CTF Trust Fund Committee for review at its meeting in May 2012.

8. As of March 2012, 21 projects have reached the stage of MDB approval. For CTF funding approval, 15 were approved under the green light and 5 under yellow, and 1 under red. For MDB approval, 18 of these projects were approved under the green light and 3 under yellow.

9. Twelve projects have received CTF funding approval but are awaiting MDB approval. For CTF funding approval, 1 project was approved under green light, 9 under yellow, and 2 under red. For MDB approval, the traffic light remains green for 3 projects, but has turned yellow for 4 projects and red for 5 projects.

10. For the remaining 59 projects in the pipeline yet to reach the stage of funding approval by the Trust Fund Committee, the traffic light for CTF funding approval has turned red for all but two projects.

Lessons Learned by MDBs

11. The MDBs have been reviewing the experience in developing and implementing CTF projects and programs to draw lessons. Four factors have been identified by the MDBs that have contributed to delays in project development, including unevenness in country readiness, trade-offs between fast start and transformation, challenges in blending with the MDB pipeline and CIF procedures. These lessons learned are explained in greater detail in the *Semi-Annual Report on CTF Operations* submitted to the Trust Fund Committee for its May 2012 meeting.

III. PROPOSED TARGETS AND ACTIONS

12. It is proposed that in order to enhance CTF operations and strengthen pipeline management, four milestones for program and project delivery should be monitored:⁴

³ For definitions of the traffic lights, see *Semi-Annual Report on CTF Operations*.

⁴ The proposed targets and actions are not intended to supersede MDBs' policies and procedures or the Financial Procedures Agreement between the Trustee and each MDB.

- a) a milestone on funding approval by the Trust Fund Committee from the date of endorsement of an investment plan;
- b) a milestone on MDB approval from the date of CTF funding approval;
- c) a milestone on project effectiveness from the date of MDB approval; and
- d) a milestone on project disbursement.

13. Once the Trust Fund Committee approves the proposed targets, the status of monitoring the milestones will be reported to the Trust Fund Committee in the semi-annual reports on CTF operations, and the CTF traffic light system will be updated to incorporate the agreed milestones and targets.

14. In light of the current CTF pipeline, pipeline management criteria, the traffic lights system, and experience under the CIF, the following targets are proposed to further encourage expeditious delivery of CTF projects.

- a) CTF funding approval. Once an investment plan is endorsed, all projects/programs therein should be submitted to the Trust Fund Committee for funding approval within 36 months from the date of endorsement of the investment plan. The table below shows the current status of the initial 13 CTF investment plans that were endorsed by the Trust Fund Committee with funding allocations.

	Country/Region	IP Endorsement Date	Funding Allocation (Million \$)	Funding Approved (Million \$)	% of Funding Approved
1	Colombia	Mar-10	150	37.5	25.0%
2	Egypt	Jan-09	300	150.0	50.0%
3	Indonesia	Mar-10	400	125.0	31.3%
4	Kazakhstan	Mar-10	200	71.7	35.9%
5	MENA-CSP	Dec-09	750	197.0	26.3%
6	Mexico	Jan-09	500	414.0	82.8%
7	Morocco	Oct-11	150	125.0	83.3%
8	Philippines	Dec-09	250	30.0	12.0%
9	South Africa	Oct-09	500	450.0	90.0%
10	Thailand	Feb-12	170	70.0	41.2%
11	Turkey	Jan-09	250	171.7	68.7%
12	Ukraine	Mar-10	350	48.3	13.8%
13	Vietnam	Dec-09	250	30.0	12.0%
	Total		4,220	1,920.2	45.5%

Note: For Morocco and Thailand, the dates and funding allocations are associated with the revised investment plans.

If delay is expected for the submission of any project or program for CTF funding approval exceeding 36 months from the date of endorsement of an investment plan, the MDBs should work with the country to review the progress of implementation of the plan and submit an update to the Trust Fund Committee with a detailed explanation on the reasons for delay, corrective measures, and new delivery targets.

If circumstances have evolved that require major changes of an endorsed investment plan,⁵ a revised investment plan should be prepared by the country with the support of the MDBs for review and endorsement by the Trust Fund Committee.

If the Trust Fund Committee endorses the update or the revised investment plan, the pipeline will be adjusted accordingly. If the Trust Fund Committee does not endorse the update or the revised investment plan, the Committee may decide to take appropriate actions, including releasing the resources from the plan and reallocating them to fund projects and programs in other endorsed investment plans.

- b) MDB approval. Submission of appraised projects for MDB approval should be no later than 9 months after CTF funding approval.⁶

If a project fails to meet this delivery target, the country in consultation with the MDBs involved (the MDBs in the case of private sector programs) should provide a detailed explanation to the Trust Fund Committee on the reasons for delay, corrective measures to be taken, and a reasonable new target for delivery.

If a project fails to meet the new delivery target, the Trust Fund Committee may review the situation and decide to take appropriate actions. Such actions may involve canceling project funding approval and releasing the funds for other projects and activities.

- c) Project effectiveness. Project effectiveness should take place no later than 9 months after MDB approval.

If a project fails to meet this delivery target, the country, in consultation with the MDB or MDBs involved, should provide a detailed explanation to the Trust Fund Committee on the reasons for delay, corrective measures to be taken, and a reasonable new target for delivery.

The Trust Fund Committee may also communicate to the senior management of the MDB and request appropriate actions to be taken to expedite project effectiveness.

- d) Disbursement. The MDBs will monitor project disbursement closely and report to the Trust Fund Committee. If significant delay occurs, the Trust Fund Committee

⁵ For definition of “major changes”, see *CTF Guidelines to the Management of Pipeline and Revisions to Investment Plans*, December 15, 2011.

⁶ For private sector programs, the provisions under the CTF pipeline management guidelines apply.

may communicate to the senior management of the MDB and request appropriate actions to be taken to expedite project disbursement.