

CLIMATE INVESTMENT FUNDS

November 27, 2012

Summary of the Co-Chairs
Joint Meeting of the CTF and SCF Trust Fund Committees
November 2, 2012

Co-Chairs

Mr. Artur Cardoso de Lacerda, Brazil (CTF Co-Chair)
Mr. Frank Fass-Metz, Germany (CTF Co-Chair)

OPENING

1. The meeting was chaired by Mr. Artur Cardoso de Lacerda, CTF Trust Fund Committee member from Brazil, and Mr. Frank Fass-Metz, CTF Trust Fund Committee member from Germany.
2. The joint meeting of the CTF and SCF Trust Fund Committees welcomes the announcement by the representative of Sweden of an additional contribution of USD 25 million to SREP.

ADOPTION OF AGENDA

3. The joint meeting of the CTF and SCF Trust Fund Committees approved the provisional agenda (document CTF-SCF/TFC.9/1.Rev.2) and agreed to a reordering of the sequence of agenda items.

PROGRESS REPORT ON THE MEASURES TO IMPROVE THE OPERATIONS OF THE CIF

4. The joint meeting, having reviewed document CTF-SCF/TFC.9/4, *Progress report on the measures to improve the operations of the CIF*, welcomes the progress made by the CIF Administrative Unit and MDB Committees in implementing the proposed measures and requests the Administrative Unit and the MDB Committee to continue to work together to ensure that approved measures are incorporated into CIF activities.

USE OF LOCAL CURRENCY IN CIF PROJECTS

5. The joint meeting of the CTF and SCF Trust Fund Committees reviewed document CTF-SCF/TFC.9/7, *Use of Local Currency in CIF Projects*, and confirms its commitment to promoting private sector investments within the CIF countries. The joint meeting takes note of the discussion on the currency risks related to the repayments of private sector investments that may be deployed by the MDBs in local currency to meet the needs of local projects/borrowers.
6. The joint meeting requests the Trustee to prepare a proposal, taking into account the meeting's support for option 2 in the paper, as to resources that should be set aside to allow the CTF and SCF Trust Funds, as an interim measure pending the development of the Enterprise Risk Management Framework, to bear the currency risks related to the use of local currencies in private sector projects up to May 2013. The Trustee is requested to base its quantitative analysis on the following information, to be disaggregated for the CTF and SCF trust funds, to allow the Committees to take an informed decision on this issue:
 - a) the maximum amount that can be allocated to the MDBs to use for local currency lending;
 - b) the amount of the foreign exchange reserve to cover potential foreign exchange losses; and

- c) projections of the number and size of local currency loans that are expected to be committed by the MDBs up to May 2013.

7. The MDBs are requested to provide the Trustee with the information needed to carry out its analysis.

8. The CIF Administrative Unit is requested to disseminate, within two weeks, the proposal of the Trustee together with a decision for approval by mail.

NOTE ON DEVELOPMENT IMPACT INDICATORS

9. The joint meeting of the CTF and SCF Trust Fund Committees reviewed the document CTF-SCF-TFC.9/5/Rev.1, *Note on Development Impact Indicators*, and takes note of the information provided by the MDBs on the development indicators they apply within their regular operations and how they apply those indicators to CIF projects within the context of the CIF results frameworks. The joint meeting reiterates its expectation that each project/program submitted to it for approval of CIF funding will include at least one development impact indicator and recognizes that, consistent with MDB monitoring procedures and practices, input and outputs will be regularly monitored to ensure that a project is on track to meet the project's objectives while project outcomes and impacts will be assessed at the closing of the project or program when the cumulative impacts can be quantified and qualified. In applying this decision, it is expected that the monitoring and evaluation of development impacts will be applied flexibly taking into account the purpose and objectives of the project.

CIF GENDER REVIEW

10. The joint meeting of the CTF and SCF Trust Fund Committees welcomes the document CTF-SCF/TFC.9/6, *CIF Gender Review*, acknowledges gender as a driver for transformational change and central to the effectiveness and efficiency of CIF programming, and reconfirms that a gender perspective should be mainstreamed into the CIF. The joint meeting agrees that steps should be undertaken, building upon the principles of the draft gender review to:

- a) harmonize and institutionalize gender more effectively;
- b) acknowledge and employ gender as a driver for transformational change;
- c) address the need for further knowledge, innovation and cooperation;
- d) harness capacity in the MDBs and at the country level to strengthen CIF plans and programs through technical approaches that link gender to climate change and specific sectors; and
- e) strengthen gender sensitive monitoring and evaluation.

11. The joint meeting invites the authors of the gender review to prepare their final report taking into account comments made during the joint meeting and written comments submitted by November 30, 2012, and invites the CIF Administrative Unit to circulate the final report for approval by mail when it is available.

12. The joint meeting invites the reviewers to develop further the proposal for the recruitment of a gender specialist in the CIF Administrative Unit and to elaborate upon the terms of reference for the position to allow the joint meeting to consider the proposal in May 2013.

CTF AND DEVELOPMENT POLICY OPERATIONS

13. The CTF and SCF Trust Fund Committees reviewed document CTF-SCF/TFC.9/11, *The Clean Technology Fund and Development Policy Operations*, and welcomes the information provided by the MDBs on their use of development policy operations and efforts to use this instrument in the CIF programs. The Committees stress the importance of ensuring, when development policy operations are proposed, that justification is provided as to the need for, and additionality of, the CIF funding and that results can be measured and monitored. The Committees noted the importance of ensuring prior consultation with other MDBs and development partners, including bilateral aid agencies, to ensure coordination and avoid duplication. The Committees agree to keep this under review as specific projects or programs making use of this instrument are submitted to a Trust Fund Committee or Sub-Committee for funding approval.

PROGRESS REPORT ON THE PREPARATION OF THE INDEPENDENT EVALUATION OF THE CIF

14. The joint meeting welcomes the presentation by the Evaluation Oversight Committee on the progress that has been made in preparing the independent evaluation of the CIF, including the selection of a consultant team to carry out the evaluation.

15. The joint meeting requests the Evaluation Oversight Committee to present to the Trust Fund Committees for approval as soon as possible a proposal for the composition of the reference group.

16. The joint meeting agrees to give further consideration to the integration of evaluative approaches into CIF-funded programs and projects, recognizing the CIF policy on information sharing and lesson learning and building on evaluative approaches used by the MDBs. The meeting requests the CIF Administrative Unit to work with the MDB Committee to prepare a paper on this issue for review at the next meeting.

BASIS OF REPORTING FOR THE CTF AND SCF FINANCIAL STATEMENT PREPARED BY THE TRUSTEE

17. The joint meeting of the CTF and SCF Trust Fund Committees confirmed its desire that the financial statements of the Clean Technology Fund and Strategic Climate Fund administered by IBRD as Trustee be prepared going forward, using the special purpose basis of accounting as

presented and described in Note 21 to the December 31, 2011 special purpose financial statements, including any future amendments to that note which the Trustee deems necessary.

FINANCIAL RISK AND MANAGEMENT FRAMEWORK

18. The joint meeting of the CTF and SCF Trust Fund Committees, having discussed the document CTF-SCT/TFC.9/9, *Enterprise Risk Management Framework Report for the Climate Investment Funds*:

- a) agrees to establish a CIF Enterprise Risk Management Framework;
- b) agrees to the establishment of a working group, comprised of the following members, to oversee the development of the CIF Enterprise Risk Management Framework:
 - i. Trustee,
 - ii. CIF Administrative Unit,
 - iii. one risk management specialist from each MDB, with a mix of public and private sector expertise,
 - iv. an independent risk management specialist.

The working group as a whole should include expertise in financial, strategic and operational issues associated with the CIF.

- c) requests the Trustee to support and chair the working group;
- d) requests the working group to undertake the following tasks and to report back to the joint meeting of the CTF and SCF Trust Fund Committees at its meeting in May 2013:
 - i. identify priority risks to be addressed under the risk management framework;
 - ii. clarify what information is currently being gathered to manage those risks;
 - iii. undertake consultations with all interested members of the CTF and SCF Trust Fund Committees to ascertain their risk sensitivities;
 - iv. recommend at which level of the CIF such risks should best be monitored and managed; and
 - v. prepare recommendations, for review and approval by the joint meeting, as to which risks should be a priority focus and the way forward for implementing a risk management framework.

CIF AND THE EMERGING FINANCIAL ARCHITECTURE FOR CLIMATE CHANGE

19. The joint meeting of the CTF and SCF Trust Fund Committees, having discussed the document CTF-SCF/TFC.9/10/Rev.1, *CIF and the Emerging Financial Architecture for Climate Change*:

- a) recognizes and welcomes the progress that is being made on climate finance within the UNFCCC, including under the Standing Committee on Finance, and the Green Climate Fund;
- b) requests the CIF partners, including countries, MDBs, the CIF Administrative Unit and observers, to share lessons and experiences from the CIF with those deliberating on climate finance within the UNFCCC and the GCF;
- c) agrees to monitor developments in the elaboration of the operational procedures and modalities of the GCF so as to determine if and when it is timely and appropriate in the Joint CTF-SCF meeting to give in-depth consideration to operational, financial and legal issues associated with the CIF sunset clause;
- d) agrees that the CIF should play its part in ensuring the continuity of climate finance provided to eligible recipient countries while the GCF's structures are put in place and requests the CIF Administrative Unit to provide the joint meeting with updates relevant to this issue; and
- e) encourages the CIF Administrative Unit to critically scrutinize the comparative advantage of the CIF to work on the proposals contained in the annex to the document, bearing in mind options for how they might be implemented.

CLOSING

20. The meeting was closed on Saturday, November 3.