

# CLIMATE INVESTMENT FUNDS

CTF/TFC.21/3  
May 21, 2018

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Meeting of the CTF Trust Fund Committee  
Washington, DC  
Wednesday, June 6, 2018

## **CTF SEMI-ANNUAL OPERATIONAL REPORT (SUMMARY)**

**PROPOSED DECISION**

The Trust Fund Committee reviewed document CTF/TFC.21/3, CTF Semi-Annual Operational Report, and welcomes the progress that has been made in advancing the work of the CTF.

The Committee requests the CIF Administrative Unit and the MDBs to continue to monitor the projects and programs for which CTF funding has been approved, including those that are stalled and funding from which could be made available for future CTF programming.

## 1 Introduction

1. This report provides an update on the status of the Clean Technology Fund (CTF), the portfolio of the CTF-funded programs and projects under endorsed investment plans, the Dedicated Private Sector Programs (DPSP), and related activities. This report covers the period from July 1 to December 31, 2017. Fiscal year refers to July 1 to June 30 period.

## 2 Strategic issues

### 2.1 New financing modalities

2. Significant progress on the CTF 2.0 general obligation approach was achieved in November 2017 with the receipt of the positive credit rating assessment reports from Moody's and S&P. The indicative investment-grade ratings were **AA from S&P** and **Aa3 from Moody's**. These independent credit evaluations of the CTF 2.0 business, operating, and financing modalities by two preeminent credit ratings agencies reinforce the assessment that the general obligation borrowing approach is viable and will enable CTF to cost effectively raise funds in the capital markets to continue supporting investments in clean technologies at scale **without seeking additional donor contributions**.
3. Furthermore, CIF Administrative Unit has continued to conduct detailed due diligence with internal World Bank treasury, development finance and risk teams to test the key assumptions and different scenarios with respect to CTF's financial characteristics (capital adequacy, liquidity, leverage, provisioning, forex and interest rate risk, etc.), operational scale and indicative terms for deployment. Similar conversations have been underway with the other MDBs to obtain their feedback and input on pricing of programs and projects to ensure that the level of concessionality (both for public and private sector) for CTF 2.0 are realistic and feasible.
4. In addition, Deloitte has completed a draft accounting opinion regarding the appropriate accounting treatment to be followed by the CTF note-issuing company (the CTF Issuer) under CTF 2.0. Further work is underway to prepare additional financial information for use by the Treasury Manager and the MDBs to support the CTF 2.0 financial reporting framework, including pro-forma financial statements and select disclosures expected of the CTF Issuer.

### 2.2 Resource availability

5. As of March 31, 2018, out of the USD 520 million for DPSP III endorsed in December 2017, USD 70 million has been presented for approval by the Trust Fund Committee, while the remaining USD 450 million is currently under preparation. Further, between July 1, 2017 and March 31, 2018, the MDBs have informed the Trustee and the CIF Administrative Unit about a number of cancellations of funding approved by the Trust Fund Committee for a total of USD 96 million.

- Based on the above, and the latest resource availability schedule, USD 527 million in potential resources is currently available *excluding* the projected investment income and the projected administrative budget.

### 2.3 DPSP III: Business Development Facility

- At the December 2017 meeting, the CTF Trust Fund Committee endorsed the proposed *CTF Dedicated Private Sector Program III* (DPSP III), including the Business Development Facility (BDF). Furthermore, the Committee requested the MDBs to submit for approval the BDF proposal. In April 2018, the CTF Trust Fund Committee approved 18 proposals submitted by the MDB under the BDF for a total of USD 14.51 million in CTF funding. Almost half of the funding will support renewable energy technologies, and a third will go to sustainable transport activities.

## 3 Status of the CTF

### 3.1 Portfolio overview and trends

- The CTF portfolio and pipeline consists of 109 projects and programs from 16 endorsed investment plans, including the regional MENA CSP IP, and the DPSP, totaling USD 4.9 billion in CTF funding. Implementation of investment plans and DPSP has been advancing steadily as is evident through the increased amount of funding approved by the MDB Board as well as through the increased rates of disbursement since last reporting.

**Table 1: Overview of CTF portfolio** (as of December 31, 2017)

	Approved funding		Disbursement
	Committee	MDB	
CTF Funding (in \$M)	4,912.80	4,215.60	2,129.77
Number of projects	109	95	75

### 3.2 Portfolio updates

- During the current reporting period, two public sector projects and eight private sector sub-projects, with USD 95 million in CTF funding, were approved by the MDBs. As of March 2018, eleven projects/sub-projects, with USD 96 million in approved funding, were submitted for cancellation by ADB, AfDB, IDB, and IFC.

### 3.3 Disbursements

- As of December 31, 2017, MDBs have disbursed close to USD 2,130 million to date for 75 projects/programs. Disbursements, as a percentage of MDB approvals, have shown an upward trend over the past three years, moving from 32 percent in FY14 to 51 percent as of the first half of FY18. Increased rate of disbursement means more resources on the ground,

which normally implies implementation progress. Further, thirty-two projects/programs equivalent to USD 1,302 million in CTF commitments have fully disbursed.

## **4 Cross-cutting themes**

### **4.1 Gender**

11. *CIF Gender Policy* was approved by Joint Trust Fund Committees in January 2018. The new Policy serves as governance framework for gender integration in the CIF and its procedures, program design and implementation, and staffing and budgeting. It introduces the category of gender representatives within the CIF observer structure, among other innovations.

### **4.2 Evaluation and Learning (E&L) Initiative**

12. Several E&L activities are delivering findings related to key themes in CTF. This includes, for example, assessing the impact of concessional finance in leveraging private sector action in renewable energy, analyzing the role of the CIF programmatic approach in catalyzing sector-wide results, and exploring synergies and complementarities with other climate funds. The *Evaluation of the CIF Programmatic Approach* has delivered emerging findings on the use and relevance of this delivery modality for CTF, while the *Transformational Change Phase I Portfolio Analysis* identified key primary barriers addressed by CTF financing, demonstrating in particular its role and importance in providing risk-bearing capital.
13. Various other E&L activities implemented through the E&L Call for Proposals are also being undertaken and beginning to yield results. For example, an activity implemented by the World Bank CTF/SREP Focal Point Team to review the effectiveness of various financing instruments (namely, grants, concessional loans, and contingent financing, and where applicable, equity) in facilitating the mobilization of private capital for the scale-up of grid connected solar power, delivered early findings in FY18.
14. Other recently-launched E&L activities implemented through the *Call for Proposals* mechanism are evaluating role of concessional financing provided through the Clean Technology Fund (CTF) to overcome investments barriers and help scale-up low carbon technologies, both in past experience and in potential future markets, in collaboration with Bloomberg New Energy Finance (BNEF); opportunities and mechanisms for financing the scale-up of rooftop solar for the SME sector in India; and country-level lessons learned and experiences regarding complementarity and synergies amongst international climate funds. Additional information on these and other activities can be found in the Evaluation and Learning Special Initiative FY18 Annual Report and FY19 Work Plan.