



Meeting of the CTF Trust Fund Committee

Wednesday November 8, 2023

PROPOSAL FOR CTF SUPPORT OF REI INVESTMENT PLANS



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PROPOSED DECISION

- (i) The CTF Trust Fund Committee welcomes the analysis on whether and how unendorsed REI investment plans from CTF countries could be considered for endorsement under CTF and agrees with its conclusions, noting that any REI investment plan proposed to be funded with CTF resources would need to meet REI investment criteria, including results frameworks, indicators, and a resource ceiling of USD 70 million, as well as CTF investment criteria, including restrictions on grant use. The Committee invites India, Indonesia, Turkiye, and Ukraine to submit their REI investment plans to CTF for consideration or to request an extension before November 30, 2023.

1 Introduction

1. At its June 2023 Trust Fund Committee meeting, the CTF Trust Fund Committee (TFC) briefly discussed the current resource constraints of the Strategic Climate Fund's Renewable Energy Integration (REI) Program. The REI program was developed in response to calls for increased climate finance flows to prepare national and regional energy systems to absorb increased levels of renewable energy generation. Demand for the program was very strong from the outset, attracting 54 total expressions of interest (EoIs) submitted, including 50 country-level and four regional ones, covering 60 countries in total.
2. The Global Climate Action Program (GCAP) Sub-Committee invited ten applicant countries to develop investment plans (IPs) in October 2021. The top five ranked countries (Phase 1) were asked to prepare IPs with "an indicative allocation of up to USD 70 million" while funding for the remaining five countries (Phase 2) were invited to prepare IPs "to be supported based on resources availability¹." The total amount of available resources at the time was approximately USD 300 million (the exact amount varies due to exchange rates). Of the ten REI countries, Colombia's IP was endorsed for USD 70 million in February 2023, Brazil's IP was endorsed for USD 70 million in June 2023, and Mali's IP was endorsed in principle in June 2023, but has not yet received a final allocation. Two other countries, Costa Rica and Fiji, submitted IPs for discussion at the November 2023 TFC meetings. All other REI countries have until the extended deadline of November 30, 2023 to submit their IPs, barring additional extension requests.
3. Recognizing the serious constraints on resources in REI along with the overlap of countries and the complementary of objectives between CTF and REI, the TFC discussed in its last meeting in June 2023 whether some REI IPs could be eligible to be supported with CTF resources. The TFC invited the CIF Secretariat "to explore whether and how CTF resources could be used to support projects in or related to REI Investment Plans currently under preparation by countries that have an approved CTF investment plan," provided that the relevant countries' REI IPs met the requirements of CTF IPs, other relevant CTF policies, and are able to be financed only by concessional loans. The GCAP Sub-Committee subsequently acknowledged the TFC's request and noted that a decision from the TFC would be considered in the rightsizing analysis it requested to help allocate the remaining resources in the REI program.

¹ The Inaugural GCAP Subcommittee co-chairs summary containing this decision text is available [here](#).

4. This document responds to the request of the TFC with a brief analysis of the possibilities for unendorsed REI IPs from CTF countries² (CTF-REI IPs) to be considered for endorsement under CTF. The analysis is limited to funding country IPs with CTF resources and does not address the possibility of funding individual REI projects through the Global Energy Storage Program (GESP) or the CTF Futures Window. Rather, it describes the process and requirements for IPs to be submitted to the CTF, if the TFC invites some REI countries to do so.
5. The CIF Secretariat's view is that this IP-based approach is the simplest and most straightforward way to enable REI countries to be supported by CTF resources. Other approaches were considered. One alternative could be to split project pipelines for all REI IPs between public sector operations to be supported by REI and private sector operations to be supported by CTF, but this would require knowing what is in every country's pipeline before they are finalized. Another approach could allow the GCAP Subcommittee to approve all REI IPs, then have it request the TFC to approve projects under those IPs. This approach would create additional hurdles that could slow down project approval and potentially result in misalignment between the positions of the TFC and the GCAP Subcommittee. The proposal articulated below represents CIF Secretariat's assessment of the most efficient approach.

2 Requirements for IP submission to CTF

6. To access CTF resources, countries must prepare an investment plan for the use of the resources, in accordance with the requirements of the [CTF Governance Framework](#):
"Allocation of CTF financing will be approved by the Trust Fund Committee. Countries accessing CTF financing will prepare an investment plan for the use of CTF resources in major sectors of the economy through a joint MDB program." (Paragraph 11(a))
7. In practice, the process for developing a CTF IP was initiated when countries were invited to prepare one by the TFC. There are no prerequisites specified in the CTF Governance Framework or the [CTF Guidelines for Investment Plans](#) that must be met before the TFC can invite a country to submit an IP for consideration. Further, nothing prevents the TFC from considering endorsement or approval of an IP that was developed under another program.
8. The TFC indicated through its decision its interest in supporting some but not all REI IPs by restricting the analysis to "countries that have an approved CTF investment plan." Of the current REI countries, five have approved CTF IPs (Colombia, India, Indonesia, Turkiye, and

² In accordance with the TFC request and for the purposes of this paper, CTF countries are defined as those countries that have previously submitted and approved CTF IPs.

Ukraine) with only one of those IPs (Colombia) endorsed under REI. Thus, the countries that are eligible to have their REI IPs supported by CTF resources in this proposal are India, Indonesia, Turkiye, and Ukraine.

1.1. Investment Criteria

9. Since REI IPs have been developed under the REI Program, there would be no changes to the guidelines that have governed them to date. In addition, CTF-specific policies and procedures would apply to any REI IPs that are funded with CTF resources. In particular, any IP presented for approval would need to conform with both the investment criteria established in the REI design document and the investment criteria required for all CTF investments, as articulated in the CTF investment criteria guidelines for public sector³ and private sector⁴ operations.
10. Overall, the CTF and REI investment criteria are very well aligned. For comparison, see Table 1 below. One area of slight difference is on GHG emissions, where CTF’s governance framework and investment guidelines identify “significant potential” for long-term GHG emissions savings as a key objective, with CTF IP guidance⁵ noting that “higher priority will be given to investment proposals that have greater emissions reductions potential.” REI investment criteria calls for the “greatest GHG abatement opportunity available in the target context.”

Table 1. Summary of Investment Criteria for CTF and REI

| REI (2021) | CTF - ACT (2023) | CTF - Futures Window (2022) | CTF Public (2009) + Governance Update (2014) | CTF Private (2012) |
|---|---|---|---|--|
| Potential for GHG emissions reduction/avoidance, noting "each project should seek to achieve the greatest GHG abatement opportunity available in the target context." | Potential for GHG emissions reduction/avoidance | Potential for GHG emissions reduction/avoidance | Significant potential GHG emissions savings, noting "higher priority will be given to investment proposals that have greater emissions reductions potential." | Significant potential GHG emissions savings, as outlined in the CTF public sector guidelines |

³ Available here: https://www.cif.org/sites/cif_enc/files/meeting-documents/ctf_investment_criteria_public_sector_final.pdf.

⁴ Available here: https://d2qx68gt0006nn.cloudfront.net/sites/cif_enc/files/meeting-documents/private_sector_operational_guidelines_revised_oct2012_0.pdf.

⁵ Available here: https://d2qx68gt0006nn.cloudfront.net/sites/cif_enc/files/meeting-documents/ctf_guidelines_investment_plan_revised_after_approval_of_disclosure_policy_final.pdf.

| Potential for transformational change | Potential for transformational change | Potential for transformational change | Demonstration potential at scale (2009) Finance transformational actions (2014) | Demonstration potential at scale |
|--|--|---|--|---|
| Financial effectiveness (value for money, with assessment of need for concessionality, etc.; mobilization potential) | Financial effectiveness (value for money, mobilization potential) | Financial effectiveness (value for money, mobilization potential) | Cost-effectiveness | Cost effectiveness |
| | | | Additional costs and risk premium | Additional costs and risk premium |
| Implementation potential | Implementation potential | Implementation potential | Implementation potential | Implementation potential |
| Development impact potential | Development impact potential | Development impact potential | Development impact potential | Development impact potential |
| Potential to significantly contribute to the principles of just transition | Potential to significantly contribute towards a holistic, integrated, socially inclusive and gender equal just transition | Potential to significantly contribute to the principles of just transition | - | - |
| Gender equality and social inclusion impact | | Gender equality and social inclusion impact | - | - |
| - | - | - | - | Financial sustainability |
| - | - | - | - | Effective utilization of concessional finance |
| - | - | - | - | Mitigation of market distortions |
| | | | | Risks |

11. Additionally, as requested by the TFC, REI investment criteria are roughly the same as the Accelerating Coal Transition (ACT) and Futures Window criteria, and projects funded under CTF-REI IPs would need to demonstrate they meet criteria on just transitions, gender and social inclusion, and transformational change.⁶ Any private sector projects brought forward under REI IPs funded by CTF must to include information on (i) financial sustainability, (ii) effective utilization of concessional finance, (iii) mitigation of market distortions, and (iv) risks, much of which is covered by REI investment criteria.
12. Further, any REI IP funded by CTF could only be supported by concessional loans, in alignment with the June 2023 TFC decision. If grants are needed to execute any component of a CTF-funded REI IP, then those can be included in the IP, but funding would have to be

⁶ The 2009 CTF public investment criteria includes “demonstration potential at scale” and the 2014 CTF revised governance framework mentions the objective “to finance transformational actions.” Building on this, as the criteria have evolved across CIF programs, this criterion is now referred to as “potential for transformational change”. This is also consistent with investment criteria for ACT and CTF Futures Window projects.

taken from the implementing MDB’s grant allocation as established by the June 2023 TFC decision on grant limits in FY24. Moreover, endorsed IPs would be subject to CTF grant use restrictions established in future years.

3 Availability of CTF Resources

13. CTF is well-positioned to support four CTF-REI IPs with a ceiling of USD 70 million each over the time period during which approvals and disbursements of projects can be reasonably projected. There are sufficient resources currently available to fully fund them, though there would be trade offs with other priorities previously articulated by the TFC. It is important to note, however, that of the four eligible countries in this proposal, none have submitted an IP for consideration at the November TFC meeting, and it is possible that one will submit an IP by the November 30 deadline. This is an important consideration for the TFC because it means that the earliest a CTF-REI project could be expected to request funding is late spring 2024, when it is possible that more resources are available through cancellations and potentially CCMM. Previous experience shows that it is more likely that CTF-REI projects may begin requesting resources in the latter half of 2024 (also the first half of FY25) if an IP is endorsed at an intersessional TFC meeting in spring 2024.
14. There are two types of currently available resources: cancelled resources and US loan contributions. Table 2 below shows the amount available from each. The TFC has decided that cancelled resources accumulated after July 2020 be distributed 50 percent to support GESP projects and 50 percent to support Futures window projects, but the TFC could redirect these resources to support CTF-REI IPs at its discretion. There are USD 330 m in cancelled resources available for programming between the two windows.

Table 2. CTF Resources available to support CTF-REI IPs

| Currently Available Resources | |
|-------------------------------|-----------------|
| Cancellations | 330.20 |
| US Parallel Fund | 1,427.47 |
| TOTAL | 1,757.67 |
| Anticipated Future Resources | |
| CCMM Liquidity | 2,879.80 |

15. Additionally, the US has made significant contributions to CTF over the past two years, all of which could technically be used to support CTF-REI programming. While the first US contribution of USD 951 m was made in support of ACT, the contribution agreement allows for those resources to be used to support other CTF operations if needed. And while it has

not yet been announced publicly, the US also recently finalized an additional contribution of USD 568 m that has not been indicatively allocated to any CTF programming. In total, there are more than USD 1,750 m in resources that could support fast-moving CTF-REI projects in FY24.

16. Looking beyond the immediate term, CIF Secretariat anticipates there may be significant resources mobilized by CCMM to support CTF-REI IPs. By the end of summer 2023, all TFC members and MDBs confirmed that the enhanced liquidity policy, which will mobilize the majority of non-disbursed CTF resources currently set aside by TFC project approvals, would be part of the final structure of CCMM. This means that as soon as CCMM is fully approved, its liquidity base will be available for programming. The CCMM financial model currently projects that roughly USD 2,880 m in resources could be ready for programming upon CCMM's launch, which is expected some time in 2024. These would be in addition to cancellations and flexible US contributions.

4 Proposal for REI IP consideration under CTF

17. The CIF Secretariat proposes that the TFC invite those CTF countries that are currently preparing REI IPs (India, Indonesia, Türkiye, Ukraine) to submit them for consideration and approval under CTF. Any REI IP proposed under CTF would be subject to the same parameters it had under REI, including results frameworks, indicators, and a resource ceiling of USD 70 million. Additionally, any proposed IP would also need to meet the CTF investment criteria described in the previous section, including restrictions on grant use.
18. Projects approved and implemented under CTF-supported REI IPs will be CTF operations from a financial perspective, though they will contribute to REI program objectives, learning, and results similar to REI IPs supported by REI resources. Arrangements and details for monitoring and reporting approaches and processes will need to be addressed following approval of this proposal. Decisions by the GCAP Subcommittee that have implications for CTF supported REI IPs would need to be taken up and considered by the TFC. REI IPs would have access only to either CTF or REI resources; they would not be able to access resources from both trust funds simultaneously.
19. All REI countries need to submit their IPs by the extended deadline established by the GCAP Subcommittee or request an extension before that deadline, currently set for November 30, 2023, indicating whether they seek funding from CTF or REI resources.



The Climate Investment Funds

The Climate Investment Funds (CIF) were established in 2008 to mobilize resources and trigger investments for low carbon, climate resilient development in select middle and low income countries. To date, 14 contributor countries have pledged funds to CIF that have been channeled for mitigation and adaptation interventions at an unprecedented scale in 72 recipient countries. The CIF is the largest active climate finance mechanism in the world.

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