



Meeting of the CTF Trust Fund Committee

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STRATEGIC MODALITIES FOR THE USE OF CTF RESOURCES



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1 Introduction

1. The Climate Investment Funds (CIF) were built to respond to the growing climate crisis in the developing world at a time when both new low-carbon technologies and climate finance were emerging, but not yet fully viable. Established in 2008, it filled a major gap in the international development finance architecture “to address climate change (both mitigation and adaptation) in developing countries at a scale necessary to initiate transformational change.” The CIF delivered fast-start climate finance by working through and leveraging the systems and processes of the Multilateral Development Banks (MDBs).
2. As the primary mitigation arm of the CIF, the Clean Technology Fund’s objective is to provide scaled-up financing to contribute to the demonstration, deployment, and transfer of low-carbon technologies with a significant potential for long-term greenhouse gas (GHG) emission savings. The CTF was designed specifically to facilitate the efforts of MDBs to focus on large-scale, transformational opportunities to support clean technology in a small set of middle-income countries. Fifteen years, 161 projects across 32 countries, and USD 5.2 billion in approvals later, CTF has established itself as a key laboratory for the MDBs to deploy new investment strategies and instruments to help developing countries get on zero-carbon growth and resilient paths.
3. The CTF has built a track record in delivering transformational change, well beyond the dollars it disbursed, through the demonstration and replication impacts of its supported projects. The CTF has thereby demonstrated the potential of MDB cooperation to take climate finance to scale and make transformational impact.

1.1 Need for Updated Strategic Use of CTF Resources

4. This paper responds to a request from the CTF Trust Fund Committee (TFC) for the CIF Secretariat and the MDB Committee to “articulate options for the strategic use of CTF resources for discussion and decision” in November 2023. It is meant to help the CTF TFC define future strategic directions for CTF and explore how CTF could operate on a much larger scale, commensurate with the urgency of the climate crisis and the financing challenges of developing countries in a world of polycrisis. It describes the important features of CTF, provides some context for the opportunity for a strategic realignment, and presents options for new or continued modalities for CTF programming as a component of the MDBs’ overall reform agenda.
5. The landscape of climate finance architecture in which CTF currently operates has evolved substantially from the one in which it was founded, and that architecture will continue to shift and change over the coming years in response to calls for it to do significantly more to

help developing countries meet the challenges of a changing climate. The demand for concessional finance continues to grow at a rapid pace, but efforts to accelerate its deployment are raising important questions about the role of blended finance. The MDBs have learned important lessons from their experience with CTF and are applying those throughout their operations, enabling CTF to continue to support pioneering investments. As the MDBs themselves evolve and lean forward, the impact of that learning will increase even further, but for CTF to keep up with the MDBs and their ongoing reform processes, it must also evolve along with them.

6. What can be considered on the leading edge of clean technology finance has also changed dramatically, as technological advances have made renewables the cheapest source of new power generation in many parts of the developing world (albeit with important caveats about barriers from upfront costs of capital and from country risks). This gives CTF more leeway to support emerging areas of climate action like facilitating the coal transition and increasing energy storage. CTF is doing this work along with other international climate funds that are also working to respond to the climate crisis, and it would benefit from efforts to ensure its operations fit in well with national plans (NDCs, Long-term Strategies, national adaptation plans, energy plans, etc.), operations from other funds, and more explicitly incorporating resilience into its own projects and programs.
7. As it both adjusts to and helps shape changes in the climate finance landscape, CTF should undertake an important evolution to maximize the development of the CIF Capital Market Mechanism (CCMM). The ability of CTF to access new resources at large scale from capital markets through CCMM is a leap forward in the climate finance architecture and presents an excellent opportunity to adjust its current operational approach as well as increase its ambition in scale, geographic scope, and transformational impact. For many years, the primary source of funds for new programming in CTF came from cancelled projects, which limited the scale of its ambition. The establishment of CCMM alleviates that problem to a degree by mobilizing up to USD 7.5 billion in new resources over the next decade without any new contributions.
8. While CTF can have a sizable impact with CCMM alone, it is a robust vehicle that can support much higher ambitions and expectations. The CTF could be championed as a platform for amplifying the climate finance potential of MDBs toward the scale implied by COP agreements, the G20 Triple Agenda, World Bank Group Evolution Roadmap and comparable roadmaps/climate change action plans of other MDBs, New Global Financing Pact, Bridgetown Agenda, and IMF Resilience and Sustainability Trust. Implementation of country's nationally determined contributions (NDCs) alone is [estimated by the UNFCCC to cost at least USD 5.8 trillion up until 2030](#), with more funding needed for long-term

strategies (LTs) by 2050. In particular, the [Bridgetown Initiative](#) calls for the expansion of multilateral lending by USD 1 trillion. Likewise, the G20 [Triple Agenda](#) calls for an additional USD 3 trillion per year by 2030 in emerging markets and developing economies, of which USD 1.8 trillion would be for additional investments in climate action and USD 1.2 trillion for additional spending to attain other SDGs. It notes this will involve tripling MDB lending, reaching USD 260 billion annually, of which USD 60 billion is needed for concessional grants and loans.

Box 1. The G20 Leaders’ Declaration, New Delhi, 9-10 September 2023: A CTF replenishment fit-for-purpose?

The Leaders’ Declaration included several statements in relation to which a CTF replenishment would be fit-for-purpose, given the CTF’s MDB-led operating model and the inherent scalability of a long-established institution providing concessional financing for replicable programs.

Here are some prominent statements from the Declaration:

- “Recognizing that developing countries need to be supported in their transitions to low carbon/emissions, we will work towards facilitating low-cost financing for them.”
- “Will work towards facilitating access to low-cost financing for developing countries, for existing as well as new and emerging clean and sustainable energy technologies and for supporting the energy transitions.”
- “We welcome the... enhanced role of the MDBs in mobilizing climate finance... we underscore the importance of maximizing the effect of concessional resources, such as those of the multilateral climate funds, to support developing countries’ implementation of the Paris Agreement... We will undertake work to facilitate access to multilateral climate funds and enhance their leverage and ability to mobilize private capital.”
- “We note the need of USD 5.8 - 5.9 trillion in the pre-2030 period required for developing countries, in particular for their needs to implement their NDCs, as well as the need for USD4 trillion per year for clean energy technologies by 2030 to reach net zero emissions by 2030.”
- “Furthermore, we call on the MDBs to undertake comprehensive efforts to evolve their... financial capacities... to maximize their impact in addressing a range of global challenges.”

9. Concessional financing based on CTF replenishments by a coalition of willing donors combined with CCMM resources could supercharge the modalities discussed here and unlock a much higher level of ambition more in line with financing levels needed to reach COP commitment levels and enable the MDBs to step up climate financing to a level commensurate with geopolitical ambitions.
10. While these higher-level discussions take place, this paper presents strategic options for the next phase of CTF in the form of different possible modalities that could be employed to channel its resources. It argues that achieving the goals set out by the UNFCCC and the ambitions of MDB reform to deliver climate finance at much larger and more transformational scale could be facilitated by building on the CTF as a long-established and

successful facility rather than creating new facilities or avenues to channel finance (as mentioned in some of the above-listed initiatives). An enhanced CTF scenario would also enable a higher level of risk to be taken with transformational technologies and business models, give more confidence to the private sector for capital mobilization, and potentially enable access by a greater range of qualified MDBs.

2 CTF Model and Experience to Date

11. The programmatic approach is core to the value proposition of the CTF. Investment plans, the primary vehicle of the programmatic approach, provide a locus around which country governments, MDBs, and development partners and other stakeholders can organize to identify opportunities for transformational climate action and shape investment strategies that can catalyze the needed additional public and private investment at scale.
12. Led by country governments, investment plans employ a consultative process that includes inter-ministerial coordination and policy dialogue at the highest levels with the aim to enhance impacts of CTF investment by aligning with national priorities like NDCs, LTSs, national energy plans, and other relevant policies. Governments also work closely with MDBs, as CTF implementing entities, to identify those interventions for which both agree the application of concessional finance can have the most significant impact, in line with established investment criteria. MDBs work to integrate the objectives of investment plans into their own broad investment strategies in countries as well as climate change action plans and can cooperate with each other on the formulation of those strategies and plans.
13. To be effective, investment plans need to be supported by a predictable and flexible resource envelope, grounded in availability of concessional and MDB finance to support strategically linked investments connected to a shared vision of how a country can achieve its zero carbon development goals. This vision may also be supported by upstream activities and considerations such as policy reform, technical assistance, institutional strengthening, gender and social inclusion, and just transitions, defined by the plans and informed by intensive local stakeholder engagement.
14. The programmatic approach has been reviewed by multiple outsider validators, all of whom have reiterated its value for countries' processes and for identifying important areas for investment. To quote one of the most comprehensive evaluations of the programmatic approach¹:

¹ ICF (2018). *Evaluation of the Climate Investment Funds' Programmatic Approach Final Report and Management Response*. Washington, D.C. Available: https://www.cif.org/sites/cif_enc/files/knowledge-documents/evaluation_of_the_cif_programmatic_approach_final_report_and_management_response.pdf

“In the investment planning phase, the CTF programmatic approach offered countries an organized way to prioritize investments, a platform for MDBs for joint programming and division of labor, and more planning security... The certainty of resources helped to facilitate the design of some innovative projects, with flexibility to adjust to new demand, technologies, and investments. Joint MDB planning helped lead to well-coordinated country investment plans in some countries. The considerable size of CTF funding and concentration on new technologies raised country awareness and dialogue and contributed to more private-public sector linkages than are commonly observed in country and MDB programming.”

15. The predictability and flexibility of the initial investment plan envelopes allowed countries and MDBs to make large investments in specific technology areas and laid the groundwork for the next phase of CTF. Examples of the successful CTF interventions are concentrated solar power (CSP), energy efficiency, and multiple phases of the dedicated private sector program (DPSP).

2.1 Concentrated Solar Power

16. CTF’s experience with CSP is one of its biggest success stories. The overall objective of the CSP investment area was to reduce equipment manufacturing costs globally by scaling up demand for a technology that faced cost barriers to deployment (demand was low because costs were high, and costs were high because demand was low).
17. CTF at one time supported 15 percent of global installed CSP capacity, with significant investments in Chile, Morocco, and South Africa. In the case of Morocco, CTF made almost USD 500 million in investments in the Noor CSP complex, which helped reduce project costs and support more affordable power tariffs. These investments enabled the Government to bring multiple investors on board, served as a prominent example of successful private capital mobilization, and helped change perceptions of risks towards investing in CSP technology. There was a major demonstration effect, which has triggered replication in other countries. A 2021 evaluation of CTF’s CSP investments by the Transformational Change Learning Partnership (TCLP)² found:

“A range of signals of systematic change were manifested in the results of CIF’S CSP projects that contributed to substantial shifts in technologies, institutions, and behaviors, as well as helped address key barriers to change, such as the lack of a track record. The deployment of around one GW of CSP capacity in Morocco and South Africa demonstrated the value of the technology and supported reductions in the cost of CSP... The projects have also made a significant contribution to scaling CSP, which is evidenced by the projects mobilizing approximately USD 7 billion in investments

² Climate Investment Funds (2021). *Transformational Change in Concentrated Solar Power*. Washington, D.C. Available: https://www.cif.org/sites/cif_enc/files/knowledge-documents/csp_transformational_change_tclp.pdf

and contributing to multiple rounds of procurement within each target country. In addition, CIF's investments in CSP have been able to help accelerate the deployment of CSP at scale, particularly in Morocco and South Africa. In Morocco, the rate of deployment of CSP has been noteworthy, with capacity growing from zero to more than 530 megawatts (MW) between 2009 and 2019.”

2.2 Energy Efficiency

18. CTF has a notable track record in supporting energy efficiency investments in many participating countries, with significant allocations in Turkiye, Ukraine, and Colombia. In the case of Turkiye, the CTF investment plan focused on small and medium enterprises (SMEs), major contributors to the nation's economy that has been underutilized in its efforts to reduce its GHG emissions. The investment plan determined that major reductions could be achieved through efficiency measures and that the private sector could play a key role. As described in a 2021 TCLP study³:

“CTF adopted an intermediated approach in two major energy efficiency initiatives directed at SMEs: the Turkish Sustainable Energy Financing Facility (TurSEFF) and the Commercializing Sustainable Energy Finance project (CSEF). TurSEFF, implemented by the European Bank for Reconstruction and Development (EBRD), facilitated investments of USD250 million in EE projects delivered through five commercial banks. CSEF, implemented by the International Finance Corporation (IFC), supported a highly innovative project design that involved leveraging the deep networks that leasing companies had with SMEs... CTF's investments in Turkey used concessional finance to lower the perceived risks of investing in EE/RE projects and technical assistance to increase awareness within national banks about the profitability of the EE/RE sector. A wider range of financial instruments is now available through national financial institutions to support climate-related investments made by the private sector.”

2.3 Dedicated Private Sector Program

19. The Dedicated Private Sector Program (DPSP) was launched in 2013 to finance 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. Since its approval in 2013, the DPSP has been a prominent part of the CTF program and has been the primary source for new projects since all CTF countries completed their original investment plans.

³ Climate Investment Funds (2021). *Turkey: The Contribution of the Clean Technology Fund to Energy Efficiency Goals*. Washington, D.C. Available: https://www.cif.org/sites/cif_enc/files/knowledge-documents/turkey_the_contribution_of_the_clean_technology_fund_to_energy_efficiency_goals.pdf

20. There have been five phases of the DPSP, all of which have utilized a thematic approach where MDBs collaboratively identified private sector funding opportunities in different technology areas:
- Phase I supported concentrated utility-scale renewable energy with a focus on geothermal and renewable mini-grids and distributed generation, leading to six approved projects totaling USD 102 million.
 - Phase II, approved in June 2014, expanded to include solar photovoltaic and early-stage private sector renewables, and supported programs in energy efficiency and mezzanine finance with USD 210 million. DPSP II also established a country access model, which made any CIF country that developed an investment plan eligible to apply for its resources.
 - Phase III was endorsed in December 2017 with around USD 750 million and flexible thematic areas that could complement investment plan programming.
 - Phase IV, the Global Energy Storage Program (GESP), started programming in December 2020 with new contributions of USD 345 million from the United Kingdom and Germany to support the acceleration of deploying of a range of energy storage solutions that could facilitate the scale up of renewable energy development and the phase out of fossil fuels.
 - Phase V, the CTF Futures Window, supports both DPSP III-style and GESP projects with more than USD 300 million.

3 Motivation for Updated Strategic Modalities

21. In parallel to the geopolitical debate about the scale of financing for climate, referred to in section 1, multiple initiatives have worked to identify more holistic approaches to leverage the needed financial resources for transformational climate action in developing countries. Examples include the World Bank's Country Climate and Development Reports (CCDRs), which are intended to shape its country programming frameworks and be conducted in cooperation with each country's major development partners, and the African Development Bank's (AfDB) Country Focus Reports (CFRs), which aim to foster policy dialogue on macroeconomic performance and outlook and provide insights on mobilizing private sector and natural capital finance to drive climate resilience and green growth policies.
22. Another important example of a holistic approach is the design of Just Energy Transition Partnership (JETP) investment plans to turn strong NDCs into financeable transition plans. Financing JETP investment plans depends critically on the availability of sufficient concessional financing, to which the Accelerating Coal Transition (ACT) program has been integral to progress seen in South Africa and Indonesia.

23. Various financing solutions have been proposed from GCF replenishment, working through a very wide range of accredited entities, to CIF replenishment working through the combined MDBs, to the introduction of dedicated financing mechanisms in individual MDBs. One could say this is the planet's equivalent of the 1944 moment at Bretton Woods, and the CTF is a key component of that (using an already well-established institution for climate change mitigation, with some ongoing reforms underway or planned). Now is the time to decide which paths to take, and how much to mobilize for each of those paths.
24. The future pathway for CTF in will be shaped partly by the establishment of CCMM and partly by the decision on whether and how to replenish the CTF/CIF. CCMM is a market-facing vehicle that seeks to leverage current CTF assets to attract financing from capital markets and use the existing CTF structure and operating model to support new projects. Essentially, CCMM enables CTF to borrow from markets now through bond issuances in exchange for using the expected reflows that will accumulate from its outstanding loans in the coming years and decades to pay back bondholders. In doing so, CCMM optimizes the use of CTF's existing resources and allows it to respond to current demand by frontloading the benefit of CTF's loan portfolio. CCMM resources will be made available for projects in accordance with the CIF Financial Terms and Conditions and will not be based on current bond market rates. Projections show that CCMM may be able to provide CTF with an additional USD 500 to 750 million of concessional funding for climate projects annually over the next 10 years. Based on CTF's co-financing track record to date, this could generate USD 50 to 75 billion in mobilized co-financing for climate projects to developing countries over the next decade, USD 15 to 20 billion of which could come from the private sector, based on CTF's current co-financing ratios. It also would introduce an attractive new series of investment-grade bonds for investors seeking "green" assets in emerging markets. Its establishment would mark the first time a multilateral climate fund has mobilized private resources to support public and private projects in developing countries.
25. This evolution of CTF's support model comes at a time when the demand for the type of concessional resources it provides is evolving as well. Use of grants has always been an important but limited aspect of programming in CTF. Through CTF's first decade, grant use was focused mostly on technical assistance in relatively small volumes. In recent years, however, there has been a marked increase in overall grant requests in CTF, and for more investment grants for public and private sector projects (as opposed to TA and capacity building requests). One of the major reasons for the increase from CIF Secretariat's view is that grants provide the most concessionality of all financial instruments per dollar spent, an important consideration when overall resources levels are constrained.

26. CTF resources have been mostly limited to cancelled resources over the past several years, which may have made grants even more attractive than they were in the early years of CTF when resources were available at larger scale. MDBs have also been looking to deploy more instruments like viability gap financing to demonstrate the replicability of business models for new technologies like energy storage and green hydrogen.
27. The growing demand for grant use in frontier clean technology is different from the historical experience in CTF and presents some important considerations for programming with CCMM-generated resources. Specifically, grants undermine the model on which CCMM rests because they do not generate reflows. High levels of grant use erode the available resource pool in CTF without the expectation of reflows to pay back bondholders down the line. CTF, working very closely with the MDBs, will have to be very judicious in determining where its grant resources should be spent. Additional grant contributions are the most viable solution to help alleviate that pressure.

4 Options for Strategic Modalities for CTF

28. As described above, the worsening climate crisis is increasing the pressure on the international climate finance architecture to deliver faster results at a much larger scale. All stakeholders—including countries, MDBs, multilateral climate funds—are being asked to increase their ambition to act. CTF must adjust to and help shape these ambitions through realizing its own goals to continue to support frontier clean technology while ensuring the viability of CCMM. The following modalities presented in this section represent the multiple pathways available for CTF to execute the next phase of its programming.
 - 1) **Next Phase of CTF Investment Plans:** New country and regional applications for economy-wide IPs that can tackle all aspects of transitioning to clean economies.
 - 2) **Flexible Thematic Programming under DPSP:** In addition to new IPs and current DPSP windows, CTF could expand the DPSP experience to focus on new technologies and themes.
 - 3) **CTF Support for Existing CIF Programs:** Scale up financing for CIF programs, with CTF funding for IPs and projects on RE integration, ACT, Industry, and Smart Cities.
29. These options should not be considered in isolation, but rather viewed as potentially complementary pieces to be combined in a way (for example by proportion of funding or sequentially) that the TFC deems most appropriate to help CTF achieve its goals. The current modalities for CTF (DPSP, GESP, Futures Window) are not described here, but they

will continue to operate and should be factored when considering one or more of the new modalities.

4.1 Modality Option: Next Phase of CTF Investment Plans

30. A reinvigorated, holistic programmatic approach for CTF could give countries the ability to tackle all aspects of the energy transition based through a single investment plan that explicitly addresses overlapping and intersecting issues in different sectors. Transition Investment Plans (TIPs) could be developed around economy-wide (or region-wide) interventions to cover a transition towards full access for all people to 100 percent renewable electricity; replacement of fossil fuels in industry, transport, buildings, and agriculture with renewable electricity and/or green fuels (e.g., green hydrogen and its derivatives); investment in variable renewable electricity integration (short- and long-duration storage, demand responsiveness, interconnections); and investment in electricity transmission and green fuel transport.
31. TIPs could potentially deploy CTF funds to catalyze economy-wide impacts through prioritizing and sequencing zero carbon investments with resilience co-benefits and integrating different sources of public and private financing, as well as utilizing multiple financial instruments, and support the implementation of NDCs, LTSs, national energy plans, and other relevant policies. Each TIP could draw on multiple programming areas already covered by CIF programs, including coal transition, renewable integration, and industry decarbonization.
32. In appropriate cases, TIPs could propose a regional approach, which would allow the capture of synergies and economies of scale and has been previously pursued under CTF. The regional TIPs could, for example, support cross-border electricity interconnections (including in relevant cases subsea interconnections and high voltage direct current) and regionally optimized renewable electricity generation and storage capacity in strategically important regions like western or southern Africa.
33. TIPs also may present an opportunity to invite new countries to prepare CTF investment plans. To date, only 15 countries were invited to prepare traditional CTF IPs and an additional two have been invited to prepare ACT IPs. Major developing country emitters like Argentina, Brazil, or Pakistan could have a chance to access large-scale CTF resources for the first time, while other countries that did not complete their original IPs, like Nigeria and Vietnam, could support new ambitious activities across multiple thematic areas. Existing CTF countries would be able to build on their previously executed IPs or, in the case of ACT

countries, supplement them to tackle issues of renewable integration, transport, or green supply chains.

4.2 Modality Option: Thematic Flexible Programming under DPSP

34. CTF's experience with the DPSP has demonstrated that a thematic focus with flexible programming options can be a powerful way to spread limited resources among countries to pursue investments outside the structure of IPs. In addition to new IPs and current DPSP windows (GESP and Futures Window), CTF could look to support specific technologies using the existing DPSP model. Four thematic programs are proposed for illustration of what could be considered. This list is reflective of areas where MDBs have shown recent interest, but it is not comprehensive nor would the TFC be expected to support every option:

- (i) Hydrogen Accelerator: This window could finance investments to scale up the production and use of green hydrogen, and could cover renewable electricity generation, storage and transmission related to green hydrogen production, green hydrogen storage, green hydrogen transportation, production of green hydrogen derivatives, manufacture of electrolyzers, industrial and transport re-equipment to enable consumption of green hydrogen as a feedstock/fuel, and just transition investments to enable a transition from fossil gas to green hydrogen.
- (ii) Transport Decarbonization: This window could finance the electrification of transport through, for example, the rollout of vehicle chargers, the upgrading of the electricity grid to enable bi-directional vehicle-to-grid charging, the provision of green hydrogen supply infrastructure for heavy vehicles, and the conversion of public transport to green vehicles.
- (iii) Decentralized renewable energy: This window could finance mini-grids and micro-grids based on renewable electricity and storage in rural/peri-urban areas and on islands.
- (iv) Offshore renewable energy: This window could support first-of-their kind investments in offshore wind and potentially floating solar generation.
- (v) ACT Pilot Action Window: Countries at the early stages of coal phaseout or those with few coal assets belonging to either public or private sectors may be available for piloting approaches for coal transition. For these, a dedicated window could be used to support stand-alone projects (like CTF's DPSP) for non-IP countries. Under this window, projects must be consistent with the key considerations, criteria, and the

mandate of the ACT program, including those around just transition and enabling significant co-financing from various sources. It would demonstrate proof of concepts at lower transaction costs due to the smaller size of the projects.

- (vi) Technology-specific scale-up: This window would identify clean technologies that are near-commercial, but require global scale for full economies of scale, technology breakthroughs, or other learning effects. Support would be given to technologies that, if scaled-up, could yield demonstration and replication benefits to make them potentially transformational on the global stage, adding to the menu of economic clean technology options.
- (vii) Dedicated Climate Ventures window (CCV): The CIF Climate Ventures (CCV) window would provide MDBs with the flexibility, incentive, and risk capital required to support innovative and potentially transformative climate initiatives that they would otherwise be unable to undertake with their resources alone. By targeting frontier innovations in technology, business models, and market approaches, the financing and support provided by the CCV window could prove to be a game changer for many nascent low-carbon sectors in developing countries, leading to potentially transformative impacts. The operational modalities, including governance arrangements, types of technologies/initiatives supported, and other details can be found in the 'Proposal for the CIF Climate Ventures Window' document.

4.3 Modality Option: CTF Support for other CIF Programs

- 35. Existing CIF programs could be considered for support under CTF. Three of the four programs established under Global Climate Action Program (GCAP) in 2020 were designed, in part, to tackle emerging, underfunded areas of potential emissions reductions. Their objectives and potential operations can overlap significantly with the objectives of CTF and many CTF projects could qualify for funding under the Renewable Energy Integration (REI), Industry Decarbonization, or Smart Cities programs, and many CTF recipient countries have been qualified to receive funding from these programs.
- 36. While each of these has been established as stand-alone programs, the volume of contributions to support them has not yet reached the scale that will be available to a CCMM-funded CTF. Additionally, many CTF countries have applied or are expected to apply to GCAP programs. For example, recognizing that five of ten REI countries are already CTF participants, the CTF TFC requested from CIF a proposal for a process by which CTF resources could support IPs developed but not yet approved under REI to be submitted to the TFC for consideration in October 2023.

37. An approach in which CTF countries selected for REI or Industry Decarbonization develop their IPs with preparation grants provided by those programs and then IPs are funded with CTF resources could help level the playing field by ensuring that both middle- and low-income countries have equitable access to resources. Such an arrangement could serve as an interim step toward TIPs, as it would allow countries that participate in multiple programs to better coordinate their overall climate finance portfolios.
38. Within CTF, the eight remaining ACT countries⁴ could be offered IP support commensurate to considerations like country ambition, readiness, and potential for transformational change, among others, and an amount allocated based on a needs assessment made at the time of IP preparation.

5 Conclusion

39. This paper presents a strategic vision to be executed through options for new programming under a substantially scaled-up CTF. These decisions will need to be incorporated in broader discussions in the CIF as well as high-level political dialogue around MDB evolution, the second phase of the governance review, further simplification of administration of financial intermediary funds, and the orientation of the new CEO for the CIF.
40. The options are intended to facilitate a new coordinated and holistic approach in international efforts to mobilize climate finance, with CCMM providing a strong resource base. Additionally, CTF replenishments from a coalition of willing donors would enable CTF to achieve the objectives outlined in such documents and initiatives as the COP agreements, G20 Triple Agenda, New Global Financing Pact, Evolution Roadmap and comparable roadmaps/action plans of other MDBs, Bridgetown Initiative, and the IMF Resilience and Sustainability Trust. Replenishments could, therefore, be based on the range of financing estimates given in those documents.
41. CTF's work moving forward will be defined by and will inform ongoing discussions in international fora between countries, MDBs, and other institutions. Through its 15-year track record, CTF has demonstrated that it has the flexibility and capacity to make significant contributions to the climate agenda. At this moment, the CTF is uniquely positioned to be turned into one of the key vehicles to tackle the climate crisis with the urgency it demands by enhancing its geographic reach, scale, speed, and eagerness to drive transformational change.

⁴ Non-IP countries refer to those countries that are currently not supported for IP development—Morocco, Bosnia and Herzegovina, Namibia, Botswana, Colombia, Bangladesh, Ukraine, and Kazakhstan.



The Climate Investment Funds

The Climate Investment Funds (CIF) were established in 2008 to mobilize resources and trigger investments for low carbon, climate resilient development in select middle and low income countries. To date, 14 contributor countries have pledged funds to CIF that have been channeled for mitigation and adaptation interventions at an unprecedented scale in 72 recipient countries. The CIF is the largest active climate finance mechanism in the world.

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