

# CLIMATE INVESTMENT FUNDS

CTF/TFC.12/4  
October 11, 2013

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Meeting of the CTF Trust Fund Committee  
Washington D.C.  
October 28, 2013

Agenda Item 5

## **DEDICATED PRIVATE SECTOR PROGRAMS**

### **EXECUTIVE SUMMARY**

## PROPOSED DECISION

The Trust Fund Committee reviewed document, CTF/TFC.12/4, *Dedicated Private Sector Programs*, and notes with appreciation the work of the CIF Administrative Unit and the MDB Committee to develop the four proposals.

The CTF Trust Fund Committee approves the following program proposals and requests the MDBs to proceed to develop sub-programs and projects under each program in accordance with the approved *CTF Private Sector Operational Guidelines*:

- a) **[Utility-Scale Renewable Energy**: the objective of this proposal is to catalyze a global funding effort to scale up renewable energy, starting with a focus on utility-scale geothermal energy.
- b) **Risk Capital to Address Regulatory Risks for Renewable Energy**: this program proposes an approach to mitigating regulatory risk for renewable energy projects using a targeted approach to address risks posed by uncertainties arising from a regulatory regime.
- c) **Renewable Energy Mini-Grids and Distributed Power Generation**: this proposal aims to leverage private investment to fill financing gaps and to promote the wide-spread development of renewable energy mini-grids to serve rural and under-served off-grid communities.
- d) **Climate Finance Equity Investments**: this program aims to engage institutional and private equity investors to fill financing gaps encountered in climate change mitigation and low-carbon development.]

The Trust Fund Committee further approves the following indicative allocations of CTF resources to each of the programs, recognizing that there is currently USD 150 million of CTF resources available under the agreed over-programming ceiling. The Trust Fund Committee also recognizes that it may choose to increase these initial indicative allocations should additional resources be made available to the CTF.

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The Trust Fund Committee requests the CIF Administrative Unit and the MDBs to report to the Committee on the progress being made in implementing the proposals at the next meeting of the Trust Fund Committee.

## I. INTRODUCTION

1. The Dedicated Private Sector Program (DPSP) has been developed in response to a request from the CTF Trust Fund Committee (May 2013), and is designed to finance programs or operations that can deliver scale (in terms of development results and impact, private sector leverage and investment from CTF financing) and speed (faster deployment of CTF resources, more efficient processing procedures), while at the same time maintaining a strong link to country priorities and CTF program objectives.

2. This paper outlines four detailed proposals for potential private sector programs, as well as common considerations that would apply to all programs. Each program proposal includes projects/sub-programs that could be implemented in phased manner, depending on resource availability. In a first phase, the projects/sub-programs would absorb the USD150 million of existing CTF resources; these could be expanded to other CTF countries or on a wider scale in subsequent phases (depending on funding availability).

3. The TFC is requested to: (a) review and endorse those proposals that they would wish to see further developed; and (b) consider whether it would be useful to determine an initial allocation of funding for the selected proposals. Based on the guidance received, the CIF Administrative Unit and the MDBs will develop and flesh out selected proposals.

## II. GENERAL PRINCIPLES

4. The DPSP is designed not as a replacement for the current country-driven investment plan model but rather to provide a **supplemental pathway** through which funds can be channeled to private sector investments. It would **comply with the overall principles and objectives of the CTF**, including the results framework. Thus, programs/sub-programs would need to demonstrate: (a) potential for long-term greenhouse gas emissions savings; (b) demonstration potential of the activities being proposed; (c) development impact expected, including co-benefits; and (d) implementation potential, including targeted private sector leverage expected.

5. The DPSP would continue to make use of a **range of financing instruments**, and the principle of **least concessionality** would continue to be applied. At no time would the DPSP have more than 30% of allocated funds committed in a single country.

## III. COUNTRY CONSULTATION AND TRUST FUND COMMITTEE PROCESS

6. Projects/sub-programs under the DPSP will be developed in **consultation** with, and with the engagement of, relevant public and private sector stakeholders and beneficiaries from the recipient countries. The document spells out the detailed steps for **consistency with country priorities** and ownership and **country engagement** at various stages of the program/project development cycle.

7. Four potential programs are submitted to the Trust Fund Committee for review, selection and endorsement. Specific projects/sub-programs would be submitted for Trust Fund

Committee **funding approval**. The MDB Committee will review any MDB allocations through the CTF pipeline review process and reallocate resources as appropriate.

8. Strategic operational monitoring of the DPSP would be the responsibility of the CIF Administrative Unit, in cooperation with the MDB Committee and based on MDB reporting. They will report annually to the Trust Fund Committee in accordance with existing **monitoring and reporting** requirements.

#### IV. LEGAL IMPLICATIONS AND FUNDING

9. For the Trust Fund Committee to have the authority to agree to a new business model for the allocation of CTF resources, as proposed by the DPSP, it will be necessary to **amend** the *Governance Framework Document for the CTF* (adopted November 2008 and amended December 2011). Specifically, paragraphs 14 and 15 under the section entitled *Country Access to the CTF*, will need to be amended.

10. Each proposal identifies the **minimum level of funding** below which it would not be effective to pilot the concept. This constitutes the proposed Phase 1 of the programs. All proposals have been designed with the premise that existing funds are only a start; taking these programs to scale in CTF pilot countries and beyond will require additional funding. Where possible, indicative amounts are provided for such expansion (Phase 2).

#### V. PROGRAM PROPOSALS

11. Four program proposals are presented covering a wide range of investment areas, countries and regions. Each indicates the MDB interested in pursuing the proposal and the amount of funding requested in the different phases of proposed implementation. All the programs included here cannot be piloted immediately based on the available resource envelope of USD150 million, and the Trust Fund Committee is requested to consider and endorse those programs which it would like to see further developed.

12. **Utility-Scale Renewable Energy:** the objective of this proposal is to catalyze a global funding effort to scale up renewable energy, starting with a focus on utility-scale geothermal energy.

13. **Risk Capital to Address Regulatory Risks for Renewable Energy:** this program proposes an approach to mitigating regulatory risk for renewable energy projects using a targeted approach to address risks posed by uncertainties arising from a regulatory regime.

14. **Renewable Energy Mini-Grids and Distributed Power Generation:** this proposal aims to leverage private investment to fill financing gaps and to promote the wide-spread development of renewable energy mini-grids to serve rural and under-served off-grid communities.

15. **Climate Finance Equity Investments:** this program aims to engage institutional and private equity investors to fill financing gaps encountered in climate change mitigation and low-carbon development.

16. The four programs are described in summary form in the main text; a Proposals At a Glance shows the salient features of each in tabular form for ease of reference. Detailed proposals laying out the targeted countries, barriers encountered, potential market demand, funding required, financial instruments to be used, stakeholders, core indicators, and co-benefits are also included in the document.