

CLIMATE INVESTMENT FUNDS

May 27, 2015

Summary of the Co-Chairs
Meeting of the Clean Technology Fund Trust Fund Committee
May 12, 2015
Washington, D.C.

Co-Chairs

Mr. L.K. Atheeq, India
Ms. Kate Hughes, United Kingdom

AGENDA ITEM 1. OPENING

1. The meeting was opened by the Co-Chairs of the Trust Fund Committee, Mr. L.K. Atheeq and Ms. Kate Hughes.

AGENDA ITEM 2. ADOPTION OF AGENDA

2. The CTF Trust Fund Committee adopted the provisional agenda set forth in document CTF/TFC.15/1.

AGENDA ITEM 3. CTF SEMI-ANNUAL OPERATIONAL REPORT

3. The CTF Trust Fund Committee reviewed document CTF/TFC.15/3, *CTF Semi-Annual Operational Report* and takes note of the progress that has been made in advancing the work of the CTF.

4. The Committee further noted the importance of understanding the expected shortfall of resources and its potential impact on projects and programs under development in the CTF pipeline. In the context of the Committee decision on over-programming in May 2013, the Committee urged the MDBs to effectively utilize existing allocations and provide realistic assessments of delayed implementation. The Committee further requested the CIF Administrative Unit, in collaboration with the MDBs, to conduct a thorough review of the pipeline, including expected timelines of projects and any potential withdrawal, and present a clear picture on resource availability and the scale of the expected shortfall of resources within two months of the Committee meeting.

5. The Committee also requested the CIF Administrative Unit, in collaboration with the MDBs, to explore elements to be included in the existing pipeline management process, including, for example, a potential cancellation policy to be presented at the next Committee meeting.

6. With a view to the discussion on the strategic direction of the CIF at the next joint meeting, the Committee invited the CIF Administrative Unit, working with the MDBs and in consultation with Committee members, to present options to the Committee on alternative financing models and increasing resource availability in the CTF.

AGENDA ITEM 4. PROPOSAL FOR METHODOLOGY AND LEVEL OF SPECIFIC TARGET FOR THE MARGIN BETWEEN PROJECTED CTF NET INCOME AND PROJECTED LOAN LOSSES

7. At the CTF Trust Fund Committee meeting in June 2014, the Committee agreed to set a target for the margin between projected CTF net income and projected loan losses. At the November 17, 2014 meeting, the CTF Trust Fund Committee reviewed the *Proposal for a Specific Target for the Margin between Projected CTF Net Income and Projected Loan Losses*

and requested that the CIF Senior Risk Management Officer, once appointed, work with the Trustee, MDBs, and interested Committee members, to propose to the Committee an appropriate methodology and level of such a target at the next Committee meeting.

8. The CTF Trust Fund Committee reviewed the document CTF/TFC.15/4, *Review of Minimum Threshold Margin between CTF Projected Net Income and Projected Losses as a Key Risk Indicator*, and requests the CIF Administrative Unit, in collaboration with the Trustee, to:

- i. continue the work on the Enterprise Risk Management Dashboard to operationalize the dashboard as a reporting tool for key risk metrics by the end of November 2015. In proceeding with the work, the Committee requests the CIF Administrative Unit, in collaboration with the Trustee, to provide the Committee with an update and to solicit feedback from interested Committee members to further refine the dashboard by September 2015;
- ii. closely monitor and report on the margin between the CTF's projected net income and projected losses on outgoing CTF financial products¹ on a regular basis via the Enterprise Risk Management Dashboard. The CTF Trust Fund Committee agrees that establishing a target or minimum threshold for the CTF margin is unnecessary at this time; and
- iii. commence stress testing using the CTF's cash flow model to determine the effects of stressed scenarios on the CTF's projected net income and projected losses, and report the results on a quarterly basis through the Enterprise Risk Management Dashboard.

AGENDA ITEM 5. PROPOSAL FOR PRICING POLICIES FOR THE CTF TRUST FUND

9. At the inception of the CTF, it adopted lending terms similar to the IDA for its public sector loan operations as the IDA's terms were regarded as offering the appropriate balance in the concessionality of funding.

10. At the November 17, 2014 meeting, the CTF Trust Fund Committee reviewed the *Proposal for a Specific Target for the Margin between Projected CTF Net Income and Projected Loan Losses*. A key issue arising from the discussions was the flexibility of the CTF's current lending terms, and the potential impact of changes in these terms on the CTF's projected net income/loan losses and margin. The Committee requested that the CIF Administrative Unit, working with the MDBs and the Trustee, prepare a paper on pricing policies for the CTF.

¹ Details on the calculation of the CTF net income and losses on outgoing CTF financial products are as set forth in the Principles regarding Contributions to the Clean Technology Fund, attached to the Contribution and Loan Agreements/Arrangements between the CTF contributors and the Trustee, as may be amended from time to time.

11. The CTF Trust Fund Committee reviewed documents CTF/TFC.15/5, *Proposal for Pricing Policies for the CTF Trust Fund*, and agrees that:

- i. the CTF should not change its lending terms for public sector operations at this time; and
- ii. the CIF Administrative Unit and Trustee should continue to monitor the CTF's lending terms and review these terms again in two years' time.

AGENDA ITEM 6. OTHER BUSINESS

12. No other decision items were raised by the CTF Trust Fund Committee.

AGENDA ITEM 7. CLOSING

13. The meeting was closed on Tuesday, May 12, 2015.