



CIF Pilot Country Meetings

Daily Report - CTF

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CTF COUNTRY MEETING HIGHLIGHTS: THURSDAY, 1 NOVEMBER

The third meeting of Climate Technology Fund (CTF) countries convened today in Istanbul, Turkey, in association with the CIF Partnership Forum. The CTF is one of the two Climate Investment Funds (CIF).

MEETING OF CTF COUNTRIES

OPENING AND INTRODUCTION: Zihong Zhang, CTF Coordinator, CIF Administrative Unit, updated participants on progress in the CTF, noting that nine countries have pledged US\$4.8 billion to date. He noted that overall, half of the funding has been approved for 38 projects, which is expected to leverage about US\$18.2 billion of additional finance. Regarding projects in the pipeline, he said some are on track and others are experiencing difficulties. He identified the following key items for the upcoming Trust Fund Committee meeting on 3 November: semi-annual operational report; updates on investment plans from Egypt and Turkey; the use of the released CTF funds due to project modifications or cancellations; a revised CTF results framework; and the document on interaction between CIF financing and carbon markets. He described the “traffic light system” to track progress of projects and noted that the Trust Fund Committee requested that countries provide updates on their investment plans 24 months after they are endorsed.

South Africa asked about pledges versus actual contributions as well as disbursements, and Zhang noted that there is money for fiscal year 2013 and that availability of finance in the future depends on when contributor countries schedule fulfillment of their pledges. He said more information on this can be provided by the trustee.

CTF IMPLEMENTATION EXPERIENCES AND LESSONS LEARNED: This session was moderated by Shaanti Kapila, CIF Administative Unit, who explained the plenary would split into breakout groups to enable a more in-depth discussion.

Experiences with the programmatic approach:

Participants convened in breakout groups to address the following issues: top three lessons from each country’s participation in the CTF; experience of in-country coordination and country ownership toward a programmatic approach for low-carbon development; challenges and barriers and what

can be done to overcome them; and how circumstances have changed in countries since investment plans were endorsed. A summary of the discussions is provided below.

Turkey discussed: the transformational impact of the CTF; coordination as central in preparing the investment plan; and the need to strengthen M&E and CTF focal points. With Vietnam, she stressed the importance of implementing agency capacity for the success of projects, and the need for coordination with implementing agencies, which she identified as a challenge. Vietnam mentioned good support from the World Bank and the ADB in preparing the document.

South Africa said coordination is not a problem in his country as decisions are made in clusters at the ministerial level. He highlighted competing agency mandates, such as between the environment, energy and finance ministries. He said CTF funds are perceived as concessions, but transaction costs are high, noting this is why commercial banks do not want to get involved in the CTF. He also noted burdensome reporting requirements, over-bureaucratization of M&E, and that a multiplicity of objectives can shift the focus from the main objective of moving toward low-carbon development.

The Philippines noted the CTF triggered awareness on climate change in the country, and brings credibility to programs due to stiff requirements, as well as mentioned the absence of a clearly defined process for revision. Regarding the Philippine investment plan, the ADB emphasized the context changes fast, in reference to transformations in the energy market, such as solar energy prices, and in administration. He also said that the CTF helped initiate large-scale projects.

Indonesia asked if companies implementing projects can access CTF finance directly, as opposed to through the government. An ADB consultant said that what matters is whether the government guarantees a loan, and if it does not, then terms and conditions would be the same as for private sector transactions.

Ukraine said its investment plan focuses mainly on the energy sector with the CTF contribution being less than 10%. He noted that introducing green tariffs led to an explosion of investment in renewable energy, with solar energy production increasing in 2011 by 60 times compared to 2010. He said that although “the cheapest money doesn’t have the shortest and simplest procedure” to access it, without the international financial institutions, they would not have been able to move forward.

Chile said its investment plan was being used to implement the national energy strategy, thus receiving high-level political support. She said working closely with government agencies and MDBs would be essential to success. On challenges, she said that the technology in their solar project was new for them, and that Chile had requested that some of the funds support local university courses and internships. She highlighted that the CTF has created greater awareness regarding new technology potential, and local banks are expressing an interest in investing in renewables.

Morocco underscored great interest and commitment to renewables. She described the establishment of the national energy development fund of US\$1 billion, which is scaling up solar energy development. On challenges, she noted that although CTF funds were expected to leverage further resources for energy development, the national fund had not been structured as a lending body. She said this barrier was removed through creating a high-level steering committee that could present projects for CTF funding.

The ADB added that industrial integration is an important funding objective, highlighting that domestic SMEs should take part in and benefit from project activity. He noted that in the case of Morocco, project partners had agreed that 35% of the investment should be spent through domestic SMEs.

Egypt said that investment plans must be more dynamic in adapting to new political situations, highlighting the need for job creation and capacity building. She affirmed that the investment plan's objectives remain relevant, but that more detailed implementation arrangements should be spelled out.

Experiences with project implementation: Participants then convened in groups to discuss: projects being implemented or prepared and their status; how the project supports low-emissions development goals; challenges; and lessons.

Turkey discussed an energy project, noting solar licenses would be issued, and given to private firms so they can begin to secure financing. She said US\$172 of US\$250 million had been disbursed and underscored challenges in: promoting wind and small hydro; and getting loans from banks.

Chile presented on the concentrated solar power (CSP) project, noting they are close to opening a tender process and that the project has co-financing from KfW, IFC and possibly the EU. Regarding challenges, she highlighted that this is a market creation project and misperceptions exist among players due to the lack of experience with CSP technology in the country.

Vietnam highlighted the need for capacity building and enhancing national focal points, and identified complex procedures of MDBs and implementing agencies as a challenge.

South Africa stressed insufficient feedback from MDBs and access to information as challenges. On problems of aligning country ownership with projects run by the private sector, he gave an example of the IFC selecting a South African bank with only fifteen branches in the country, despite the existence of larger banks with more experience with green finance.

Thailand said more frequent feedback from the MDBs would help countries. The Philippines highlighted a project converting 100,000 tricycles from gasoline to electric power and noted the need for more interaction with end beneficiaries during the project preparation stage.

Egypt shared information about a wind energy project, for which CTF funds of US\$50 million were used to leverage total financing of US\$300 million. Challenges faced include inconsistent data about bird flyways as important migration locations, and changing altitudes seasonally and from year to year.

Morocco briefed participants on its CSP project, the largest in the developing world. She highlighted the current energy authority's commitment that total energy produced will be sold to the government at the same price as fossil fuel-generated power, noting her government's commitment to a diversified energy mix. She reported that while wind energy is competitive with traditional sources, they have had to combine hydro with wind in order to promote stability. She also highlighted a project for rural electrification to increase consumer demand and reduce poverty.

Responding to a question from Jordan on why funding was tied to solar energy projects, the ADB responded that solar has been preferred as it seen as "dispatchable power." He explained that the original idea was to use CTF funds to buy a large amount of new CSP capacity in order to achieve economies of scale and drive down the unit cost, asking participants if this intended transformation is occurring. The CIF Administrative Unit suggested that part of the "story" is to create local jobs and other co-benefits, in addition to power generation. Jordan replied that scale would have been better achieved by developing projects on a regional basis, rather than in separate countries.

Thailand said the government had decided that CTF funding should flow directly through the private sector. The ADB explained that since the investment plan was conceived, the government has been able to raise funds in private capital markets and that multilateral funding appears less attractive. Thailand added that the national government had proposed a number of government agencies to work with CTF funds to support national low-carbon development plans, but that domestic agencies showed a "lack of readiness" to do so. She expressed a need for technical assistance from CTF for capacity building.

At the end of the discussion, moderator Shaanti Katila commended Turkey for already disbursing the CTF funds for project implementation.

SPECIAL EVENT: MASTER CLASS ON WIND ENERGY AND BIODIVERSITY ISSUES

A summary of this event will be in the IISDRS Summary Report of the 2012 Pilot Country Meetings, which will be available on Sunday, 4 November, 2012 <http://www.iisd.ca/climate/cif/pf2012/>