

CLIMATE INVESTMENT FUNDS

CTF-SCF/TFC.13/3
November 5, 2014

Joint Meeting of the CTF and SCF Trust Fund Committees
Washington, D.C.
November 17, 2014

Agenda Item 3

MODELS FOR THE FUTURE OPERATIONS OF THE CIF

PROPOSED DECISION

The joint meeting of the CTF and SCF Trust Fund Committees, having discussed the document CTF-SCF/TFC.13/3, Models for the Future Operations of the CIF, [agrees to][welcomes] the following principles to serve as the guiding framework for the discussion of the future operations of the CIF:

- a) Supporting the continuity of climate finance flows and action on the ground;
- b) Progressively taking measures to reduce the fragmentation of the climate finance architecture by enhancing complementarity and possible integration of existing climate funds;
- c) Focusing on knowledge management and sharing of lessons learned;
- d) Enhancing the programmatic approach and leverage of funds; and
- e) Continuing to deliver strong value for money in terms of economy, efficiency and effectiveness of CIF operations, particularly during its transition in the future.

The joint meeting, having considered the development relating to the international climate finance architecture as well as the role and value of the CIF in the design and implementation of pilot approaches and lessons learned for delivering climate finance at scale, agrees to continue monitoring the progress of the GCF to make a decision as to when the Trustee should stop receiving new contributions, at a future joint meeting, but no later than in two years.

The joint meeting also requests that the CIF Administrative Unit, working with the Trustee and the MDBs, will prepare a paper to set forth further details of the necessary steps and the indicative timeline for implementing the model[s][a][b][c][d] and the proposed transitional strategy for consideration by the joint committee at its [second meeting in 2015][first meeting in 2016].

The joint meeting requests the CIF Administrative Unit to further explore ways to enhance the sharing of knowledge and lessons learned with the GCF.

I. INTRODUCTION

1. In June 2014, the joint meeting of the CTF and SCF Trust Fund Committees (“Joint Committee”) reviewed document CTF-SCF/TFC.12/9, *Action Plan in Response to the Independent Evaluation of the CIF*, and requested the CIF Administrative Unit, working with the Trustee and the multilateral development banks as implementing entities (“MDBs”), to prepare a technical paper exploring issues, options and possible models for the future operations of the CIF, including in-depth considerations of the operational, financial and legal issues which may be associated with the CIF sunset clause (“Sunset Clause”). The Joint Committee anticipated that the document would serve as a basis for a constructive discussion in November 2014 with a view to come to a decision on the future of the CIF, taking into account the continued evolution of the Green Climate Fund (“GCF”).

2. Document CTF-SCF/TFC.13/3, *Models for the Future Operations of the CIF*, responds to this request. The document provides inputs for the elaboration of a guiding framework for the discussion of various models for the future operations of the CIF, recognizing the goal of maintaining an upward trajectory in the availability and delivery of climate finance and the positive momentum in delivering on-the-ground investment financing that the CIF has achieved.

II. BACKGROUND

3. In November 2012, the Joint Committee discussed document CTF-SCF/TFC.9/10/Rev.1, *CIF and the Emerging Financial Architecture for Climate Change*, and requested 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. The Joint Committee also agreed to monitor the 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 to give in-depth consideration to operational, financial and legal issues associated with the Sunset Clause in the Joint Committee. The Joint Committee agreed 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 being put in place and requested the CIF Administrative Unit to provide the Joint Committee with updates relevant to this issue. The Independent Evaluation of the CIF also explored the future of the CIF as it relates to the operationalization of the GCF and recommended an in-depth discussion on this issue.¹

4. Over the past years, the CIF Administrative Unit, the MDBs and the Trustee have undertaken various formal and informal steps to share more systematically experiences and lessons learned from the CIF with the GCF and the UNFCCC Standing Committee on Finance. These include:

- a) CIF is an accredited observer to the GCF Board meetings and the GCF attends CIF meetings as an observer;
- b) There are regular updates to both governing bodies;

¹ Summary of the Co-Chairs, Joint Meeting of the CTF and SCF Trust Fund Committees, June 25, 2014.

- c) The Finance Forum by the Standing Committee was held back-to-back with the 2014 CIF Partnership Forum in June 2014.
- d) In June 2014, the Executive Director of the GCF provided an update on the status of the operationalization of the GCF to the Joint Committee; and
- e) From August to October 2014, several meetings were held between the CIF Administrative Unit and GCF Secretariat to have a more structured exchange of CIF knowledge and experiences to support the operationalization of the GCF.

5. It is however recognized that additional efforts need to be made to make sure that the wealth of experience and knowledge accumulated in the CIF can be of benefit to the international climate finance architecture, including the GCF.

III. PRINCIPLES TO GUIDE THE FUTURE OPERATIONS OF THE CIF

6. When considering various models for the future operations of the CIF, it is important to note that CIF's pilot countries and MDBs have dedicated significant efforts to the preparation of country investment plans ("IPs") and designed coherent strategies with projects and programs that complement each other. Furthermore, members of the Joint Committee have suggested² that any considerations of models for the future operations of the CIF should be guided by the following principles:

- a) **Continuity of climate finance flows and action of the ground:** The CIF have begun to implement projects and produce results. Stakeholders, especially CIF pilot countries on the ground, need continuity to implement investments and contribute to the transformation intended. Changes in procedures and structures could affect the momentum and ownership, and may create delays in the implementation of projects and programs intended to achieve a transition to a low carbon and resilient development path.
- b) **Reduced fragmentation of the climate finance architecture:** Progressively reducing the fragmentation of the climate finance architecture by enhancing the complementarity and exploring the possible integration of existing climate funds.
- c) **Knowledge and lessons learned:** Ensuring that the experience of operationalizing the CIF, implementing projects and programs, and harvesting knowledge from the CIF portfolio is not lost. The knowledge, expertise, and experience of the CIF should be preserved, documented, and actively shared by the CIF Administrative Unit and MDBs with the GCF and other relevant entities.
- d) **Programmatic approach and leverage of funds:** The CIF have been successful in achieving an integration of climate action under one single investment plan, leveraging additional funds and integrating the CIF funding into broader investment frameworks.

² <https://climateinvestmentfunds.org/cif/content/joint-ctf-scf-working-papers>

- e) **Administrative burden and budgetary implications:** In pursuing various models for the future operations of the CIF, the CIF Administrative Unit should seek to maintain the efficiency and effectiveness of CIF operations in order to continuously deliver a strong value for money. In this respect any transitional arrangement agreed should not place significant managerial or administrative burdens on the CIF Administrative Unit, the Trustee, the MDBs or the GCF Secretariat and the relevant bodies, as appropriate.
- f) **CIF as a learning institution:** Efforts to strengthen and improve the governance and implementation of the CIF, including measures agreed in the action plan in response to the Independent Evaluation of the CIF, should proceed as planned.

IV. CIF'S PROGRESS TO DATE

7. The CIF, founded in 2008, represent one of the first efforts by the international community to place a significant amount of resources in a dedicated funding vehicle to support developing and emerging economies in adopting a low-carbon and climate-resilient development trajectory. To date (September 30, 2014), the CIF has received around US\$8 billion in pledges and approved more than US\$5.1 billion at the CTF and SCF Trust Fund Committees level and US\$3.8 billion at the Boards of the MDBs to support investments in renewable energy, energy efficiency, sustainable transport, climate resilience, and sustainable forest management in 63 pilot countries (including 14 new pilot countries in the SREP). The CIF were established to fill a gap in the international climate finance architecture and were intended by design to pilot approaches and learn lessons for delivering climate finance at scale through the MDBs, notably through programmatic approaches seeking to initiate transformative results in developing countries. Many of the key achievements of the CIF were reflected in the findings of the Independent Evaluation of the CIF (see text box 1).³

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https://climateinvestmentfunds.org/cif/sites/climateinvestmentfunds.org/files/CTF_SCF_TFC_12_3_Independent_Evaluation_of_the_CIF.pdf.

Box 1. Findings of the independent evaluation of the CIF

Governance

The CIF draw legitimacy from a principle of equal representation, consensus decision-making, inclusivity of observers, and transparency. Compared to other funds, observers at the CIF have greater voice.

Investment plans, national ownership, and consultation

Programmatic national investment plans are an innovation of the CIF. The investment plan process has largely secured strong government ownership and alignment of CIF plans with existing national strategies and programs. MDBs and governments have collaborated effectively to develop investment plans, and development partners have been engaged in the process in all CIF countries.

Private sector engagement and risk management

The CIF have recognized the importance of the private sector in scaling-up climate change mitigation and adaptation activities and has been testing different approaches to achieve that.

Learning, monitoring and evaluation

Learning is a pillar of CIF objectives and was embraced from the outset through strategy and program development, the Partnership Forum, and human and financial resource allocation. Consistent with its pilot nature, the CIF have undertaken inwardly focused learning which has resulted in improvements in their organizational performance, for instance through reappraisal and revamping of their results frameworks.

8. In terms of supporting mitigation and adaptations actions on the ground, the CIF have shown strong results in supporting countries in the development of programmatic approaches to deliver climate relevant investments. When compared with other climate finance funding entities, the level of disbursements has been significant, even if the challenges require speedier action on the ground. It is equally important to realize that there is still an active CIF pipeline of projects and programs that needs to be funded.

Funding needs of CIF programs:

9. Based on the experience of the CIF, funding needs of recipient countries reflected in the existing pipeline of projects and programs should be met to avoid any interruptions in the flow of climate finance. Moreover, the CIF are currently the largest source of concessional financing for MDB mitigation and adaptation investments in these countries. Hence, funding availability will be critical to maintain the momentum with regard to project implementation and pipeline development. Table 1 below presents the CIF funding (cumulative for the years 2012 and 2013) relative to other sources of external climate finance to the MDBs.

**Table 1: MDB Climate Finance funded by CIF, cumulative for the years 2012 and 2013
(USD millions⁴)**

| MDB | Total climate finance incl. external resources (including CIF, GEF and others) | External resources | | Share of CIF |
|-------|--|--------------------------|------|--------------|
| | | Total external resources | CIF | |
| AfDB | 3,425 | 468 | 369 | 79% |
| ADB | 6,552 | 703 | 433 | 62% |
| EBRD | 6,591 | 273 | 48 | 18% |
| IDB | 3,110 | 343 | 147 | 43% |
| IFC | 4,257 | 216 | 66 | 31% |
| WB | 17,825 | 2193 | 752 | 34% |
| TOTAL | 41,760 | 4196 | 1815 | 43% |

10. Presently, all CIF resources have been allocated to the existing four programs. However, there is a funding gap to meet the existing commitments made to date. In addition, over 82 countries have expressed interest in participating in the CIF. Table 2 below provides an overview of the funding status of the CIF portfolio, highlighting the availability of funds and potential shortfalls in the short and medium term. To meet this demand and fulfill all commitments made, the CIF will require an allocation of additional resources of around US\$1.7 billion to meet the demand in the near term.

⁴ Currency conversions from MDB reports were carried out at the average 2012 rate of 1.32 EUR/US\$.

**Table 2: Availability of resources, existing shortfalls for resources in the short term
(Amounts expressed in USD million)**

| FUNDING BREAKDOWN BY PROGRAM (as of September 30, 2014) | | | | | |
|--|--------------|--------------|------------|-------------|--------------|
| IPs/projects and programs | CTF | PPCR | FIP | SREP | TOTAL |
| Original IPs ¹ | 5,585 | 1,034 | 420 | 394 | 7,433 |
| DGM | | | 50 | | 50 |
| DPSP-Phase 1 | 150 | | | | 150 |
| DPSP-Phase 2 | 359 | | | | 359 |
| PSSA-Phase 1 | | 41 | 31 | 59 | 132 |
| PSSA-Phase 2 | | 35 | | 32 | 67 |
| IP preparation grant (Vanuatu/Yemen/Mongolia/ Pacific Region) | | | | 1 | 1 |
| Subtotal | 6,094 | 1,110 | 501 | 487 | 8,192 |
| IP preparation grant (14 new countries and US\$300,000 per country) | | | | 4 | 4 |
| IPs for endorsement (Mongolia/Vanuatu/Yemen) | | | | 85 | 85 |
| Subtotal | - | - | - | 89 | 89 |
| TOTAL | 6,094 | 1,110 | 501 | 577 | 8,281 |
| Resources (Current Value) | 5,258 | 1,168 | 602 | 524 | 7,552 |
| Estimated Shortfall | 990* | 65 | 0 | 53 | 1,108 |
| Additional funding needed for new SREP countries | | | | 560** | 560 |
| Total gap | 990 | 65 | 0 | 613 | 1,668 |
| NOTES: ¹ (1) PPCR and FIP are net of IP Preparation Grants and MDB Project Implementation and Supervision Services. (2) SREP is net of MDB Project Implementation and Supervision Services. (3) Matrix does not account for administrative cost and financial reserves. * See CTF Semi-Annual Operational Report, November 2014 **Assuming an allocation of USD 40 million for each of the 14 new pilot countries | | | | | |

11. Funding needs presented by existing CIF countries represented in the pipeline in form of projects and programs and expected timelines for CIF funding approval by the relevant governing body and by the MDBs need to be considered when assessing models for the future operations of the CIF presented below. It is critical to maintain and scale-up the flow of climate finance to developing countries and avoid any interruption.

V. GUIDANCE FROM THE GOVERNANCE FRAMEWORKS FOR THE CTF AND THE SCF

12. Both the Governance Framework Documents⁵ for the CTF and the SCF (“Governance Framework Documents”) provide the following guidance on the future operations of the CIF (Sunset Clause):

“53. Recognizing that the establishment of the CTF is not to prejudice the on-going UNFCCC deliberations regarding the future of the climate change regime, including its financial architecture, the CTF will take necessary steps to conclude its operations once a new financial architecture is effective. The Trustee will not enter into any new agreement with contributors for contributions to the CTF once the agreement providing for the new financial architecture is effective. The CTF Trust Fund Committee will decide the date on which it will cease making allocations from the outstanding balance of the CTF.

54. The Trustee will, in accordance with the Contribution Agreements, continue to administer the Trust Fund after the cessation of allocation by the CTF Trust Fund Committee until such date specified in the Contribution Agreements, in order to receive in the Trust Fund scheduled reflows of funds from outstanding CTF financing. Following the date so specified in the Contribution Agreement, the Trustee, on behalf of each contributor, will endeavor to transfer the contributor’s share to another fund, which has a similar objective as the CTF as determined by the CTF Trust Fund Committee, or otherwise transfer or return the share to such other place, as agreed between the contributor and the Trustee under the Contribution Agreement.

55. Notwithstanding paragraph 53 above, if the outcome of the UNFCCC negotiations so indicates, the CTF Trust Fund Committee, with the consent of the Trustee, may take necessary steps to continue the operations of the CTF, with modifications as appropriate.”

Effectiveness of the new financial architecture:

13. The Governance Framework Documents point out in the above text that the establishment of the CIF is not to prejudice the on-going UNFCCC deliberations regarding the future of the climate change regime. With that in mind, as a first step to conclude CIF’s operations “once a new financial architecture is effective”, the Trustee is expected to stop entering into any new agreements with contributors for contributions to the CIF “once the agreement providing for the new financial architecture is effective”.

⁵ Paragraphs 53-55 of CTF Governance Framework Document (adopted in November 2008 as amended in December 2011) and Paragraphs 56-58 of the SCF Governance Framework Document (adopted in November 2008 as amended in December 2011). While the paragraph numbers and referenced trust fund names are different, the rest of the text is identical. For ease of reference, the text reproduced below is that of the CTF Governance Framework Document.

14. The term “effective” used in both instances is neither defined in the context of the UNFCCC nor in any other subsidiary documents. Therefore, the Joint Committee would need to deliberate and decide when the climate financial architecture can be considered to be “effective” in order to determine when the CIF should take necessary steps to conclude its operation, or when the Trustee should no longer enter into any new agreement with contributors for contributions to the CTF and the SCF.

15. The members of the Joint Committee in their submissions have noted that the process for triggering the Sunset Clause should be based on agreed-upon principles (see section III) for assessing that the “new financial architecture is effective” in order to avoid uncertainties in planning and implementing activities for all CIF stakeholders. Various funds delivering climate finance, including the CIF, the GCF, the Global Environment Facility, the Adaptation Fund, the Least Developed Countries Fund and the Special Climate Change Fund, are considered as part of the climate finance architecture. However, for the purpose of this paper, the GCF will be treated as the main channel in the pertinent climate finance architecture. Taking into account the members’ recommendations, the Joint Committee may wish to consider the following milestones in considering the “effectiveness” of the climate finance architecture, including:

- a) Receipt of contributions for the purpose of meeting the objectives of GCF:
 - i. Pledging session on November 20-21, 2014; or
 - ii. Actual effectiveness of the resource mobilization period, when fifty percent (50%) of contributions pledged until the November 2014 pledging session are reflected in fully executed contribution agreement/arrangements received by the GCF Secretariat⁶;
- b) Approval or allocation of resources by the GCF:
 - i. The time at which the GCF Board has approved the funding for project and programs at the current scale of CIF (e.g. at least 50%) of the GCF pledged resources for the initial resource mobilization period (2015-2018); or
 - ii. The time at which the GCF Board has allocated a significant level (e.g. at least 50%) of the GCF pledged resources for the initial resource mobilization period (2015-2018); and
- c) Delivery of resources by the GCF: The time at which a significant level (e.g. at least 50%) of the GCF resources has been delivered on the ground in developing countries.

16. As the Joint Committee deliberates on the term “effectiveness” to determine when the Trustee ceases to receive new contributions, it is noted that the same timeline will be used for both the CTF and the SCF trust funds, as applicable, including their sub-programs and private

⁶ http://www.gcfund.org/fileadmin/00_customer/documents/MOB201410-8th/GCF_B.08_16_Policies_for_Contributions_fin_20141007_reissue.pdf Page 3.

sector set-asides, as well as the dedicated private sector program (“DPSP”) and dedicated grant mechanism for indigenous peoples and local communities (“DGM”). With regard to the available resources that are not allocated to projects and programs in the CIF, the Joint Committee is also expected to decide the date when it will cease making allocations from the outstanding balance of the CTF and the SCF.

Reflows:

17. For the reflows, the Governance Framework Documents provide that the Trustee will continue to manage the CTF and the SCF trust funds in order to receive reflows until the date specified in the contribution agreements/arrangements (“Contribution Agreements”) between the contributor and the Trustee (“Final Transfer Date⁷”). After that date, the Trustee, on behalf of each grant and capital contributor, will endeavor to transfer the contributor’s share to another fund, which has a similar objective as the CTF as determined by the CTF Trust Fund Committee, or otherwise transfer or return the share to such other place, as agreed between the contributor and the Trustee under the Contribution Agreement.

18. For the CTF, payments to loan contributors are to be made in accordance with the schedule agreed in the loan agreements/arrangements. In accordance with the provisions of the Contribution Agreements for grant and capital contributors to the CTF and SCF, these contributors may also make arrangements for transfer or return of their shares upon written request any time before the Final Transfer Date as mentioned in paragraph 11 above⁸. However, grant or capital contributors to the CTF may not withdraw any part of their shares, unless the Trustee is satisfied that there will remain sufficient assets in the CTF trust fund to meet all outstanding obligations under the CTF loan contributions.

19. Many contributors to the CIF have noted in their submissions⁹ that the future of CIF assets, such as reflows, should be determined by the individual CIF contributor that provided the resources.

VI. POSSIBLE MODELS FOR THE FUTURE OPERATIONS OF THE CIF

20. Modalities for the future operations of the CIF should take into account the need for continued and increasing flows of climate finance towards developing countries. The emergence of a financing gap should be avoided while new financing structures are being developed, which may require the definition of a transitional strategy that utilizes existing structures, including the CIF, for providing continuous support to developing countries. Based on the analysis of submissions and consultations with members and observers of the Joint Committee, and depending on the interpretation of the time of “effectiveness” of the climate financial architecture by the Joint Committee, there are four potential models for the future operations of the CIF:

⁷ Final transfer Date is currently projected to be around 2055.

⁸ This assumes the case when the contributor wishes to exit from the CIF.

⁹ <https://climateinvestmentfunds.org/cif/content/joint-ctf-scf-working-papers>.

- a) Winding down of CIF operations;
- b) CIF operate as a sub-fund or a funding mechanism of the GCF;
- c) Complete integration of the CIF into the GCF; and
- d) CIF continue as is or with modifications, as appropriate.

21. Each option is not exclusive, and there could be further variations derived from each option. A combination of these options could also be applied in a sequence. It is also worth noting that the feasibility of each model may change in the medium term (2-4 years), based on the evolution of the international climate finance architecture.

22. Before the Joint Committee considers any of these models, it is important to note that any model requiring the involvement of the GCF will require both a decision by the GCF Board and an agreement by the GCF Board and the members of the Joint Committee. For the models that require amendments to the Governance Framework Documents, it is also noted that the CTF and SCF Trust Fund Committees may recommend amendments to any terms of the CTF and SCF Governance Framework Documents, respectively, which would only become effective with the agreement of all current contributor countries to the CTF/SCF, all current recipient countries that have been allocated funding from the CTF/SCF, and the Trustee.¹⁰

23. In presenting these models, the decision-making autonomy of the CIF and the GCF is acknowledged, and it is noted that modalities for future operations do not prejudge decisions that are fully outside of the CIF governing bodies' authorities. **The models in this document have not been discussed with the GCF and do not, in any form, prejudge any discussion or decision by the GCF Board on any of these models.**

24. Implications on issues related to operational, financial, legal and governance structures have been analyzed for each of the constituent part of the CIF, including pilot countries, contributor countries, the Trustee, MDBs and the CIF Administrative Unit. For the purpose of this document, the models only address the implications for future projects and programs using CIF resources that are either new or still unallocated. Specifically, all models assume that the projects and programs which have already received CIF funding approval will continue to be implemented consistent with the existing CIF rules and procedures. Otherwise, MDBs would need to renegotiate the terms and conditions with their executing entities in the middle of the implementation, which could significantly disrupt the progress made to date and result in a lengthy and costly change of legal agreements and financing flows. Therefore, for the portfolio of projects under implementation and projects already approved by the CTF and SCF Trust Fund Committees, the CIF and GCF, would need to agree that all the CIF rules for implementation and supervision are grandfathered and any divergent GCF rules would not apply to the CIF portfolio to ensure the continuity and effectiveness of approved projects.

¹⁰ Paragraph 56 of CTF Governance Framework Document (adopted in November 2008 as amended in December 2011) and Paragraph 59 of the SCF Governance Framework Document (adopted in November 2008 as amended in December 2011).

25. This document identifies and analyzes options based on currently available information thereby focusing only on short to medium terms issues for each option. Longer-term options and issues, such as program monitoring and reporting, the evaluation of results and the roles and responsibilities of CIF stakeholders after the Sunset Clause is triggered, would need to be analyzed further.

a) Winding down of CIF operations:

26. Following the deliberations on the time of “effectiveness” of the climate finance architecture, the Joint Committee would need to decide when to invoke the Sunset Clause, at which point the CIF would cease to accept any new contributions and scale down its activities.¹¹ If the date for cessation of acceptance of new contributions were to be set up in the future, the unfunded but endorsed IPs and pipelines of projects and program could be considered for approval with new contributions.

27. Once the deadline for accepting new contributions is decided by the Joint Committee, the CTF and SCF Trust Fund Committees would approve funding for projects in the pipeline until all resources committed by donors to the CTF and SCF trust funds are allocated to projects.¹² All remaining pipeline projects under endorsed IPs and other programs requiring funding would need to be submitted to the GCF as new program/project proposal. They would be subject to an assessment and approval by the GCF Board under the GCF policies.

28. **Overall implications:** The decision to wind down the operations of the CIF after all funds are allocated to projects would not require any changes to the Governance Framework Documents. There would not be any disruption for project implementation for either approved programs/projects or program/projects in the pipeline for which the funding remains available through existing resources or any new contributions.

29. With the winding down of the CIF after all funds are allocated to projects, the CTF and SCF Trust Fund Committees and CIF Administrative Unit could be scaled down significantly, and the MDBs would be accountable for supervising projects until they close, with reflows flowing back to the CTF and SCF trust funds. A leaner CIF Administrative Unit could lead the work on reporting results and knowledge management, and less frequent meetings of the CTF and SCF Trust Fund Committees could be held until all projects are closed.

30. **Operational issues:** The CIF portfolio funded by resources in the CTF and SCF trust funds would be left to run its course and CIF’s governance and organizational structure would remain to supervise the CIF portfolio until all projects are operationally completed and loans are repaid. Any IPs and pipeline projects that could not be funded from the CTF and SCF trust funds either due to lack of resources or due to the expiration of the time period decided by the Joint

¹¹ This, however, does not preclude the contributors from deciding to use the Reflows for the purpose of CIF at a later time.

¹² The CTF and SCF Trust Fund Committees could also continue funding approvals for certain period of time after which the unallocated funds in the CTF and the SCF trust funds as well as the liabilities would be transferred/novated to the GCF. This would require complex amendments of various Contribution Agreements and Arrangements with loans, grant and capital contributors similar to the “integration model” and further consideration would need to be given as to which assets to transfer and implications in terms of portfolio risk management would need to be examined.

Committee could be submitted to the GCF for funding and would be subject to consideration by the GCF Board.

31. **Financial and legal issues:** The Trustee would continue administering the CTF and the SCF trust funds. The Trustee would receive the reflows from the MDBs and would work with the contributors to transfer the funds as specified in the Governance Framework Documents and Contribution Agreements/Arrangements once all reflows are received.

32. **Governance issues:** CIF’s governance and organizational structure would continue to supervise the portfolio of projects and programs funded by CTF and SCF resources. With the winding down of the CIF, the CTF and SCF Trust Fund Committees and the CIF Administrative Unit could be scaled down significantly, and the MDBs would be responsible for reporting on the results to the CIF until the projects close.

33. Table 3 below presents implications of implementing this model for the constituent parts of the CIF.

Table 3: Winding down the CIF operations – implications on constituent parts of the CIF

| CIF’s constituent parts | Implications of implementing various models for the future operations of the CIF |
|---|--|
| CIF governing bodies (CTF and SCF Trust Fund Committees and Sub-Committees) | <ul style="list-style-type: none"> The CIF governing bodies would remain as is to approve funding allocations and are then scaled down to supervise implementation of projects and results. |
| Recipients | <ul style="list-style-type: none"> Until all resources in the CIF are allocated, no changes to existing portfolio and pipeline projects under endorsed IPs and other programs. Nonetheless, no new pipeline may be developed to seek funding from the CTF and SCF trust funds. There is a potential risk that climate finance flows may decline if the GCF is not ready to start funding approvals and disbursements in the near term. |
| Contributors | <ul style="list-style-type: none"> No changes to Contribution Agreement/Arrangement¹³. |
| Trustee; assets and liabilities of the CTF and the SCF trust funds; reflows | <ul style="list-style-type: none"> The Trustee and CTF and SCF trust funds would remain as is until all reflows are fully transferred from MDBs to the Trustee, loan contributions are repaid, and all final assets are transferred out of the CTF and SCF trust funds as provided in Governance Framework Documents. No changes to arrangements between the Trustee and MDBs under the Financial Procedures Agreements (“FPAs”). Reflows generated would be transferred by the MDBs to the CTF and SCF trust funds. At the Final Transfer Date, the Trustee and contributors would decide where to transfer the balances of the CTF and SCF trust |

¹³ Unless there is a decision by the Joint Committee to transfer unallocated balances to the GCF.

| | |
|-------------------------------|--|
| | funds. |
| MDB Committee | <ul style="list-style-type: none"> The MDB Committee would remain as is until it is no longer needed. |
| MDBs as implementing entities | <ul style="list-style-type: none"> Implementing entities would remain as is. |
| CIF Administrative Unit | <ul style="list-style-type: none"> The CIF Administrative Unit would be scaled down. |

34. **Timeline:** The Joint Committee could decide on the deadline for accepting new contributions as provided in the Sunset Clause, once the climate finance architecture is “effective”. In the meantime, donors could pledge new funding to both the CIF and the GCF in order to preserve the continuity of climate finance flows.

b) CIF operates as a sub-fund or a funding mechanism of the GCF¹⁴

35. To maintain the momentum in the climate finance flows to the developing countries, and recognizing the usefulness of CIF in implementing large scale investments through MDBs for mitigation and adaptation projects in a programmatic manner, the Joint Committee could explore models (b) and (d) to continue the operations of the CIF in the near term.

36. Under this model, the CIF could become a sub-fund or a funding mechanism under the GCF, allowing continuity of funding to be made to the CIF through GCF. The CIF would maintain its governance and organizational structure but be accountable to the GCF Board. The specific issues related to accountability, reporting and oversight between the GCF Board and the Joint Committee could be finalized by mutual agreement and as part of the arrangement between the GCF and the CIF. However, it is noted that the GCF has recently (October 2014) initiated a process for accreditation of sub-national, national, regional and international financial intermediaries and implementing entities and the GCF Board would have to decide if the CIF could be linked to the GCF as a sub-fund or a funding mechanism.

37. Contributors could provide additional contributions to the GCF and the modality of the transfer of such funds to the CIF would need to be elaborated further following a discussion and agreement by the GCF Board. The programs – the CTF, SREP and FIP – could receive allocations from the GCF’s mitigation window and, as relevant, the private sector facility of the GCF (“PSF”). PPCR could receive funding from the GCF’s adaptation window. The CIF would maintain separate financial records and apply the CIF policies within the GCF framework.

38. All of the existing CIF portfolio and pipeline projects and programs under endorsed IPs and other programs would continue to be prepared and implemented as is under the current CIF policies and procedures. This model could be employed to link the CIF and the GCF for the near term with a view to winding down the CIF or the integration of CIF into the GCF in the medium to long term.

¹⁴ It is important to note that this model has not been discussed with the GCF and does not, in any form, pre-judge any discussion or decision by the GCF Board on any of these models.

39. **Overall implications:** The Governance Framework Documents would need to be amended to reflect the relationship between the CIF and the GCF, with the former potentially operating as the sub-fund. Contribution Agreements/Arrangements and FPAs may require amendments to reflect the new governance structure. There may be some budgetary implications on (a) the CIF Administrative Unit to amend Governance Framework Documents, and (b) the Trustee, contributors and MDBs to amend Contribution Agreements/Arrangements and FPAs. There would be no or minimal disruption for project implementation for either approved projects and programs or projects and programs in the pipeline.

40. **Operational issues:** Existing parameters of the CIF, such as its programming processes, procedures (including reporting and financial procedures) as well as disbursement of funds through approved implementing partners would remain the same. However, if the funding priorities and allocation criteria of the GCF and the CIF are not completely aligned, this could result in a misalignment of interests between the GCF Board and the CTF and SCF Trust Fund Committees in the execution of programming. Therefore, a careful alignment needs to precede this change, because any sudden changes in processing, procedures and other policies between the CIF and the GCF may result in confusion among stakeholders, including intermediaries, countries and project developers.

41. **Financial and legal issues:** The Trustee would continue its functions and would maintain financial records of the CTF and the SCF trust funds separately from the GCF. Amendments to Contribution Agreement and FPAs may be required to reflect the sub-fund relationship with the GCF. All financial arrangements between the Trustee and MDBs, including management of reflows, would remain the same. All relationships between the MDBs and their clients would also remain unaffected.

42. **Governance issues:** The CTF and SCF Trust Fund Committees would remain but become accountable to the GCF Board. The nomination process to the CTF and SCF Trust Fund Committees would have to be agreed upon with the GCF Board. A “programmatic funding model” whereby the GCF allocates funds to the CIF to program on behalf of GCF could create two governance layers that are closely interlinked. The GCF Board would have to make allocations at the strategic level and the CTF and SCF Trust Fund Committees would have approval rights over the operational programming. Further downstream, the MDBs would continue to employ their own internal governance processes. Unless carefully integrated, this additional layer of governance may have an impact on funding approval timelines, and might slow down the programming and flow of funds.

43. Table 4 below presents the implications of implementing this model for the constituent parts of the CIF.

Table 4: CIF operates as a sub-fund or a funding mechanism of the GCF – Implications on constituent parts of the CIF

| CIF's constituent parts | Implications of implementing various models for the future operations of the CIF |
|---|--|
| CIF governing bodies (CTF and SCF Trust Fund Committees and Sub-Committees) | <ul style="list-style-type: none"> • The CIF governing bodies would remain but would become accountable to the GCF Board. • Amendments to the Governance Framework Documents would be required. • The nomination process to the CTF and SCF Trust Fund Committees may need to be revised. |
| Recipients | <ul style="list-style-type: none"> • In case the CIF rules are grandfathered, no changes to existing portfolio and pipeline projects under endorsed IPs and other programs. • There may be change in the eligibility of recipient countries depending on eligibility criteria defined by the GCF Board. |
| Contributors | <ul style="list-style-type: none"> • Amendments to Contribution Agreements/Arrangements may be required to reflect the sub-fund relationship with the GCF. • Contributors may provide additional contributions as needed, and such contributions may be counted towards contributions to the GCF. |
| Trustee; assets and liabilities of the CTF and the SCF trust funds; reflows | <ul style="list-style-type: none"> • The Trustee would remain as is. • The CTF and the SCF trust funds would remain open. No transfer of assets or liabilities of the CTF and the SCF trust funds to the GCF. • Amendments to Contribution Agreements/Arrangements may be required to reflect the sub-fund relationship with the GCF. • While FPAs between the Trustee and the MDBs remain in effect, amendments may be required to reflect the sub-fund relationship with the GCF. All financial arrangements between the Trustee and MDBs, including management of reflows, would remain the same. |
| MDB Committee | <ul style="list-style-type: none"> • The MDB Committee would remain as is. |
| MDBs as implementing entities | <ul style="list-style-type: none"> • Implementing entities would remain as is. |
| CIF Administrative Unit | <ul style="list-style-type: none"> • The CIF Administrative Unit would remain as is or the GCF Secretariat would assume all CIF Administrative Unit's functions. |

44. **Timeline:** If decisions were to be made at the CIF and the GCF governing bodies in early 2015, a framework for implementing such an agreement could be concluded, and funds could be allocated from the GCF to the CIF in late 2015 or early 2016.

c) Complete integration of CIF into the GCF¹⁵:

45. Based on the deliberations on the time of the “effectiveness” of climate finance architecture, the Joint Committee could decide to trigger the Sunset Clause. If the CIF no longer received new contributions, and the Joint Committee agreed to stop allocating funds, the outstanding balance of unallocated paid in funds would need to be either returned to the contributors or transferred to a separate trust fund. Models (a) and (c) analyze the case where the outstanding balance is transferred to a separate trust fund (e.g. the GCF), since returning the outstanding balance of the CIF resources to the contributors is not a feasible option due to existing portfolio risk management considerations.

46. The integration of the CIF into the GCF would be akin to merger of two institutions, which is inherently a complex task, with complicated legal, operational and financial issues to be addressed to avoid any interruption. A complete integration of CIF into the GCF would entail the closing of the CTF and the SCF trust funds at the point of integration. All assets and liabilities of the CTF and SCF trust funds would be transferred/novated to the GCF. The CIF portfolio of projects and programs under implementation would be transferred to the GCF with existing rules of the CIF for implementation and supervision of this portfolio being grandfathered for already approved CIF projects/programs. The IPs, projects and programs still in development could be submitted to the GCF as new program or project proposal for funding approval to be assessed and approved by the GCF Board under its rules and procedures.

47. **Overall Implications:** All Contribution Agreements would need to be amended and loan contribution agreements would need to be renegotiated and signed with the GCF. All the FPAs between the Trustee and the MDBs would need to be terminated¹⁶. All financial records of the CTF and the SCF trust funds would be closed and transferred to the GCF. If not managed carefully this could lead to a disruption of project implementations due to (a) changes in the working arrangements for the MDBs, and (b) changes in the policies and requirements for the recipients (from those of the CTF and SCF targeted programs to those of the GCF). Further, the integration of the CIF into the GCF would lead to budgetary implications and administrative burdens on (a) the Trustee, the CIF Administrative Unit and the GCF Secretariat would need to work on the transfer and receipt of the assets, liabilities and business and financial historical records from the CTF and the SCF trust funds to the GCF; (b) the Trustee and contributors would need to amend the Contribution Agreements/Arrangements, and loan contributors would need to renegotiate their loan contributions with the GCF; (c) MDBs and the Trustee would have to terminate FPAs and MDBs would have to negotiate new agreements with the GCF; and (d) MDBs and recipients (governments and private sector clients) would have to amend financing and other legal agreements.

48. **Operational issues:** With the integration of the CIF into the GCF, new obligations may be imposed on recipient countries for the operations in the pipeline beyond those defined at the time of the CTF and SCF Trust Fund Committees funding approval for projects and programs,

¹⁵ It is important to note that this model has not been discussed with the GCF and do not, in any form, pre-judge any discussion or decision by the GCF Board on any of these models.

¹⁶ New agreements between the contributors and GCF, as well as FPAs between MDBs and GCF need to provide for grandfathering of CIF policies and procedures to manage projects under implementation.

including changes in reporting requirements. Changes to the modalities of CIF operations may impact the implementation of projects and programs, increasing the administrative burden and transaction costs.¹⁷

49. MDBs no longer remain as CIF implementing entities and FPAs with the Trustee would need to be terminated. MDBs would need to (a) seek accreditation under the GCF and (b) sign financing agreements with the GCF to act as an implementing entity and/or financial intermediary and (c) amend all financing agreements executed with recipients to reflect the GCF as the source of funding. For private sector operations, the termination of FPAs with CIF's implementing entities could have a cascading effects on legal documents signed by the implementing entities with their clients and other lenders in projects funded by CIF. This could lead to a disruption in the implementation of projects and reputational and legal risks for the implementing entities and the CIF as a whole. Some of the legal documents might not be able to be renegotiated and amended at this stage.

50. The application of GCF investment criteria and the GCF funding approval process, which are different from the CIF, could weaken the programmatic approach in the context of the CIF supported projects and programs and lead to potential delays in funding approvals. The project pipeline of projects and programs supported under endorsed IPs may get delayed or suspended with significant sunk costs and possible disruption to existing structures within the MDBs for the development and implementation of climate finance projects, unless a transitional period is allowed for the allocation of existing resources. As the MDB costs related to pipeline development and project preparation for CTF operations are financed by payments collected from the borrowers after the projects are effective, the CIF may be required to compensate the MDBs according to full cost recovery principles for those projects under the preparation which will not reach approval stage under the CIF.

51. **Financial and legal issues:** The CTF and the SCF trust funds would be closed upon integration into the GCF. The Trustee would transfer its functions to both the GCF Trustee and the GCF Secretariat, as appropriate. All assets and liabilities of the CTF and SCF, including loan contributions, and uncommitted funds, would be transferred/novated to the GCF through the amendment of all Contribution Agreements/Arrangements with the contributors. Grant and capital contributors could be required to sign Contribution Agreements/Arrangements with the GCF. The CTF loan contribution agreements/arrangements would have to be renegotiated (no transfer/reassignment or early prepayment is possible under current loan agreements/arrangements) with the GCF and signed with the GCF as the borrower of record. FPAs between the Trustee and MDBs would be terminated and new agreements would be negotiated between the MDBs and the GCF upon accreditation. Reflows of outstanding loans would be transferred by the implementing entities to the GCF.

52. The integration would also require unwinding ledger entries and reposting them in the GCF trust fund ledger. The GCF Secretariat is building up its internal capacities to deal with financial management and operational issues. Managing the integration would add to the workload of the GCF Secretariat and could create challenges at least in the short to medium

¹⁷ As pointed out earlier, the projects and programs approved by the CIF governing bodies will be implemented according to the policies and procedures applicable at the time of the decision.

terms. Similar risks would also be associated with the transfer of actual funds, financial and business records.

53. **Governance issues:** The integration would require a decision and an agreement between both the CIF governing bodies and the GCF Board. With the integration, the functions of the CTF and the SCF governing bodies would be assumed by the GCF Board or the various committees established by the GCF Board. A detailed comparative analysis of roles and responsibilities of CIF governing bodies and those of the GCF Board and its Board committees could help identify overlap and gaps.

54. Table 5 below presents implications of implementing this model for the constituent parts of the CIF.

Table 5: Integration of the CIF with the GCF – Implications on constituent parts of the CIF

| CIF’s constituent parts | Implications of implementing various models for the future operations of the CIF |
|---|---|
| CIF governing bodies (CTF and SCF Trust Fund Committees and Sub-Committees) | <ul style="list-style-type: none"> • The CIF governing bodies would no longer remain. • Functions would be assumed by the GCF Board or the various committees established by the GCF Board after reaching an agreement that the CIF rules and procedures would be grandfathered for the implementation and monitoring of already approved projects/programs. |
| Recipients | <ul style="list-style-type: none"> • All financing agreements executed between the recipients and MDBs would need to be amended to reflect the GCF as the source of funding. • Integration of the CIF into the GCF could cause system glitches on the part of the recipients leading to increased transaction time and cost and/or disruption in the project implementation as well as the preparation of pipeline projects. |
| Contributors | <ul style="list-style-type: none"> • Transfer of the CIF assets from the Trustee to the GCF Trustee could create legal and financial complications for contributors and MDBs. • Contributions to the CIF follow national circumstances, rules and budget restrictions or provisions for each contributor. In particular for loan contributors these risks would need to be addressed. • Amendments to all contribution agreements/arrangements with the contributors would be required to transfer/novate all assets and liabilities from the CTF and the SCF trust funds to the GCF. • Grant and capital contributors could be required to sign Contribution Agreements/Arrangements with the GCF and the GCF Trustee. |

| | |
|---|---|
| | <ul style="list-style-type: none"> • Loan agreements/arrangements would have to be renegotiated (no transfer/reassignment or early prepayment is possible under current loan agreements/arrangements). New loan agreements would be signed with the GCF as the borrower of record. |
| Trustee; assets and liabilities of the CTF and the SCF trust funds; reflows | <ul style="list-style-type: none"> • The CTF and the SCF trust funds would be closed upon integration into the GCF. All assets and liabilities of the CTF and the SCF trust funds, including loan contributions, would be transferred/novated to the GCF through the amendments of all Contribution Agreements/Arrangements with the contributors. The Trustee would terminate the FPAs with the MDBs. The GCF would have to enter into agreements with the implementing entities to manage the financial arrangements between the GCF and the implementing entities. • Reflows would be transferred by the MDBs to the GCF. • There could be additional risks related to ledger entries, reporting, accounting and business records. • The Trustee would discontinue its functions and transfer all financial and business records to the GCF Secretariat and the GCF Trustee, as appropriate. |
| MDB Committee | <ul style="list-style-type: none"> • The MDB Committee would cease to exist. |
| MDBs as implementing entities | <ul style="list-style-type: none"> • FPAs with the Trustee would be terminated. • MDBs would need to seek accreditation under the GCF and sign the agreement required by the GCF to act as an implementing entity and or a financial intermediary. Such an agreement includes the grandfathering of CIF rules and procedures for the implementation of already approved CIF projects/programs. • Implementing entities would need to amend all financing agreements executed with recipients to reflect the GCF as the source of funding. |
| CIF Administrative Unit | <ul style="list-style-type: none"> • The CIF Administrative Unit would cease to exist and relevant functions would be transferred to the GCF Secretariat. |

55. **Timeline:** After decisions and agreement by the GCF Board and CIF to integrate the CIF into the GCF, given the complexity of financial and legal issues, it could take two to three years to complete the integration, presuming that the MDBs can renegotiate their loan agreements with clients, and depending on the need to apply GCF rules to the existing CIF pipeline. Given the time it would take for the complete integration, the Joint Committee may wish to consider completing funding projects in the pipeline from the resources already committed to the CIF by donors until the integration is completed. This would avoid any interruption in the climate finance flows and bridge allocations to the CIF in the short term, should the GCF face operationalization barriers.

d) CIF continues as is or with modifications, as appropriate:

56. In examining the role of relevant financial institutions and MDBs in the mobilization of climate finance, it has been suggested to strengthen the GCF as a central mechanism to deploy climate finance towards developing countries and use other climate-dedicated funds to channel complementary climate finance to help combat climate change.¹⁸ In this context, the CIF could play a complementary role to the GCF and take a more strategic approach by identifying critical areas or sectors that help advance the agenda of the GCF and other climate finance initiatives. The Joint Committee could allow for continuity of funding to be made to the CIF and new IPs to be endorsed, separately from the GCF. The CIF would remain as is and the CIF would continue receiving new contributions. The CIF would continue to support operations as the GCF operations mature, assuring continuity and support, and the objective of avoiding a gap in climate finance would be fulfilled. The CIF and the GCF could decide to sign a Memorandum of Understanding to formalize the complementary roles. The GCF could also be a contributor to the CIF (or to the programs of CIF).

57. **Overall implications:** The CIF would implement measures to further enhance the efficiency of CIF operations, including those recommended by the Independent Evaluation of the CIF.¹⁹ Depending on the type of additional modifications required, the Governance Framework Documents may require some amendments but there should be no disruption for the project implementation of either approved programs/projects or program/projects in the pipeline. The CIF could: (a) continue its business-as-usual approach focusing on a more programmatic approach; or (b) conduct modified operations which focus more on strategic niches, such as the scaling up of transformational technologies and business models, regional programs, integrated/programmatic solutions, etc.

58. **Operational issues:** The implications of modifying some programs would depend on the modality of succession decided for the respective programs.

59. **Financial and legal issues:** The Trustee and the CTF and the SCF trust funds would remain as is for those programs that are not closed²⁰. Reflows generated from the modified programs would be transferred by the MDBs to the CTF and SCF trust funds.

60. Table 6 below presents implications of implementing this model for the constituent parts of the CIF.

¹⁸ https://www.g20.org/sites/default/files/g20_resources/library/18%20Climate%20Finance%20Study%20Group%20-%20Report%20to%20Ministers.pdf.

¹⁹

https://climateinvestmentfunds.org/cif/sites/climateinvestmentfunds.org/files/CTF_SCF_TFC_12_3_Independent_Evaluation_of_the_CIF.pdf

²⁰ For the programs to be closed, a separate analysis for each program needs to take place, including examining previous models for each case.

Table 6: CIF continue as is or with modifications, as appropriate- Implications on constituent parts of the CIF

| CIF's constituent parts | Implications of implementing various models for the future operations of the CIF |
|---|--|
| CIF governing bodies (CTF and SCF Trust Fund Committees and Sub-Committees) | <ul style="list-style-type: none"> • CIF governing bodies would remain as is. • Depending on the interpretation of the Sunset Clause, amendments to the CTF and/or the SCF Governance Framework Documents may or may not be required. |
| Recipients | <ul style="list-style-type: none"> • No changes for the current recipient countries and private clients. More recipient countries may become eligible for funding if more resources are available. |
| Contributors | <ul style="list-style-type: none"> • No changes to Contribution Agreements/Arrangements. |
| Trustee; assets and liabilities of the CTF and the SCF trust funds; reflows | <ul style="list-style-type: none"> • Trustee and the CTF and SCF trust funds would remain as is. • No changes to Contribution Agreements/Arrangements. No changes to arrangements between the Trustee and MDBs under the FPAs. • Reflows generated would be transferred by MDBs to the Trustee. |
| MDB Committee | <ul style="list-style-type: none"> • The MDB Committee would remain as is. |
| MDBs as implementing entities | <ul style="list-style-type: none"> • Implementing entities would remain as is. |
| CIF Administrative Unit | <ul style="list-style-type: none"> • The CIF Administrative Unit would remain as is. |

61. **Timeline:** To ensure complementarity, the Joint Committee could ask the CIF Administrative Unit, in consultation with the MDBs, to present a detailed analysis of various options for the modification of current CIF programs for discussion at a future meeting of the Joint Committee.

VII. MEASURING MODELS AGAINST PRINCIPLES IDENTIFIED BY THE TFC MEMBERS

62. To summarize (Table 7 below), it may be useful to measure each of the models for the future operations of the CIF against the principles identified by the Joint Committee members.

Table 7: Comparison of various models against guiding principles identified by the Joint Committee members

| Principles to guide the operations of the CIF | Possible models for the future operations of the CIF | | | |
|---|---|--|--|---|
| | Model (a) | Model (b) | Model (c) | Model (d) |
| | CIF's wind-down | CIF operate as a sub-fund or a funding mechanism of the GCF | CIF complete integration with the GCF | CIF continues as is or with modifications, as appropriate |
| Maintain momentum in climate finance flows and action on the ground | <p>Risk of loss of momentum in pipeline/project development by recipient countries and MDBs if the GCF is not fully operational in the near term.</p> <p>Risk of disruption of delivery mechanisms if there is no overlap with the GCF funding.</p> | <p>Continuity and potentially scaling-up of climate finance flows to developing countries through channels and procedures tested over the past six years; any major changes in the operating procedures may lead to delays and disruption.</p> | <p>High risk of disruption and delays as a result of complex changes required in legal agreements and in operational procedures.</p> <p>Risk of impacts on recipient countries and private sector actors and their ability due to disruptions in the flows of funds.</p> | <p>Continuity and potentially scaling-up of climate finance flows to developing countries through channels and procedures tested over the past six years.</p> |
| Programmatic approach and leverage of funds | <p>Risk of losing useful gains achieved through the programmatic approach if the GCF does not employ a similar approach for programs not funded by the CIF after the CIF winds down.</p> | <p>Programmatic approach and leverage of funds maintained and potentially scaling-up by the CIF as part of the GCF.</p> | <p>Current rules of the GCF indicate a project-by-project financing approach – would lead to loss of the useful programmatic approach.</p> | <p>Programmatic approach and leverage of funds maintained and potentially scaling-up by the CIF.</p> |

| | | | | |
|---|---|--|---|--|
| <p>Knowledge and lessons learnt</p> | <p>The CIF would continue to implement its knowledge strategy until a decision of the Joint Committees would indicate otherwise. Effectiveness of transfer of that knowledge and lessons to the GCF would depend on having suitable institutional mechanisms and resources in place to do so.</p> | <p>Potential for transfer of knowledge and lessons to the GCF. The CIF could further strengthen existing knowledge management and transfer mechanisms.</p> | <p>Potential for transfer of knowledge and lessons to the GCF is high as long as the integration strategy is well designed and implemented to ensure that areas/approaches that might not be a priority for GCF are not disregarded.</p> | <p>The CIF would continue to implement its knowledge strategy and could strengthen transfer mechanisms to the GCF.</p> |
| <p>Administrative burden caused by the transition</p> | <p>No additional administrative burden expected if all paid-in funds are committed to CIF projects.</p> | <p>There would be some additional administrative burden with budgetary implications on various constituent parts of the CIF.</p> | <p>Renegotiations of legal agreements and integration into the GCF process would lead to high administrative burden on constituent parts of the CIF and would have substantial budgetary implications. May not be possible between the MDBs and their clients. Reputational risk implications for the MDBs.</p> | <p>No additional administrative burden expected.</p> |

VIII. NEXT STEPS

63. Following the decision by the Joint Committee, steps would be undertaken to implement any of the models for the future operations of the CIF. Further analysis could also be conducted to analyze, in detail, any particular model/s and a transitional strategy.