

# CLIMATE INVESTMENT FUNDS

CTF/TFC.12/10  
October 23, 2013

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

Agenda Item 11

**PROPOSED AMENDMENT TO THE CTF PUBLIC SECTOR FINANCING PAPER**

**(SUBMITTED BY THE WORLD BANK GROUP)**

## **PROPOSED DECISION**

The CTF Trust Fund Committee, having reviewed document CTF/TFC.12/10, *Proposed Amendment to the CTF Public Sector Financing Paper* submitted by the World Bank Group, agrees to amend the document entitled, *CTF Financing Products, Terms, and Review Procedures for Public Sector Operations*, dated December 15, 2011, as follows:

A new footnote shall be inserted at the end of Conditions in Paragraph 28 on page 9 as follows:

“The MDBs will determine, in accordance with its policies and procedures, if and what action shall be taken to protect, defend or secure the interests of the CTF guarantee; provided that the procedures set out in Paragraph 5 and 6 of Annex A shall *mutatis mutandis* apply to such action. Accordingly, (i) the MDB will, where reasonably feasible, consult with the Trust Fund Committee and relevant contributors to the Trust Fund, as applicable, on its proposed course of action, and (ii) Trust Fund resources shall be allocated to reimburse the MDB the costs incurred by it in connection with the MDB’s action, in both cases, in accordance with Paragraphs 5 and 6 of Annex A.”

The Trust Fund Committee requests the CIF Administrative Unit to post on the CIF website, subsequent to the approval of the proposed amendment, a revised document.

## I. INTRODUCTION

1. The following proposal has been submitted by the World Bank Group for the Trust Fund Committee's consideration.

## II. PROPOSED AMENDMENT

2. Please find attached a proposed amendment to the CTF Financing Products, Terms, and Review Procedures for Public Sector Operations, dated December 15, 2011 ("**CTF Public Sector Financing Paper**"), for your review.

3. The Proposed Renewable Energy Development Project in the Philippines ("**Project**"), which is the first CTF guarantee project, was approved by the CTF Trust Fund Committee on August 8, 2013. Upon the approval of the Project, the IBRD held its Regional Operations Committee on August 26, 2013, which has authorized the team to proceed to appraisal and negotiations of the Project. During the review, the Project has brought to our attention the issue of cost recovery by an MDB for actions taken by it to protect, defend or secure the interests of a *CTF guarantee*. Since the CTF Public Sector Financing Paper currently addresses this issue only for CTF loans and not for CTF guarantees, we propose the adoption of a decision to amend the CTF Public Sector Financing Paper to clarify that the cost recovery provision for CTF loans are extended to include CTF guarantees.

4. CTF Governance Framework articulates the underlying principle of the CTF that "consistent with MDB policies on management of trust funds, compensation for administrative services and project related activities will be on the basis of full cost recovery" (para. 49).

5. Currently, the CTF Public Sector Financing Paper only deals with the issue of cost recovery for actions taken by an MDB to protect, defend or secure a *CTF loan*. According to Annex A of the CTF Public Sector Financing Paper, the MDB will seek an approval by the contributors for the allocation of the Trust Fund funds to cover any costs resulting of actions agreed by the Trust Fund Committee to be taken to protect, defend or secure a *CTF loan*. The MDB will take appropriate action only to the extent that the related costs for such actions are borne by the Trust Fund and resources have been allocated to the MDB on a full-cost recovery basis (para. 5). Such prior approval by the contributors for allocation of resources will not be needed for any reasonable costs incurred by the MDB in good faith when immediate or urgent action was needed to protect, defend or secure the *CTF loan* (para. 6). Similarly, the CTF Financing Products, Terms and Review Procedures for Private Sector Operations ("**CTF Private Sector Financing Paper**") also contains similar cost recovery provisions, which apply *to all CTF investments*, including guarantees (paras. 38-40, Annex A). Due to the comparability between CTF loans and CTF guarantees, which are both financing products available under the CTF, it is proposed to ensure consistency across CTF instruments and clarify that the CTF cost recovery provisions (paragraphs 5 and 6 of the Annex A above) applied to a CTF loan will be equally applied to a CTF guarantee.

Attachment:

***Proposed Amendment to the CTF Financing Products, Terms, and Review Procedures for Public Sector Operations, dated December 15, 2011***

A new footnote shall be inserted at the end of Conditions in Paragraph 28 on page 9 as follows:

“The MDBs will determine, in accordance with its policies and procedures, if and what action shall be taken to protect, defend or secure the interests of the CTF guarantee; provided that the procedures set out in Paragraph 5 and 6 of Annex A shall *mutatis mutandis* apply to such action. Accordingly, (i) the MDB will, where reasonably feasible, consult with the Trust Fund Committee and relevant contributors to the Trust Fund, as applicable, on its proposed course of action, and (ii) Trust Fund resources shall be allocated to reimburse the MDB the costs incurred by it in connection with the MDB’s action, in both cases, in accordance with Paragraphs 5 and 6 of Annex A.”