

September 11, 2013

Comments from United States on approval by mail: Documents entitled: Updates to the Elaboration of an Enterprise Risk Management Program for the Climate Investment Funds and Proposed Duties and Responsibilities of a Senior Risk Management Officer

Dear Patricia,

Apologies for missing the comment deadline yesterday. Please see U.S. comments below.

CIF Senior risk management Officer Terms of Reference

We believe that the TOR should reflect the fact that the principal responsibility of the RMO is to oversee the financial risks in the portfolio. Therefore, competency in modelling of financial risks and understanding of how to mitigate those risks at the project and portfolio level should be the risk manager's first and foremost skill set. We agree with Germany that the cash flow model needs to be a robust tool.

Because of the number of stakeholders involved (e.g. CIF trust fund committee members, MDBs Admin Unit, trustee) 5 e is perhaps the most critical skill. Paragraph d should emphasize familiarity with risk mitigation techniques at the transaction and portfolio level. Please clarify why there is a reference to capital adequacy standards for banks. (Is this for credit lines?)

As the MDBs have robust risk management frameworks the ERM officer does not need to focus on operational risks as much as the portfolio financial risk because that is something that is beyond the remit of the MDB. In terms of operational risk, the need is more to ensure adequate communication between implementing agencies who will manage operational risk and the CIF Admin Unit and TFC,

We are willing to approve funding for this position. We believe that the CIF AU should pursue a secondment from an MDB if a suitable permanent candidate cannot be found easily.

Updates to the Elaboration of a Risk Management Framework

We took the position in the Spring that "Risk 6 Pledge Risk" does not need to be a standalone risk and could be included as part of Risk 5 Asset/Liability Management. We continue to hold this position. However, if Risk 6 remains as a standalone risk, we believe that Risk 6 Pledge Risk should be reformulated.

Description: The CIF formulates investment plans on the basis of pledged rather than

committed funding. If pledges are not converted to committed funding, then it may create delays in the full execution of investment plans.

New risk mitigation actions and reporting protocols:

- a) Reporting on the status of CTF financial resources and expected outflows will be presented to the TFC in an integrated fashion in the CTF Portfolio Risk Dashboard.
- b) The CTF TFC will review the status of the CTF pledges and the active pipeline and determine if action is needed.
- c) If required, the pipeline schedule will be adjusted according to actual and projected funding availability.

Regards,

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U.S. Treasury