

CLIMATE INVESTMENT FUNDS

CTF/TFC.11/3
April 15, 2013

Meeting of the CTF Trust Fund Committee
Washington D.C.
May 2-3, 2013

Agenda Item 4

CTF SEMI-ANNUAL OPERATIONAL REPORT

(SUMMARY)

PROPOSED DECISION

The CTF Trust Fund Committee reviewed document CTF/TFC.11/3, *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 strategic overview of the CTF and the analysis of the trends of the approved projects.

The Committee notes that a significant number of projects scheduled for submission to the Committee during FY13 were not submitted as proposed. The Committee further notes the project approval calendar for FY14, and urges the MDBs to work closely with the countries to expedite the preparation of the projects and submit the project proposals to the Committee for funding approval in the proposed timeframes.

The Committee further notes that a number of investment plans have recently been revised and that several more plans are expected to be updated or revised in the next six months. The Committee requests countries and the MDBs to make every effort to expedite the preparation of the projects and programs under the endorsed revised/updated plans and to advance the work of revising or updating the remaining plans in a timely manner.

The Trust Fund Committee requests the CIF Administrative Unit, working in collaboration with the MDBs, to prepare an analysis of reporting requirements for the CTF and recommend steps as to how they can be improved and made more efficient, and submit the analysis to the Committee for consideration at its meeting in November 2013.

I. INTRODUCTION

1. This report provides an update on the status of Clean Technology Fund (CTF) operations, including progress made since the last semi-annual report presented to the Trust Fund Committee in November 2012. The report covers the period from October 1, 2012 to March 15, 2013.

II. STRATEGIC OVERVIEW OF THE CTF

2. The CTF Trust Fund Committee endorsed the first three investment plans (Egypt, Mexico, and Turkey) in January 2009. Since then, the CTF has made considerable progress, moving rapidly from the development of investment plans to their implementation. Pledges and contributions to the CTF have grown from USD 4.5 billion when it was first established in 2008 to about USD 5.2 billion at present.¹ The Trust Fund Committee has so far endorsed 16 investment plans, covering 19 middle-income countries and emerging economies that hold great potential to achieve the objectives of the CTF.

3. Most of the CTF projects developed and approved during the first two years or so capitalized on the existing MDB pipeline and moved quickly to the submission and approval of CTF funding by the Trust Fund Committee. Development of many subsequent projects has experienced delays, however. In order to further improve the efficiency of delivering CTF projects, a new proposal for pipeline management will be presented to the Trust Fund Committee at the May 2013 meeting.

4. Experience from implementing the CTF over the past four years has demonstrated an unprecedented collaboration among the MDBs, including joint country programming to support countries to develop investment plans, jointly implement projects on the ground and co-financing, undertake lessons learning, and coordinate in the development of policies, guidelines, and new initiatives. Such collaboration among the MDBs has spread beyond the CTF and the Climate Investment Funds.

5. Looking forward, a number of areas merit attention. First, more attention can be devoted to emerging global themes where CIF intervention may make a difference in terms of cost, development of viable business models, and scale, such as CSP, geothermal, mini-grids, and energy efficiency. Second, more efforts should be made to encourage and support innovative business models to leverage private capital and introduce new models for business development. Third, CTF can benefit from more attention and resources devoted to project preparation and ongoing project support through technical assistance. Fourth, with respect to country programming, CTF/CIF has allowed countries to think programmatically about the key target sectors and across different sectors, but more should be done.

III. STATUS OF CTF FUNDING APPROVALS

6. During the current reporting period, three new projects, with a total request of USD 159.5 million in CTF funding, were approved by the Trust Fund Committee.

¹ Based on historical value of exchange rates. In current value using exchange rates of December 2012, total pledges are approximately USD 4.97 billion.

7. In total, as of March 15, 2013, 41 projects, including one from Phase II (Chile: Concentrated Solar Power), have been approved by the Trust Fund Committee for a total USD 2.3 billion in CTF funding. These projects are expected to leverage over USD 19 billion in co-financing and reduce approximately 600 million tons of CO₂.

8. In addition to project funding, the Trust Fund Committee approved five project preparation grants during the reporting period. In total, 14 project preparation grants of USD 11.1 million in CTF funding have been approved by the Trust Fund Committee.

9. The current level of funding approved by the Trust Fund Committee (USD 2.3 billion) represents about half of the total CTF allocations. Funding approval rates, however, vary a great deal among the endorsed investment plans. For Phase I investment plans, funding approval rates range from 14 percent to 100 percent.

10. As of March 2013, the Trust Fund Committee has endorsed revised investment plans for Vietnam (June 2011), Morocco (October 2011), Thailand (February 2012), Philippines (August 2012), Egypt (November 2012), and Turkey (November 2012). In addition, Indonesia has presented its revised investment plan to the Trust Fund Committee for endorsement through decision by mail expected in April 2013.

11. For the upcoming Trust Fund Committee meeting in May 2013, five updated/revised investment plans will be presented to the Committee for review: Colombia, Kazakhstan, MENA-CSP, Mexico, and Ukraine. Morocco, South Africa, and Vietnam plan to present their updated/revised investment plans at the Trust Fund Committee meeting in November 2013.

12. For Phase II investment plans (plus Turkey-2), a total of USD 667 million in CTF funding has been made available to finance the implementation of the prioritized projects: USD 416 million released as first tranche in August 2012 and USD 251 million released as second tranche in February 2013. Phase II funding has been allocated to four countries: Chile (USD 118 million), India (USD 375 million), Nigeria (USD 135 million), and Turkey-2 (USD 39 million).

IV. APPROVAL CALENDAR FOR FY14

13. Moving forward, the MDBs have proposed 22 projects, totaling USD 990 million in CTF funding, to be submitted to the Trust Fund Committee for approval during FY14. Given the upcoming revision of several investment plans and the discussion on measures to further enhance CTF pipeline management, changes in the proposed approval calendar will likely take place, which will be reflected in the next pipeline update.

V. ANALYSIS OF TRENDS OF TRUST FUND COMMITTEE APPROVED PROJECTS

14. Total CTF funding for the 41 projects approved by the Trust Fund Committee amounts to USD 2.3 billion. These projects are expected to leverage USD 19.2 billion in co-finance from the governments of the recipient countries (USD 3.2 billion or 17 percent), the private sector

(USD 7.0 billion or 37 percent), MDBs (USD 5.4 billion or 28 percent), and bilateral agencies and others (USD 3.6 billion or 19 percent). The overall CTF leverage ratio is 1:8.3.

15. CTF intervention has focused on three sectors: power generation from renewable energy, energy efficiency, and sustainable urban transport. Among the projects approved so far, renewable energy accounts for 65 percent of the total funding, followed by transport (15 percent) and energy efficiency (12 percent). Some projects, especially those targeting financial intermediaries, cover “clean energy” without breaking down renewable energy and energy efficiency; these projects account for another 6 percent of the CTF portfolio.

16. Within renewable energy, solar energy, mainly CSP, makes up the largest share (37 percent). CTF funding approved for CSP has amounted to USD 557 million, including projects in Chile, MENA (Morocco), and South Africa. The share of wind power projects makes up 26 percent, and geothermal 8 percent. In addition, another 30 percent of the projects finance a combination of renewable energy technologies (unspecified at the time of Trust Fund Committee approval).

17. Approximately 34 percent of the approved funding (USD 2.3 billion) finances projects in Africa, followed by 24 percent in Latin America, 22 percent in Asia, and 19 percent in Europe and Central Asia.

VI. TRACKING PROJECT DELIVERY

18. This section focuses on tracking project delivery against two milestones: approval by the Trust Fund Committee and MDB project approval.

19. As of March 15, 2013, 31 projects have been approved by the MDBs, with USD 2.1 billion in CTF funding. Among these projects, 20 were approved under the green light, eight under the yellow light, and three under the red light.

20. Another nine projects have been approved by the Trust Fund Committee but are awaiting MDB approval. The traffic light for these projects remains green for one project but has turned yellow for one and red for seven projects.

21. According to recent pipeline update, 37 projects remain in the CTF pipeline to be submitted for funding approval. Among these projects, the traffic light remains green for 13 projects but has turned yellow for three projects and red for 21 projects.