



Meeting of the CTF Trust Fund Committee

Washington D.C (Hybrid)

Tuesday, October 25 – Thursday, October 27, 2022

SUMMARY OF THE CO-CHAIRS

November 28, 2022

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Co-Chairs

Ms. Abigail Demopulos, United States
Mr. Rodrigo Fincheira, Dominican Republic

1. Agenda Item 1. Opening

1. The meeting was opened by the Co-Chairs of the CTF Trust Fund Committee, Ms. Abigail Demopulos from the United States representing the contributor countries, and Mr. Rodrigo Fincheira from Dominican Republic, representing the recipient countries, in the absence of **Mr. Martin Illescas** from **Argentina** who attended this meeting virtually due to work commitments.
2. Ms. Mafalda Duarte, Head of the CIF, informed the CTF Trust Fund Committee that Sweden has agreed to twin with Denmark in this Committee for the remainder of the term, which will expire in December 2023.

2. Agenda Item 2. Adoption of Agenda

3. The Trust Fund Committee adopted the provisional agenda set forth in document CTF/TFC.IS.3/01/Rev.1.

3. Agenda Item 3. South Africa (ACT) Investment Plan

4. The CTF Trust Fund Committee reviewed the *Accelerating Coal Transition (ACT) Investment Plan for South Africa* (document CTF/TFC.IS.3/03), thanked the Government of South Africa for the work it has done in preparing the Investment Plan and:
 - a) endorses the Investment Plan as a basis for the further development of the projects foreseen in the plan and takes note of the total requested funding of USD 500 million (USD 50 million in grant funding (inclusive of Project Preparation Grants and MPIS) and USD 450 million in loan financing) to support the following projects:
 - i. USD 350 million for the project “Retiring and Replacing Coal-based Power Generation Capacity”;
 - ii. USD 100 million for the project “Mpumalanga Community Development Project”; and
 - iii. USD 50 million for the project “Energy Efficiency, Distributed Generation and Community Generation Programs”,and
 - b) requests the Government of South Africa and the MDBs to take into account all comments submitted by Committee members, in the further development of the projects.

4. Agenda Item 4. Indonesia (ACT) Investment Plan

5. The CTF Trust Fund Committee, having reviewed *Indonesia Accelerating Coal Transition (ACT) Investment Plan* (document CTF/TFC.IS.3/04), thanks the Government of Indonesia for the work it has done to advance the Investment Plan and endorses in principle the Investment Plan, and takes note of the indicative allocation of USD 500 million, as approved in October 2021.

6. The Committee welcomes the discussion on the Investment Plan and requests the members of the Committee to submit written comments on the Investment Plan by November 4, 2022.
7. The Committee requests the Government of Indonesia to submit a revised Investment Plan, which takes into account the comments made by TFC members on the floor and in writing, including but not limited to, the following points:
 - (a) ensuring alignment with the scope of the ACT Program;
 - (b) a fuller discussion of how captive coal power generation affects overall power sector emissions;
 - (c) adjustments to emissions targets for consistency with those determined by the Government of Indonesia in other fora;
 - (d) elaboration of the synergies between MDB interventions; and
 - (e) an updated results matrix,for the Committee's further consideration.

5. Agenda Item 5. Presentation on Green Hydrogen

8. The CTF Trust Fund Committee welcomes the *Presentation on Green Hydrogen* from the MDBs.

6. Agenda Item 6. Update on CIF Capital Markets Mechanism (CCMM)

9. The Trust Fund Committee:
 - (a) acknowledging earlier decisions to pursue the CCMM proposal for maximizing the impact of the CTF through the development of new financing strategies to leverage contributions by raising additional finance in the capital markets;
 - (b) thanking IBRD Finance Partners for the technical document relating to the enhancements proposed by IBRD at its last meeting and thanking the CIF Administrative Unit and IBRD Finance Partners for the revised CIF Capital Markets Mechanism (CCMM) proposal;
 - (c) welcoming the progress made in respect of IBRD internal authorizations, including the approval from IBRD's Finance and Risk Committee for IBRD to act as trustee and treasury manager for the CCMM and the transition into the next phase of work on the CCMM proposal, to culminate in the presentation of the finalized CCMM proposal to the CTF TFC for approval as soon as possible;
 - (d) acknowledging that before the decision meeting of the CTF TFC, CTF stakeholders, including Contributors and the Implementing Entities, will need to provide the outcome of their respective analyses of the revised CCMM proposal, including a new capital markets-appropriate liquidity policy, and of the enhancements proposed by IBRD; and
 - (e) thanking the Implementing Entities for the information request submitted prior to this meeting,¹ welcomes further engagement between the Implementing Entities, the CIF

¹ The request is set out in Annex 1 to this Summary.

Administrative Unit, the Trustee and other IBRD Finance Partners to facilitate their analyses,

decided:

- (i) to request the CIF AU and the IBRD Finance Partners to provide to the Loan Contributors as soon as possible the financial model for the base case and pari passu enhancement, which confirms the capital adequacy of CCMM and calculates the liquidity and cash flows of the CCMM proposal;
- (ii) to request the Trustee to prepare, on an urgent basis, in consultation with the CIF Administrative Unit, the Contributors and the Implementing Entities, as appropriate:
 - (a) draft amendments to the Financial Procedures Agreements and annexes (including any other relevant documents) as necessary to give effect to the CCMM proposal;
 - (b) draft amendments to each Contribution Agreement as necessary to give effect to the CCMM proposal, including the CTF Standard Provisions and an explanatory summary of changes under the base case and pari passu enhancement;
- (iii) to request the CIF Administrative Unit to work together with the Trustee and other IBRD Finance Partners and Implementing Entities to advance preparations to launch and implement the CCMM during this next phase of CCMM development, including:
 - (a) preparing a timeline setting out the steps to implementation up to and including the first CCMM bond issuance targeting 2023;
 - (b) drafting amendments to the CTF Governance Framework necessary to give effect to the CCMM proposal;
 - (c) drafting the Pass-Through Agreement(s) as contemplated in the CCMM proposal and the Treasury Management Agreement and related Finance and Risk Management Framework;
 - (d) preparing details of expected reporting arrangements for the Implementing Entities and CCMM to support CCMM's filing requirements with a stock exchange, regulators and credit rating agencies; and
 - (e) drafting all other documentation that may be necessary to implement the CCMM for approval;
- (iv) to request Contributors to conduct any due diligence necessary to confirm their participation in CCMM;
- (v) to request the Implementing Entities to provide any necessary indicative endorsements, on the basis of information requested by Implementing Entities and provided by the CIF Administrative Unit, Trustee and other IBRD Finance Partners, prior to formalization of a CCMM proposal and approval by the Trust Fund Committee and the Implementing Entities;

- (vi) to request IBRD in its capacity as treasury manager to work together with the CIF Administrative Unit to prepare to engage the credit rating agencies to provide credit ratings for the CCMM issuer; and
- (vii) to request the CIF Administrative Unit, the Trustee and other IBRD Finance Partners and the Implementing Entities to prepare budgets for their costs to fulfil their proposed roles in the CCMM, including any start-up initial costs.

7. Agenda Item 7. Other Business

- 10. The CTF Trust Fund Committee noted that at their January 2022 meeting, the Joint Committees of the SCF and CTF approved dedicated resources under the FY22 Business Plan and Budget for the CIF Administrative Unit to convene a secretariat for the Just Energy Transition Partnership (JETP) in South Africa with the goal of finalizing the JETP Investment Plan by the end of 2022. This was following a request that the CIF AU perform a technical coordination role, to help facilitate support from the international partners group and key stakeholders, including multilateral and bilateral development finance institutions and the private sector for ambitious coal transition reforms and investments based on a multi-year framework.
- 11. The Committees welcomed the update on the JETP and recognizes the role of CIF AU in convening the JETP Secretariat and delivering the JETP IP, which was ultimately endorsed by the Government of South Africa in October 2022.
- 12. The Committees noted there are remaining approved funds that have not been used and further noted the interest expressed by some members of the Committees to use these funds to continue to support the JETP process as it transitions into its implementation phase. The Committees requested the Government of South Africa to submit a proposal for the use of remaining funds to support the JETP, including scope of work, roles and responsibilities and timelines for delivery for the CTF Trust Fund Committee's consideration. Subject to the approval of the CTF TF Committee of this proposal, the Joint Committees will be asked to approve the use of remaining funds for the JETP.

8. Agenda Item 8. Closing

- 13. The meeting closed at 10:30 a.m. on Thursday, October 27, 2022.

ANNEX 1

MDBs' request for information/material on CIF Capital Markets Mechanism (CCMM)

The Implementing Entities requested an information package as set out below:

*“On the **legal aspects**, provide (1) confirmation on the legal structure and security arrangements of the CCMM (including legal ownership of the Issuance Entity as well as the entity/ies the Implementing Entities will be expected to sign legal agreement(s) with), and to that effect, provide a revised draft Financial Procedures Agreement, including annexes; and (2) provide information on how MDBs' indemnification rights would function and be funded and provide confirmation that there will be no mandatory cross-default/cross-acceleration provisions between MDB funded loans and CCMM loans.*

*On the **reporting requirements**, provide confirmation on the disclosure and reporting arrangements, requirements, templates, timelines and audit needs as well as related cost implications, including for CTF1.0 legacy projects.*

*On the **liquidity policy**, provide confirmation (1) on additional risk(s), if any, the Implementing Entities are expected to take in comparison to the CTF's current modus operandi. To that end, provide clarification on how it will be ensured that cash is available at all times to meet disbursement obligations, including clarity on whether the 24-month cash reserve is a floor or a target amount; (2) provide draft commitment letter templates and information on what cash projection requests will entail, timelines and submission process; and (3) provide confirmation that the capital adequacy does not assume that CCMM funded loans would benefit from any preferred creditor status (PCS).”*



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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