

CLIMATE INVESTMENT FUNDS

JOINT CTF-SCF/TFC.14/3
April 23, 2015

Joint Meeting of the CTF and SCF Trust Fund Committees
Washington DC
Monday, May 11, 2015

Agenda Item 3

FY16 CIF BUSINESS PLAN AND BUDGET (SUMMARY)

PROPOSED DECISION

The joint meeting of the CTF and SCF Trust Fund Committees reviewed and approves the document JOINT CTF-SCF/TFC.14/3, *FY16 CIF Business Plan and Budget*.

The Committees welcome the business plan and notes that the proposed FY16 CIF budget provides administrative resources for the expected work program of the CIF's corporate management structure: the Trustee as manager of the financial assets of the CIF trust funds, the Administrative Unit as the central coordinating unit of the CIF partnership, and the five MDBs as the implementing partners.

I. INTRODUCTION

1. The Climate Investment Funds (CIF) are now in their seventh year of operation. Participating countries have prepared investment plans¹ with envisaged CIF funding of \$7.45 billion for endorsement by the Trust Fund Committee of the Clean Technology Fund (CTF) and the Sub-Committees of the Strategic Climate Fund's (SCF) three targeted programs. In addition, funds totaling \$0.76 billion have been allocated for planned investments falling outside country investment plans, i.e. through the Dedicated Grant Mechanism, the Dedicated Private Sector Programs, and the SCF Private Sector Set-Asides. As of December 31, 2014 a total of \$ 5.36 billion had been approved for funding of 156 programs and projects.

2. At the CIF's semi-annual meetings November 17-19, 2014 the joint meeting of the CTF and the SCF Trust Fund Committees unanimously reaffirmed the CIF's mandate going forward. It agreed on key principles to guide discussions on the future operations of the CIF in the context of the evolution of the international climate finance architecture, including the Green Climate Fund (GCF). These principles include the need to support the continuity of climate finance flows and to maintain a diversity of financing options while ensuring complementarity and coherence of different instruments.

II. ACTION PRIORITIES, MAIN OUTPUTS AND BUDGET SUPPORT

3. Going forward, the CIF will have to focus on two key challenges. First, new contributions have to be effectively programmed through country investment plans or other mechanisms, recognizing the importance attached to an active pursuit of opportunities and modalities for broader private sector involvement. Second, support for the implementation of investment plans must aim to build sustained local capacity for systematic reporting on results, promote the engagement of stakeholders in an implementation dialogue, and expand the CIF knowledge base.

4. Addressing these challenges, the proposed CIF FY16 Business Plan and Administrative Budget is developed around six priority areas for action (Table A). The work program to implement actions in these areas has been developed and will be undertaken jointly by the CIF Administrative Unit, the five MDBs, and the Trustee, with the MDB Committee serving as the mechanism for coordination and joint decision-making.

5. A new budget framework has been introduced to make it more transparent how individual work program components of the CIF Business Plan are supported by the administrative budget. The main outputs and results expected from the FY16 work program are summarized in Table A accompanied by the estimated budget requirements. These requirements are broken down into the four main components of the CIF budget (see Table B).²

¹ Throughout this paper, the term "investment plan" is used generically to refer to a country plan or strategic program to use CTF, PPCR, FIP and SREP resources.

² The budget allocations indicated in Table A do not add up to the proposed budget request for FY16, i.e. \$24.88 million, shown in Table B. This is the net outcome of two factors: First, the six priority areas for action in Table A do not capture \$5.96 million in expenditures for "policy development, working with the CIF governing bodies, and managing relations", nor \$860,000 of expenditures for "Monitoring & Evaluation" activities unrelated to Priority Area 5. Second, Table A estimates for Part C budget support are based on the *full* estimated expenditures for providing country programming support. Table B Part C, on the other

Table A: Summary of Priority Areas for Action, Main Outputs and Results, and Proposed Budget Support for FY16

Priority Areas for Action	Main Outputs and Results in FY16	Budget support sought (\$ million)										
<p><i>1. Assist country partners in developing new investment plans in response to increased contributions from CIF donors, and revise and update plans under implementation.</i></p>	<p>(i) Submission of eleven SREP investment plans for Sub-Committee endorsement. (Parts A and C)</p> <p>(ii) Substantial progress made in the development of new PPCR and FIP investment plans by pilot countries to be selected in May 2015 (assumed to number ten) for submission possibly starting FY16. (Parts A and C)</p> <p>(iii) Updates or revisions of four CTF investment plans and four SREP plans submitted for TFC/SC approval.(Parts A and C)</p>	<table> <tr> <td>Part A: Adm. Unit.</td> <td align="right">0.57</td> </tr> <tr> <td>Part A: MDBs</td> <td align="right">1.02</td> </tr> <tr> <td><i>Sub-total</i></td> <td align="right"><i>1.59</i></td> </tr> <tr> <td>Part C:</td> <td align="right">7.47</td> </tr> <tr> <td>Total</td> <td align="right">9.06</td> </tr> </table> <p>Part C shows estimated expenditures for support to be initiated by MDB task in FY16, some of which will spillover into FY17. Estimates do not include spillover from FY15 into FY16.</p>	Part A: Adm. Unit.	0.57	Part A: MDBs	1.02	<i>Sub-total</i>	<i>1.59</i>	Part C:	7.47	Total	9.06
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<p><i>2. Expand program and project funding, including through programs designed to effectively engage the private sector.</i></p>	<p>(i) Submission of 77 project proposals (25 CTF and 56 SCF) for TFC/Sub-Committee approval of \$1.46 billion in funding (\$825 million CTF, \$636 million SCF) with (ii) the Dedicated Private Sector Programs accounting for \$153 million (6 projects); the SCF Private Sector Set-Asides for \$95 million (11 projects); and the Dedicated Grant Mechanism for \$33 million (6 projects)</p>	<table> <tr> <td>Part A: Adm. Unit</td> <td align="right">0.08</td> </tr> <tr> <td>Part A: MDBs</td> <td align="right">0.99</td> </tr> <tr> <td>Total</td> <td align="right">1.07</td> </tr> </table> <p>Expenditures for MDB task team support to project development are recovered through fees paid by borrowers (CTF) and payments for project development, implementation and supervision services (SCF).</p>	Part A: Adm. Unit	0.08	Part A: MDBs	0.99	Total	1.07				
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hand, refers to the amount of *additional* funding (i.e. on top of the incoming balance of the multi-year budget) that is required to meet the MDBs' requests for funding.

<p>3. Support implementation of CIF investment plans with focus on programmatic outcomes; monitoring and reporting on results, and stakeholder engagement.</p>	<ul style="list-style-type: none"> (i) Local M&R capacity strengthened and 2015 annual reporting facilitated in 25 FIP and PPCR pilots through MDB managed support. CTF and SREP countries reporting through MDBs. (Part A) (ii) First year implementation of the CIF-ESMAP managed initiative <i>Using Multi-Tier Access Framework to Support Investment Planning in SREP Countries</i> successfully completed. (Part D) (iii) Stakeholder participation in country-led reviews of progress in implementing investment plans; tentative target 20 countries. (Part C) 	<table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 80%;">Part A: Adm. Unit</td> <td style="text-align: right;">0.45</td> </tr> <tr> <td>Part A: MDBs</td> <td style="text-align: right;">0.42</td> </tr> <tr> <td><i>Subtotal</i></td> <td style="text-align: right;"><i>0.87</i></td> </tr> <tr> <td>Part C:</td> <td style="text-align: right;">2.07</td> </tr> <tr> <td>Part D:</td> <td style="text-align: right;">1.00</td> </tr> <tr> <td>Total</td> <td style="text-align: right;">3.94</td> </tr> </table>	Part A: Adm. Unit	0.45	Part A: MDBs	0.42	<i>Subtotal</i>	<i>0.87</i>	Part C:	2.07	Part D:	1.00	Total	3.94
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<p>4. Deliver knowledge products and effective messages on CIF accomplishments to support replication and growth in climate finance globally.</p>	<ul style="list-style-type: none"> (i) Planned knowledge management products completed and disseminated to targeted audiences (Summary in Annex 2). (Part A) (ii) Additional MDB proposals funded under special initiative for innovative KM activities addressing CIF priorities. (Part D) (iii) Information sharing and lessons learning priorities addressed in all new investment plans (above Item 1(i) and (ii)) selectively in projects submitted for funding approval (Item 2 see note). (iv) Two pilot country meetings (PPCR and CTF) held to orient new pilot countries and facilitate cross-pilot learning. (Part B) (v) High level side events raising CIF visibility facilitated at the World Bank Group's Annual Meetings in Lima (October 2015), and at COP21 in Paris (Nov-Dec 2015); other small and targeted events to be determined. (Part B) (vi) Proactive media engagement sustained throughout the year. (Part A) 	<table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 80%;">Part A: Adm. Unit</td> <td style="text-align: right;">1.47</td> </tr> <tr> <td>Part A: MDBs</td> <td style="text-align: right;">1.58</td> </tr> <tr> <td><i>Subtotal</i></td> <td style="text-align: right;"><i>3.05</i></td> </tr> <tr> <td>Part B:</td> <td style="text-align: right;">1.10</td> </tr> <tr> <td>Part D:</td> <td style="text-align: right;">0.50</td> </tr> <tr> <td>Total</td> <td style="text-align: right;">4.65</td> </tr> </table>	Part A: Adm. Unit	1.47	Part A: MDBs	1.58	<i>Subtotal</i>	<i>3.05</i>	Part B:	1.10	Part D:	0.50	Total	4.65
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<p>5. <i>Implement a CIF gender action plan to mainstream gender in CIF policy and programming.</i></p>	<p>(i) At least five sector-specific guidance sheets on gender mainstreaming prepared and shared on-line. (ii) Gender and Renewable Energy study completed prepared and disseminated. (iii) Annual reporting on CIF Gender program completed. (iv) ADB, IDB EBRD, IBRD planned gender assessments, portfolio reviews and technical notes, completed and disseminated. Continued implementation of action plan with following main outputs</p>	<p>Part A: Adm. Unit. 0.67 Part A: MDBs 0.32 Total 0.99</p>
<p>6. <i>Ensure that the essential tools and processes for monitoring, analysis, and reporting on CIF's financial, strategic and operational risks are established and functioning, and manage CIF financial resources in a transparent and effective manner.</i></p>	<p>(a) Continued execution by the CIF Administrative Unit and the Trustee of the Enterprise Risk Management (ERM) Framework, including : (i) a fully operational dashboard enhanced to address feedback; (ii) coordinated flow of data between CIF units and Committees; (iii) update on ERM program implementation (Nov 2015) and annual report (June 2016); and (iv) Tier 2 risk assessment for review by the CTF and the SCF Trust Fund Committees (November 2015). (Parts A and D)</p> <p>(b) Financial resources managed and reported on by the Trustee, the CIF Administrative Unit and the MDBs according to CIF requirements and following MDBs' established procedures.</p>	<p>Part A: Trustee 2.56 Part A: Adm. Unit. 0.45 Part A: MDBs 0.90 <i>Subtotal</i> 3.91 Part D: tbd Total 3.91</p>

III. PROPOSED FY 16 BUDGET

6. The delivery by the CIF Units of the above FY16 work program needs the support of an overall administrative budget of \$24.88 million (Table B, Part A) of which \$18.32 million, or 74%, cover estimated expenditures for administrative services provided by the Trustee, the CIF Administrative Unit and the MDBs. As their collective work program expands, mainly in response to a second wave of programming and of new contributions under SCF, their collective expenditures are estimated to increase by 5.2% over the revised FY15 budget. The increase follows two years with budgets that have been either flat or decreasing in real terms.

Table B: Approved FY15, Revised FY15 and Proposed FY16 Budget by Major Component (\$'000)

	FY15 Approved Budget	FY15 Revised Budget	FY16 Proposed Budget	Variance FY16 Prop-FY15 Rev
A. Administrative Services				
Trustee	3,435.6	3,435.6	3,478.03	42.4
CIF Administrative Unit	7,505.3	7,338.9	7,695.7	356.8
MDBs	6,694.0	6,638.1	7,142.4	504.2
Sub-total	17,634.9	17,412.6	18,316.1	903.5
B. Learning and Knowledge Exchange	-	-	1,102.2	1,102.2
C. Support for Country Programming	6,603.0	(109.8)	3,959.6	4,069.4
D. Special Initiatives	3,213.0	-	1,500.0	1,500.0
Total	27,450.9	17,302.8	24,877.9	7,575.1

7. The remaining \$6.56 million comprises three components:

8. First, under Part B - Learning and Knowledge Exchange (previous Partnership Forum), \$1.10 million in funding is sought for pilot country meetings to promote south-south learning and external learning events linked to major meetings of the conventions or MDB Annual meetings to provide greater visibility to CIF's accomplishments and lessons learned.

9. Second, under Part C - MDB Support for Country Programming, a \$3.96 million top-up of the multi-year country programming budget (Part C) is required to enable MDB task teams to assist the expected new SCF pilot countries in the development of investment plans, and support the implementation of existing investment plans with focus on programmatic outcomes.

10. Third, under Part D - Special Initiatives, funding is requested for two new initiatives: The CIF-ESMAP managed two-year initiative on *Using Multi-Tier Access Framework to Support Investment Planning in SREP Countries* and *Supporting MDB Innovative Knowledge Products*.

11. The first initiative seeks to include a multi-dimensional methodology for measuring and monitoring access to energy as part of the process of developing and implementing investment plans in at least ten of the latest group of SREP pilot countries. The funding sought for FY16 is \$1.0 million, to be followed by \$0.5 million in FY17.

12. The second initiative involves the establishment of a pool of \$500,000 (\$150,000 under CTF and \$350,000 under SCF) to allow MDB proposals for generating innovative knowledge products that are consistent with CIF priorities the opportunity to enter the CIF knowledge management work program during the fiscal year. Funds remaining unallocated at the end of FY16 would roll over to the next year.

13. Finally, it is expected that funding will be required in FY16 for the further development of the *CIF Enterprise Risk Management Dashboard*. The envisaged enhancements involve the inclusion of Tier 2 Risks, reporting on risk mitigation measures, and integration with the CIF secure web-based data platform currently under development. A supplementary request for funding (costs tentatively estimated in the order of \$400,000 at the high end) will be made to the CTF and the SCF Trust Fund Committees once the requirements are finalized and costs are fully

estimated. The work will be undertaken by the Trustee in collaboration with the CIF Administrative Unit.

IV. UPDATE ON MONITORING CIF EFFICIENCY AND TRACKING AND CONTROLLING COSTS

Monitoring the Efficiency Ratio

14. The document *Benchmarking CIF's Administrative Costs*, reviewed by the Trust Fund Committees at their joint meeting in May 2011, concluded that a range of 6-9% on project funding transfers should provide a broad benchmark for program related administrative costs of managing multi-donor, multi-implementing agencies and multi- country trust funds with a global reach.

15. Annual CIF budget proposals have included updated projections of the efficiency ratio, taking into account both program and project related administrative costs. The latest update (Annex 6) shows a CTF efficiency ratio that remains unchanged from last year at 1.4%. The SCF ratio shows a decrease from 6.9% to 5.8% since cumulative costs remain unchanged while cumulative funding increases by close to 20%. Project related costs excluded, the updated efficiency ratios drop to 0.9% (CTF) and 3.5% (SCF).

16. The above numbers suggest that seven years into operations, the CIF's performance in terms of efficiency in use of administrative funds to enable the transfer of project funds to recipient countries is continuing to hold up well relative to the benchmarks referred to earlier.

Tracking costs of activities

17. Annual budget submissions have included updates of the unit costs of a set of discrete and regularly occurring activities, all but one which are managed by the CIF Administrative Unit. Annex 6 provides the FY15 update of expenditures for these activities and explains the factors that impact costs from year to year.

Measures to Contain Administrative Costs

18. *Program related administrative costs.* The FY14 Business Plan and Budget listed ten practices that are followed by the CIF units to promote cost-effective delivery of program related administrative services. These practices are being implemented on a continuing basis.³

19. The new administrative budget framework (Annex 8), in providing greater transparency and closer linkage between budget allocations and work program activities, should help making informed judgements of the CIF's costs of "doing business".

³ The World Bank Group has recently set a target to eliminate \$400 million in administrative expenditures by end FY17 by reducing costs and increasing efficiencies. Efforts to reach this target will involve all parts of the institution, including the World Bank Group's CIF program and the CIF Administrative Unit.

20. *Project related administrative costs* incurred by the MDBs are managed outside the CIF administrative budget. Under the CTF, they are recovered through fees applied to CTF loans and guarantees paid by the borrower. Under SCF's targeted programs, recovery occurs through case-by-case approval by the Sub-Committees of MDB requests for payments for project implementation support and supervision services.

21. Mechanisms for monitoring the use and appropriateness of the levels of payments for project implementation and supervision services are in place. Under SCF they involve benchmarking with reference to MDB experiences and costs. Annex 8 provides updated information on the payments made for such services.