

CLIMATE INVESTMENT FUNDS

CTF/TFC.13/3
June 5, 2014

Meeting of the CTF Trust Fund Committee
Montego Bay, Jamaica
June 26, 2014

Agenda Item 3

CTF SEMI-ANNUAL OPERATIONAL REPORT (SUMMARY)

PROPOSED DECISION

The CTF Trust Fund Committee reviewed document CTF/TFC.13/3, *CTF Semi-Annual Operational Report*, and takes note of the progress that has been made in advancing the work of the CTF. The Committee welcomes the report's strategic overview of the CTF and the analysis of the trends of the approved projects. The Committee notes with appreciation the recent acceleration of project preparation and approvals.

I. INTRODUCTION

1. This semi-annual operational report provides an update to the Trust Fund Committee on the status of operations of the Clean Technology Fund (CTF). The report covers the period from September 16, 2013 to March 31, 2014.

II. STATUS OF THE CTF

Program Overview

2. To date, the Trust Fund Committee has endorsed 16 investment plans, including 15 country plans and one regional program, with a total indicative allocation of USD 5.5 billion in CTF funding to 108 projects and programs. Altogether 17 middle-income countries are participating in the CTF.

3. In addition to the country and regional investment plans, at the October 2013 meeting, the Trust Fund Committee endorsed Phase I of the Dedicated Private Sector Programs (DPSP) and approved two program proposals: a) Utility-Scale Renewable Energy, and b) Renewable Energy Mini-Grids and Distributed Power Generation. Under DPSP Phase I, USD 150 million has been allocated to seven projects and programs.

4. As of March 31, 2014, 57 projects and programs totaling USD 3.3 billion in CTF funding have been approved by the Trust Fund Committee, of which 39 projects and programs totaling USD 2.3 billion have also been approved by the respective MDBs.

Key Emerging Strategic Issues

5. FY14 has seen an accelerated development of CTF projects and programs. The total amount of CTF funding approval during FY14 will reach close to USD 1.4 billion, exceeding the level of funding approval during any of the previous fiscal years. Enhanced pipeline management measures, including over-programming, merging Phase I and Phase II countries, adding DPSP Phase I (as a result of over-programming) in the pipeline, as well as increasing pressure of resource constraints all have contributed to the record level funding approval during FY14.

6. In the meantime, there have been no new contributions to the CTF except for those intended for the DPSP, and very few projects and programs have been dropped from the CTF pipeline and previous stalled projects have been replaced new projects as part of the revision of the investment plans. Consequently, there will likely be a shortfall of available CTF resources beginning in early 2015 to fund projects and programs under the current CTF pipeline from the endorsed investment plans, especially if DPSP Phase II is endorsed and projects and programs therein enter the CTF pipeline.

III. CTF UPDATES SINCE LAST REPORT

Endorsement and Revisions of Investment Plans

7. Among the 13 CTF investment plans endorsed between January 2009 and March 2010, all have gone through revisions resulting in endorsed revised plans. Additionally, during the current reporting period, second revisions of the investment plans for Morocco and Vietnam were endorsed by the Trust Fund Committee. The Middle East and North Africa Program on Concentrated Solar Power (MENA-CSP) is expected to propose a second revision of the investment plan for endorsement at the upcoming Trust Fund Committee meeting in June 2014.

8. Among the three investment plans endorsed since October 2010, Chile's revised investment plan was endorsed in October 2013. Nigeria, whose investment plan was originally endorsed in November 2010, has submitted a revised investment plan for endorsement at the June 2014 meeting. India plans to submit a revised investment plan for endorsement in FY15.

Approval of Funding for Projects and Programs

9. During the current reporting period from September 16, 2013, to March 31, 2014, six new projects/programs were approved by the Trust Fund Committee, with a total allocation of USD 451 million in CTF funding. Four of them are public sector projects (USD 251 million) and four are private sector programs (USD 200 million).

10. Subsequent to the cut-off date of March 31 for this reporting period, 16 projects/programs totaling USD 620.5 million have been submitted for funding approval; 11 have been approved already. Of these projects, USD 74.3 million are associated with DPSP.

MDB Approvals

11. During the current reporting period, six new projects and programs totaling USD 183 million in CTF funding have been approved by the MDBs. Two of them are public sector projects and four are sub-projects of private sector programs.

IV. PORTFOLIO OVERVIEW AND ANALYSIS

Portfolio Overview

12. The CTF portfolio currently includes 108 projects and programs under the endorsed investment plans and seven projects/programs under DPSP Phase I. As of March 31, 2014, 57 CTF projects and programs have been approved by the Trust Fund Committee totaling USD 3.3 billion in CTF funding. These projects are expected to leverage USD 27.5 billion in co-financing¹ from governments, MDBs, private sector, bilateral agencies, and other sources.

¹ Excluding development policy loan, see co-financing section for details.

Under these 57 projects and programs, 39 (USD 2.3 billion) have been approved by the MDBs and 17 are awaiting MDB approval.²

Proposed Submissions for FY15

13. Looking forward, for FY15 the MDBs expect to submit 27 projects and programs totaling USD 922.3 million in CTF funding .

Tracking Project Delivery

14. 48 CTF projects and programs are being tracked for progress toward submission to the Trust Fund Committee for funding approval (Milestone 1). Among them, 24 projects receive a green light, 6 projects yellow and 18 projects red. Of the 17 projects that have been approved by the Trust Fund Committee but awaiting MDB approval (Milestone 2), the traffic light is green for 1 project, yellow for 4 projects, and red for 12 projects.

Portfolio Analysis by Sector/Technology

15. Compared with the previous report, the share of renewable energy, transport, and smart grid remain largely unchanged. The share of energy efficiency increased from 14 to 17 percent in the current report, and the share of mixed renewable energy/energy efficiency decreased from 10 to 7 percent.

Regional Distribution

16. CTF funding distribution by region shows that 28 percent of the total approved funding is in Africa, 35 percent in Asia, 20 percent in Latin America, and 17 percent in Europe and Central Asia.

Disbursements

17. CTF disbursements during the first half of FY14 (i.e., July to December 2014) totaled USD 44.9 million, bringing cumulative CTF disbursements to USD 624.1 million. This represents a significant slowdown compared with the USD 215 million in CTF resources disbursed during the second half of FY13. However, this appears to be a temporary phenomenon, and disbursements tend to pick up during the second half of the fiscal year.

² For private sector programs, MDB approval includes any program for which at least one sub-project has been approved by an MDB. *Impact Assessment of CTF in Renewable Energy and Energy Efficiency Market in Turkey*, (IBRD) is not subject to MDB approval.

V. STRATEGIC ANALYSIS

Resource Situation during FY15

18. Given the accelerated funding approvals and over-programming, there is a projected shortage of CTF funds to meet the demand for commitment of CTF funds to the projects and programs expected to be submitted during FY15.

19. Under Scenario 1 (without DPSP II projects or resources), the CTF will likely face a shortfall of resources as early as October 2014, assuming that submission of the projects and programs in the pipeline will be on schedule. Under Scenario 2 (with DPSP projects and resources), demand for CTF resources will exceed supply starting in January 2015.