Meeting of the Clean Technology Fund Trust Fund Committee

Washington, D.C.

Wednesday, February 1, 2023

CTF SEMI-ANNUAL REPORT SUMMARY

1 Introduction

1. This document provides an update on the 1) status of the Clean Technology Fund (CTF), 2) a snapshot of the portfolio of CTF-funded programs and projects under the endorsed investment plans (IPs) and Dedicated Private Sector Programs (DPSP), and 3) related activities. It also addresses strategic issues that demand attention from the Trust Fund Committee (TFC) and provides brief updates on progress of CTF-related activities in the areas of gender, partnerships, knowledge management, and evaluation and learning. This report covers the programming period from January 1 to June 30, 2022, and strategic updates through the end of November 2022.

2 Strategic Issues

2. CTF has grown to USD 7.9 billion in pledged resources[1] spanning 15 CTF country IPs,[2] two newly endorsed IPs (one in principle) under the Accelerating Coal Transition (ACT) Investment Program, one regional program (Concentrated Solar Power in the Middle East and North Africa (MENA-CSP)), and four phases of the DPSP including the on-going GESP and CTF Futures Window.

3. As of June 30, 2022, the TFC has approved USD 5.3 billion in funding for 161 projects and programs. There were no new projects approved in this reporting period, covering the second half of fiscal year (FY) 2022. Three new projects have been approved in the first half of 2023—two GESP projects in Indonesia and Brazil and one CTF Futures Window in Egypt.

2.1 Use of Grants and High Risk Financial Products in CTF

4. While CTF was originally funded with large grant contributions, most of the resources requested to support operations to date have been deployed as non-grant instruments, especially for private sector projects. Through the end of FY22, 91 projects requested USD 175.7 million in grants overall (an average of USD 12.6 million per year), the largest of which was USD 21.8 million for the India Innovations in Solar Power and Hybrid Technology project.

5. Since the start of FY23, we have seen a major increase in the volume of grant funding requested for significantly fewer projects. For the three projects approved since last July and five projects not approved or submitted for review before the end of calendar year 2022, the TFC is being asked to approve more than USD 120 million in grants in a six-month span.

6. This departure from historical levels of grant requests has important implications for the future use of resources. Decisions made now on how to use current CTF resources will affect the future commitment capacity and performance of CCMM, as CTF resources will form its capital base. Deployment of any grant or capital contribution in the form of grants or any high-risk financial product which is not expected to generate reflows (e.g., equity) represents

[1] Inclusive of all ACT contributions through September 30, 2022.

[2] Chile, Colombia, Egypt, India, Indonesia, Kazakhstan, Mexico, Morocco, Nigeria, the Philippines, South Africa, Thailand, Turkey, Ukraine, and Vietnam.

operating losses, which reduce the liquidity that supports CCMM. This reduces the volume of future commitments CCMM will be able to support.

7. Analysis from CIF AU suggest that an amount not exceeding 5 percent of CCMM's expected annual bond issuances, or USD 25 million per year, could be deployed as grants or high-risk financial products to support future CTF operations without excessive deterioration of CCMM's future commitment capacity and ability to attain and maintain its expected double-A rating. With this in mind, CIF AU recommends the TFC institute a temporary pause on grant approvals through the end of FY23. Moving forward, the TFC should establish a ceiling on the amount of CTF funds which may be approved for grants at USD 25 million for the next two fiscal years. This ceiling could be increased with the receipt of additional grant contributions.

2.2 ACT Investment Program

8. The ACT program has been progressing steadily since last reporting. In October 2022, CIF received confirmation of USD 951 million in loan contributions from the United States, bringing total ACT funds close to USD 2.25 billion (with Canada, Denmark, Germany, and United Kingdom being other contributors).

9. At the intersessional meeting in October, the TFC endorsed the South Africa IP, with an indicative allocation of USD 500 million and the World Bank as the lead implementing entity, along with the Indonesia IP that was endorsed in principle, with an indicative allocation of USD 500 million and the ADB as the lead implementing entity. The India IP is at advanced stages of drafting and is expected to be submitted for the Committee's consideration by March 2023. On the other hand, the Philippines IP is at early stages of development due to the delays caused earlier by the domestic elections. It recently completed its scoping mission, and the government is finalizing the Aide Memoire that will be shared shortly with the Committee.

10. **ACT Support for Non-IP Countries:** Approximately USD 235 million is available to support countries who submitted an EOI but were not selected for the first phase of the program. The CIF AU, working closely with MDBs, has put forward a revised options paper that includes the following options of support:

- Investment plan window offering IP support to 3-4 countries with approximately USD 50-150 million each to be approved based on a needs assessment.
- Pilot action window with approximately USD 50-75 million allocated to support standalone projects in countries at early stages of coal phase out.
- TA window with approximately USD 20 million in total to help countries define coal phase-out plans, dates, and mechanisms, develop decarbonization and just transition strategies, planning tools and pathways, and identify the first set of specific actions.

2.3 CIF role as JETP Secretariat in South Africa

11. South Africa's JETP Investment Plan (JETP IP) draft was submitted for Cabinet approval in September 2022 and was ultimately endorsed on October 19, 2022. It focuses on electricity decarbonization, new energy vehicles, and green hydrogen. Additionally, cross-cutting support

for local skills development and mobilizing provincial and municipal support were encouraged. An estimated USD 8.5 billion is expected to be provided using a range of instruments. These interventions will be implemented over the next five years (2023-2027).

3 Status of CTF

3.1 Portfolio Overview

12. As of June 30, 2022, the TFC cumulatively approved 161 projects and programs from 16 endorsed country and regional IPs, in addition to four phases of DPSP[3], totaling USD 5.30 billion in CTF funding (Table 2).[4]

Table 2. Overview of CTF Portfolio as of June 30, 2022

	Approved funding		Disbursement
	Committee	MDB	
CTF Funding (in $M)	5,301	5,104	2,824
Number of projects	161	152	110

3.2 Portfolio Updates

13. Investment plans: Between January 1 and June 30, 2022, no new or revised CTF IPs were submitted for endorsement.

14. CTF TFC approvals: While no projects were Committee approved in the latter half of FY22, the number of GESP projects increased from four to nine. FY23 is expected to bring more projects to the TFC for approval, with three GESP and two Futures projects.

15. Co-financing: The USD 5.30 billion TFC-approved funding is expected to mobilize USD 55.7 billion in co-financing. This represents a leverage ratio of 1 to 10.5. The private sector is the largest source of co-financing (1:3.4), followed by MDBs (1:3.1), bilateral and other sources (1:2.7), and governments (1:1.3).

16. Funding by Region: Asia receives the largest share of TFC-approved funding, (33 percent), followed by Africa (22 percent), Europe and Central Asia (19 percent), Latin America and the Caribbean (15 percent), and the Middle East (9 percent). Global programs account for 2 percent of CTF finance. These proportions remain unchanged from the last report.

17. Funding by MDB: IBRD remains the largest implementor of TFC-approved operations (41 percent), followed by IFC (8 percent). Programming compared to the last report for ADB, AfDB, EBRD, and IDB Group has remained the same (18, 12, 12, and 9 percent, respectively).

18. Funding of public vs. private sectors: Public sector projects account for 69 percent of TFC-approved funding, while the private sector accounts for 31 percent.

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[3] Includes 16 proposals approved under DPSP III Business Development Facility (BDF).

[4] Figures are net of cancelled funding.

19. Funding by sector and technology: Renewable energy is by far the most prominent sector of CTF investment, accounting for 64 percent of TFC-approved funding. Combined renewable energy and energy efficiency projects accounts for 14 percent of the portfolio, while standalone energy efficiency accounts for 14 percent, sustainable transport accounts for 7 percent, and energy storage for 1 percent. Of the renewable generation technologies, solar accounts for 45 percent of the portfolio, followed by geothermal (17 percent), mixed renewables (13 percent), and wind (11 percent). The remaining 14 percent is comprised of hydropower and other, which includes bioenergy and waste to energy.

20. Funding Cancellations: As of June 30, 2022, USD 60 million in approved funding was fully or partially cancelled by the MDBs. One project was cancelled in Ethiopia and the other five projects were completed and the remaining funds were returned to the Trustee.

3.3 Disbursements

21. As of June 30, 2022, MDBs have disbursed USD 2.8 billion for 110 projects and programs.[5] Disbursements increased by USD 33 million in the second half of FY22. A larger increase in MDB approvals (though proportionally similar), however, has caused the disbursement ratio (i.e., disbursement as a percentage of MDB approvals) to hold steady at 55 percent. The high number of project approvals continues the momentum from the end of DPSP III seen in the last reporting period and includes the first batch of GESP MDB-board approved projects.

22. Fully disbursed projects: To date, 61 projects and programs equivalent to around USD 2.1 billion in CTF commitments are fully disbursed. More than two-thirds of the disbursements are attributed to public sector projects and slightly less than one-third to private sector. These projects have used financial mechanisms such as loans, guarantees,[6] technical assistance, and a development policy loan in the case of India.

4 Cross-cutting Themes

4.1 Risk Management

23. Implementation risk for CTF remains **High**. As of June 30, 2022, nine out of 152 projects representing USD 637 million (11 percent) of program funding have been flagged for this risk. The program's implementation risk score has been **High** for the past nine reporting cycles.

24. Five projects representing USD 319 million of program funding have been flagged under the first criterion. All of these projects were flagged in previous CTF Risk Reports.

25. Eight projects representing USD 617 million of program funding have been flagged under the third criterion. All of these projects were flagged in previous CTF Risk Reports.

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[5] For the purpose of accounting for disbursements, MDB approvals do not include MPIS.

[6] *Guarantee* projects are regarded as "100% disbursed" once the financial products become effective.

4.2 Gender

26. **Portfolio:** There were no new project approvals during the reporting period, so the CTF Project Gender Scorecard Performance remains the same as the previous reporting period.

27. **A rapid assessment of gender results of CTF projects** that have submitted project completion reports was undertaken. Out of 11 project completion reports reviewed, six had references to some activities focused on gender and two reported on gender indicators.

28. **Mainstreaming gender in new programs:** Background materials on entry points for gender integration was developed and shared with teams working on ACT IPs through a clinic as well as a series of follow up discussions. As a result, IPs for Indonesia and South Africa, presented to TFC in October, had a strong focus on gender integration.

29. **The Women-Led Coal Transition (WOLCOT)** concept note was approved by TFC in September. WOLCOT would provide the resources for project teams to go beyond gender mainstreaming requirements and support efforts to foster women's climate leadership and effective participation in design and implementation of coal-to-clean transition strategies. Selection of the first round of project preparation grants is planned for January 2023.

4.3 Partnership, Knowledge Management, and Evaluation and Learning

30. In 2022, CIF resumed in-person events, predominantly in a hybrid format. There was a continued focus on operationalizing the conceptual work done by CIF on transformational change and just transition, through IP clinics hosted for ACT to discuss these concepts with core stakeholders and development of program specific guidelines that are underway for the ACT and REI programs. In addition, several events and workshops attended by more than 430 participants, including the Transformational Change Learning Partnership (TCLP) three-day in-person workshop in October titled "Strategic Action for Transformational Change" and a webinar in May on "Transformational Climate Finance." CIF also developed new reports, evaluations, and toolkits, including:

- The Just Transition Initiative (JTI) is developing a toolkit to help decisionmakers and practitioners address challenges with the low-carbon transition. The draft toolkit formed the basis for a Transformation Lab working session at the Just Transition Forum Asia.
- The E&L Initiative completed a synthesis of key lessons from E&L evaluations to identify insights that could be applied to new CIF programs.
- The "Social and Economic Development Impacts of Climate Finance" (SEDICI) evaluation advanced to its final stages and findings will be shared with the TFC in January 2023.
- The Climate Delivery Initiative (CDI) initiated five new case studies in FY2022, with one related to CTF that explores delivery challenges in the EBRD Khalladi Wind Farm Project.
- CIF's Technical Assistance Facility (TAF) launched a new report – *'Enablers: The Role of Enabling Environment in Scaling Up Climate Finance'* in London on October 18, 2022.

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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