

CLIMATE INVESTMENT FUNDS

April 30, 2020

**JOINT MEETING OF THE CTF AND SCF TRUST FUND COMMITTEES
WASHINGTON D.C.**

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Approval by mail – Monday, April 6, 2020

Preamble

Twelve years on, CIF has delivered on its founding ambitions and has demonstrated its key role in the climate finance landscape, channeling and leveraging significant levels of climate finance through its partner multilateral development banks (MDBs) for impact in developing and emerging countries.

Despite the progress achieved to date with CIF's support and, more broadly, with domestic and international efforts, the world remains way off course to limit warming to 1.5°C. Climate investments need to be scaled-up rapidly to enable the "rapid and far-reaching transitions in energy, land, urban and infrastructures, and industrial systems" called for by the international scientific community.

More than ever, MDBs will play a critical role in helping developing countries move the needle in these priority areas and have demonstrated world-leading cross-sectoral expertise, structuring capabilities, convening power, and ability to drive policy reforms, mobilize private capital, and create markets. As has been shown in multiple independent evaluations, CIF's concessional resources, deployed through an MDB collaborative platform, have been instrumental in leveraging MDB leadership allowing them to move much further and faster to pilot-test new approaches, strengthen regulatory frameworks, and tip unproven but potentially transformative low-carbon solutions towards commercial viability.

The track record and continued importance of the CIF was reiterated by 48 developing countries who, in April 2019, signed a joint ministerial statement urging that the "CIF's proven business model remain a key component of the climate finance architecture moving forward".¹

In June 2018, the SCF Trust Fund Committee agreed to establish the Technical Assistance Facility for Clean Energy Investments under the SCF and in June 2019, the CTF Trust Fund Committee agreed to establish a Global Energy Storage Program under the CTF and encouraged contributors in a position to do so to consider making contributions to both these Programs. Further, in June 2019 the CTF and SCF Trust Fund Committees requested the CIF Administrative Unit and partner MDBs to develop four new program proposals that seek to maximize CIF's comparative advantages for consideration at the joint meeting of the CTF and SCF Trust Fund Committees in March 2020.²

¹ Reference to the *Joint Ministerial Statement: [Recipient countries' position on the future of the Climate Investment Funds](#) (April 8, 2019)* is included in this preamble at the request of recipient country members.

² Japan abstained from the following decisions of the Joint meeting of the CTF and SCF Trust Fund Committees given that they do not wish to block the consensus of the rest of the Committees members

A. PROPOSED NEW ACTION AREAS

1. **The CTF and SCF Trust Fund Committees have reviewed** the following documents:

- (i) Joint CTF-SCF/TFC.22/4.2 dated March 4, 2020, (*Climate-Smart Urbanization Program - Driving the spatial transformation of cities toward low-carbon and climate-resilient development*);
- (ii) Joint CTF-SCF/TFC.22/4.3 dated March 4, 2020, (*Integration of Renewable Energy into Power Systems Program*);
- (iii) Joint CTF-SCF/TFC.22/4.4 dated March 4, 2020, (*Nature, People and Climate Investments Program*); and,
- (iv) Joint CTF-SCF/TFC.22/4.1 dated March 4, 2020, (*Accelerating Low-Carbon, Climate-Resilient Transition in Industry Program - A private sector-focused approach to accelerate industrial corporate climate leadership and impact*).

2. **The CTF and SCF Trust Fund Committees welcome** the detailed analysis and proposals in the documents in relation to the establishment of four new action areas as set out below:

- (i) Climate-smart Urbanization;
- (ii) Integration of Renewable Energy into Power Systems;
- (iii) Nature, People and Climate Investments; and,
- (iv) Accelerating Low-Carbon, Climate-Resilient Transition in Industry.

3. **The CTF and SCF Trust Fund Committees note** with appreciation the consideration that has been given in developing the proposals and concepts for each new action area, particularly in outlining the expected outcomes and transformational change which are important for, and aligned with, the strategic objectives of the CIF.

4. **The CTF and SCF Trust Fund Committees encourage** the CIF Administration Unit and MDBs to present the ongoing work on additional modalities and means to maximize the value for money and effectiveness of CIF resources in the context of future action areas.

5. **The CTF and SCF Trust Fund Committees note** that the establishment of any new action area will be subject to:

- (i) voluntary contributions from those existing and potential contributors who may be interested in participating in these new action areas; and
- (ii) the steps outlined in the following paragraphs and in conformity with the criteria for consideration of new SCF programs as stipulated in the Governance Framework for the SCF, namely:
 - a. multiple donor interest in establishing an SCF Program;
 - b. broad applicability of lessons to be learned;

- c. sufficient resources to finance activities at scale;
 - d. complementary to other multilateral financial mechanism or initiative addressing climate change; and,
 - e. link between climate change and development.
- 6. **The CTF and SCF Trust Fund Committees request the SCF Trust Fund Committee** to undertake all the requests, decisions, actions and steps that follow this paragraph on the basis that the establishment of any new action area will be under the SCF.
- 7. **The SCF Trust Fund Committee notes** that the CIF Administrative Unit, MDBs and the Trustee will need to take any and all steps, approvals and actions that are necessary to implement the new action areas under the SCF, including as next steps:
 - a. amendments to existing governing/legal documents and related systems and processes;
 - b. new legal documents, including program design documents; and,
 - c. new operational documents.
- 8. **The SCF Trust Fund Committee requests** that the CIF Administrative Unit present the amendments to the SCF Governance Framework for approval based on the already established process as identified in the SCF Governance Framework document, such amendments to incorporate the following aspects:
 - (i) amendments to the SCF Governance Framework required to enact a decision to establish new action areas;
 - (ii) changes set out in Section (B) relating to the Governance Modalities of the SCF;
 - (iii) changes set out in Section (C) relating to the Operational Modalities of the New CIF [Strategic Programs]; and,
 - (iv) other decisions taken by the SCF Trust Fund Committee, including on November 20, 2019 relating to streamlining the governance practices of the SCF.

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B. GOVERNANCE OPTIONS FOR THE NEW CIF ACTION AREAS

1. **The CTF and SCF Trust Fund Committees have reviewed** the document Joint CTF-SCF/TFC.22/4.5 dated March 5, 2020, (*Governance Options for the New CIF Action Areas*) **and welcomes** the detailed analysis and options proposed in the document in relation to the establishment of four new action areas and notes with appreciation the consideration that has been given in the options proposed to (i) the CIF's practice of ensuring efficiency and effectiveness of its meetings and operations; (ii) more closely aligning the governance structure to the needs of contributors and eligible recipient countries; and (iii) avoidance of further fragmentation in the climate finance architecture.
2. **The SCF Trust Fund Committee**, taking into account the relative speed for implementation, lack of complexity in implementation, cost savings, complementarity, synergy and transparency vis-à-vis other climate finance instruments, as well as equitable representation from recipient countries for all SCF programs, **hereby approves that the governance for any new action areas would be:**

Option 2C – Establishment of separate Programs, separate sub-accounts - one for each program to be established, and one Sub-Committee as outlined in the document.

- (a) **The SCF Trust Fund Committee requests** that, the CIF Administrative Unit and the Trustee work together and take any and all steps and actions that are necessary to prepare for implementation of Option 2C for any new action areas subject to steps outlined in Section (A), including, without limitation to prepare to:
 - (i) establish a new Program and separate sub-account– for each program in accordance with the SCF Governance Framework as well as any relevant governance modalities and operational modalities for the new action areas as may be agreed to by the SCF Trust Fund Committee under Sections (B) and (C);
 - (ii) establish a sub-committee overseeing the new Programs for the new action areas –in accordance with the SCF Governance Framework Document;
 - (iii) convene a sub-committee meeting to review and approve the expert group's recommendations for inviting countries into the new Programs; and
 - (iv) submit a budget request for administrative services provided by the CIF Administrative Unit, MDBs and the Trustee, for the new Programs, for approval by SCF Trust Fund Committee and financed by new contributions for new action areas.

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C. OPERATIONAL MODALITIES FOR THE CLIMATE INVESTMENT FUNDS' NEW [STRATEGIC PROGRAMS]

1. **The CTF and SCF Trust Fund Committees have reviewed** the document Joint CTF-SCF/TFC.22/4 dated March 4, 2020, (*Operational Modalities for the Climate Investment Funds' New [Strategic Programs]*) and welcomes the detailed analysis and proposals in the document in relation to the establishment of four new action areas, including the proposed investment criteria for each action area.
2. Taking into consideration (a) the deliberations at the joint meeting of the CTF and SCF Trust Fund Committees which were supportive of the operational modalities proposed for the four new action areas in the SCF as set out in the document listed in paragraph 1 above, and (b) the decision on governance options for the new action areas in Section (B) above, **the SCF Trust Fund Committee hereby**
 - (i) requests that the CIF Administrative Unit and the Trustee work together and take any and all steps and actions that are necessary to implement such modalities subject to steps outlined in Section (A);
 - (ii) requests the CIF Administrative Unit, in collaboration with the MDBs, to prepare a proposal for an updated Pipeline Management and Cancellation Policy for the SCF. The proposal should include consideration for one overall CIF Pipeline Management and Cancellation Policy that covers all Programs, as may be appropriate based on the analysis conducted for such a policy for the SCF, and which such CIF Pipeline Management and Cancellation Policy can be considered at a Joint meeting in the second half of 2020;
 - (iii) requests the CIF Administrative Unit, in collaboration with the MDBs, to investigate the possibility of enhancing reporting on mobilized private sector investments in line with OECD and;
 - (iv) requests the CIF Administrative Unit, to consult with CIF contributor and recipient countries, on relevant policy documents regarding the implementation of the new programs, as may be considered appropriate.