

CLIMATE INVESTMENT FUNDS

CTF/TFC.10/7
October 15, 2012

Meeting of the CTF Trust Fund Committee
Istanbul, Turkey
November 3, 2012

Agenda Item 5

RELEASE OF CTF FUNDS

PROPOSED DECISION

The CTF Trust Fund Committee reviewed document CTF/TFC.10/7, *Release of CTF Funds*, and agrees that when CTF Phase I resources are made available from revised investment plans or program/project modification or cancellation, such resources [will be made available immediately for allocation to other investment plans.] [will be made available only after it is assured that, consistent with information made available by the Trustee and in the CTF pipeline, there are sufficient resources to cover the expected requests for CTF for the projects/programs to be submitted to the Trust Fund Committee during the following six months.]

It is further agreed that when resources are released, they may be utilized [to fund Phase I, Stage 2, investment plans. Any Phase I country may request Stage 2 funding when submitting an update or a revised investment plan to the Trust Fund Committee. The main criterion for allocating Stage 2 resources among Phase I countries is evidence of a high percentage of disbursement of Stage 1 resources [from the CTF] [from all resources] under an endorsed investment plan. Stage 2 investment plans would need to show how they build on the results of Stage 1 projects/programs, and priority would be given to innovative investment plans and to those that provide high leverage from private sector resources.] [to fund Phase II investment plans. These resources would be utilized in the same way as new contributions, and in accordance with the decision of the Trust Fund Committee in May 2012 on *Options for Managing the Development of Projects Arising from New Investment Plans*.]

I. INTRODUCTION

1. At its meeting in May 2012, the CIF Trust Fund Committee considered options for managing the development of projects arising from new investment plans. The Trust Fund Committee agreed that the CTF Trust Fund should be notionally divided into two phases. Phase I is to be comprised of pledges made in 2008-2010, and Phase II is to be comprised of pledges and contributions made subsequent to those included in Phase I. Phase II may also include funds that may be released due to revisions of investment plans or cancellations of projects in Phase I.
2. The Trust Fund Committee did not, however, agree upon clear criteria for how to use released funds from Phase I, and requested the CIF Administrative Unit to prepare, in collaboration with the MDB Committee, proposed criteria for determining whether and when funds can be released from Phase I for funding of projects under Phase II. The Committee further requested that consideration be given, in preparing criteria, options for providing funding for any second stage of funding for Phase I investment plans.
3. This paper provides an analysis for potential triggers for the release of CTF resources and proposed criteria for the allocation of released CTF resources.

II. STATUS OF CTF INVESTMENT PLANS

Phase I of CTF Funding

4. Thirteen (12 country and one regional) investment plans were endorsed by the Trust Fund Committee for funding from Phase I resources. These plans and the indicative envelope of funding available for each plan as originally endorsed are as follows:

1.	Colombia	USD 150 million
2.	Egypt	USD 300 million
3.	Indonesia	USD 400 million
4.	Kazakhstan	USD 200 million
5.	Mexico	USD 500 million
6.	Morocco	USD 150 million
7.	Philippines	USD 250 million
8.	South Africa	USD 500 million
9.	Thailand	USD 300 million
10.	Turkey	USD 250 million
11.	Ukraine	USD 350 million
12.	Vietnam	USD 250 million
13.	Middle East and North Africa Plan for CSP	USD 750 million

Revision of CTF Investment Plan for Thailand

5. To date, one endorsed investment plan has been revised which has led to a decrease in the request for CTF funding under Phase I. The Trust Fund Committee endorsed the revised

investment plan for Thailand in March 2012, and agreed to an indicative envelope of up to USD 170 million in CTF funding to finance the revised plan, thereby releasing USD 130 million from the indicative allocation of USD 300 million to the original Investment Plan for Thailand.

Phase II of CTF Funding

6. Three country investment plans were endorsed by the Trust Fund Committee for funding from Phase II resources. These plans and the indicative envelope of funding available for each plan are as follows:

1.	Chile	USD 200 million
2.	India	USD 775 million
3.	Nigeria	USD 250 million

7. To date, an amount of USD 416 million (34%) has been allocated for financing priority activities identified by each country under the three investment plans.

III. CASES WHEN FUNDS MAY BE RELEASED

8. Existing CTF policies and procedures, summarized below, provide a framework in which to consider when and how CTF investment plans, programs and projects may be modified, amended or cancelled thereby potentially making funds available.

Modifications, amendments and other changes to endorsed investment plans

9. In accordance with the *Clean Technology Fund Guidelines for Investment Plans*, an investment plan is to be considered a dynamic document, with the flexibility to consider changing circumstances and new opportunities. The guidelines further state that “[i]t would require re-submission to the Trust Fund Committee in the event of changes in the sector or sub-sectors selected for CTF support, or requested increases in the resource envelope.”

10. In line with the existing guidelines, any change to an investment plan deemed to be strategic by the country or the MDBs should be presented to the Trust Fund Committee for review and endorsement. In particular, guidance and endorsement from the Trust Fund Committee will be sought, through a decision by mail, for the following types of change to an investment plan:

- a) increasing the resource envelope for an investment plan;
- b) adding, dropping, or shifting resources between sectors or sub-sectors by more than 15 percent of the funding envelope of an investment plan or by more than USD 30 million, whichever is lower; and
- c) shifting resources between the private and the public sector.

11. The Trust Fund Committee is to review the revised investment plan and consider whether or not to endorse the proposed changes. If the proposed changes are endorsed by the Trust Fund Committee, the pipeline will be updated accordingly.

12. If the proposed changes are not endorsed, the Trust Fund Committee may propose an alternative way forward, in consultation with the concerned country and MDBs. Such proposals will indicate whether the projects and programs concerned will be removed from the pipeline, whether the associated resources will be made available from the funding allocation to the investment plan, and, in the case of funding being made available, how they may be used.

13. In the event that funding is made available from an investment plan, the Trust Fund Committee may consider as a first option to keep the released resources available to the country for funding of new projects or programs for that country or region within the scope of a revised investment plan to be endorsed by the Trust Fund Committee.

14. Other options for programming the resources that are made available may include:

- a) reallocating the released resources for another endorsed investment plan to fund projects and programs therein; or
- b) reserving the released resources for a new investment plan.

15. Furthermore, the above process of making resources available and subsequently programming such resources at the level of an investment plan **also apply to projects or programs not approved by the Trust Fund Committee** upon submission (or resubmission, if applicable) or withdrawn by the countries and MDBs.

Modifications, amendments and cancellation of approved projects and programs

16. Once a project or program is approved by an MDB, as provided in the *CTF Financing Products, Terms and Review Procedures for Public Sector Operations*, each MDB will administer CTF loans in accordance with its policies and procedures. Under this principle, each MDB will follow its procedures regarding cancellation of approved projects. If an MDB cancels or modifies a project resulting in a “savings” of CTF resources, any unused CTF funds are to be returned to the CTF Trust Fund.

CTF pipeline management

17. At its meeting in May 2012, the Trust Fund Committee agreed to the following milestones and targets to monitor delivery of CTF projects. These targets should ensure that the Trust Fund Committee, recipient countries and the MDBs keep the CIF pipeline under continuous review and, when targets are not met, should ensure that appropriate information is provided to the Trust Fund Committee to facilitate a discussion on whether allocations and approved funding are being utilized effectively.

- 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 **24 months** from the date of endorsement of the investment plan.

If delay is expected for the submission of any project or program for CTF funding approval exceeding 24 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.

- b) **MDB approval.** Submission of appraised projects for MDB approval should be **no later than 9 months after CTF funding approval**¹. 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.
- 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.
- d) **Project disbursement.** The MDBs will monitor project disbursement closely and report to the Trust Fund Committee. If significant delay occurs, the Trust Fund Committee may communicate to the senior management of the MDB and request appropriate actions to be taken to expedite project disbursement.

IV. CONSIDERATIONS FOR RELEASING INDICATIVE ALLOCATIONS/COMMITTED FUNDS

18. The Trust Fund Committee is requested to make decisions with regards to: (a) when resources that are made available can be released; and (b) how the released resources may be utilized.

Release of Resources

19. The possible reasons that can make resources available were described above (revised investment plans; or program/project modification or cancellation). It is proposed that when resources are made available due to any of these reasons, then

Option A1: The resources made available are immediately released.

Option A2: Resources made available are released only once it is assured that, according to the CTF pipeline, there are sufficient resources to cover the

¹For private sector programs, the provision under the CTF pipeline management guidelines apply.

projects/programs to be submitted to the Trust Fund Committee during the following six months (i.e., some of the resources that are made available may be restricted in order to cover any impending shortfall risk).

Utilization of Released Resources

20. When resources are released, they may be utilized in two ways:

Option B1: Released resources are utilized to fund Phase I, Stage 2² investment plans. Any Phase I countries may propose Stage 2 activities and request Stage 2 funding when submitting an update or a revised investment plan to the Trust Fund Committee. A proposed set of criteria for allocating Stage 2 resources among Phase I countries is described below.

Option B2: Released resources are utilized to fund Phase II investment plans. In this case, these resources would be utilized in the same way as new contributions, and the same rules already defined by the Trust Fund Committee would be followed (in particular, the procedures for releasing a new tranche).

Criteria for allocating Stage 2 resources among Phase I countries

21. If the Trust Fund Committee agrees to Option B1, it is suggested that the main criterion for allocating Stage 2 resources among Phase I countries would be having a high percentage of disbursement of Stage 1 resources [from the CTF] [from all resources] under the endorsed investment plans. Stage 2 investment plans would need to show how they build on the results of Stage 1 projects/programs, and priority would be given to innovative investment plans and to those that provide a high leverage of private sector resources.

Decision on the use of resources beyond Phase II

22. Once the CTF reaches the point when sufficient resources are available to fund the three Phase II investment plans, the Trust Fund Committee will need to make a decision on whether additional resources (new contributions and/or resources made available from Phases I and II) would be utilized to fund the investment plans of additional countries (Phase III) and/or Stage 2 investment plans for Phase I and II countries.

² Stage 2 will be comprised of projects and programs beyond those endorsed in the initial or revised investment plan that will require additional CTF funding.