

CLIMATE INVESTMENT FUNDS

Joint CTF-SCF/TFC.22/4.5

March 12, 2020

Joint Meeting of the CTF and SCF Trust Fund Committees

Washington D.C. (Virtual)

March 24-25, 2020

Agenda 4

GOVERNANCE OPTIONS FOR THE NEW CIF ACTION AREAS (SUMMARY)

1 Introduction

1. The joint meeting of the CTF and SCF Trust Fund Committees, held in June 2019, reviewed the document [Strategic Directions for Climate Investment Funds](#), including the establishment of four new programs, and requested the CIF Administrative Unit to present elaborated proposals for decision at the next joint meeting, including the necessary supporting information.
2. This document examines options on how to govern these new action areas, including creating a new financial intermediary fund (FIF), establishing new SCF program(s) with new sub-committee(s), and incorporating funding for the new action areas within the current CTF Trust Fund or that SCF Trust Funds through the creation of a global program.

2 Guiding principles and considerations for proposed governance options

3. Key guiding principles include simplification, cost-effectiveness, and avoidance of further fragmentation, in terms of governance and financial management; equal representation of members from contributor and eligible recipient countries; similar roles and responsibilities of the current CIF Trust Fund Committees; 3-year membership terms and similar frequency of committee meetings. In addition, the current business model of CIF will be maintained, and current risk-sharing and risk appetite stipulations will apply to all new contributions.
4. Proposed governance structure options for new action areas take into consideration lessons learned from the current governance structures of the CIF. Consideration has also been given to the streamlining opportunity identified in a parallel process under SCF.

3 Governance structure options for new action areas

3.1 Option 1: Create a new financial intermediary fund (FIF)

5. This new FIF would be separate from the current CTF and SCF Trust Funds and their respective governing bodies, and would have its own governance and reporting structure, legal agreements, and operational documentation. Two sub-options are foreseen under Option 1:
 - *Option 1A: Establishment of one FIF, one Trust Fund Committee.* Contributors to the new fund could notionally indicate their specific interests in the different action areas, which would be managed the CIF Administrative Unit. This option would provide a flexible approach toward funding the new FIF or adapting to changes in strategy and priorities. In addition, this option would keep operational and reporting costs low, unless other customized services are agreed. As decision-making authority would be at the trust fund committee level, all contributors¹, would retain decision-making authority over the FIF.
 - *Option 1B: Establishment of a new FIF with program Sub-Committees.* This option would establish four new sub-committees.² This option has the advantage of allowing donors to contribute directly to a specific program and keeps decision-making authority over the use of the funds at the program sub-committee level. Option 1B would increase the initial set-up costs as well as ongoing operating costs of the fund. To ensure a robust governance system, this option would require a minimum number of donors before operationalizing a sub-committee(s).

¹ In line with paragraphs 22 and 17 of the CTF and SCF Governance Framework documents respectively.

² The Governance Framework for the Strategic Climate Fund: amended December 2011 – paragraph 28.

3.2 Option 2: Establish new programs within the SCF Trust Fund

6. The following three governance structures are examined in support of the new action areas under the SCF.
 - a. Option 2A would establish one Program supported by one sub-account and one sub-committee for all new action areas based on notional amounts per contributor interest. This option would have one sub-committee with decision-making authority over programming the funds and would be more consistent with harmonization and simplification. However, all contributors to the new program³, irrespective of whether they had indicated an interest in a specific action area, would be included in the decision-making process. Reporting would be at the global program level.
 - b. Option 2B, similar to the current operations of the SCF, would create multiple programs, each separately supported by its own sub-account and sub-committee. This option would keep decision-making authority with only the countries who contributed to a specific program. Like 1B above, multiple contributors and provision of sufficient resources to ensure financing at scale would be required. Reporting would be at the individual program level.
 - c. Option 2C would create multiple programs, each supported by a sub-account, but all overseen by one governing sub-committee. The sub-committee would have decision-making authority over programming of funds, operational oversight, and strategic decision making for all new programs, whether donors had contributed to a specific program or not. Reporting would be at the individual program level.

3.3 Option 3: Include new action areas under current CTF Trust Fund and/or SCF Trust Fund

7. The new funds would either be included under the CTF or SCF, depending on strategic fit, allowing for maximum use of the existing CTF and SCF systems and fully streamlining the governance arrangements for the new action areas. These action areas would be managed, and reported, on by the CIF Administrative Unit, based on notional amounts.
8. Implementation of this option under CTF would use the already established operating and reporting systems. There would be no need for amendments to the current Contribution Agreements, Financial Procedures Agreements, and the Governance Framework Document. Decision-making authority would reside with all contributors on the CTF Trust Fund Committee.
9. Implementation of this option under the SCF would require the creation of a new Global Program with oversight by the SCF Trust Fund Committee. Contribution Agreements, existing MDB Financial Procedures Agreements and the Governance Framework Document of the SCF would be revised. Decision-making authority would reside with all members of the SCF Trust Fund Committee, irrespective of whether members have contributed to the new action areas.

³ In line with paragraphs 22 and 17 of the CTF and SCF Governance Framework documents respectively.