

CLIMATE INVESTMENT FUNDS

December, 2011

GOVERNANCE FRAMEWORK FOR THE STRATEGIC CLIMATE FUND

Adopted November 2008 and amended December 2011

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A. INTRODUCTION

1. A consensus is growing that moderating and managing climate change is central to every aspect of poverty reduction, economic growth and development, and that climate change disproportionately affects the urban and rural poor worldwide. Continued greenhouse gas (GHG) emissions at or above current rates would cause further warming that would threaten the development gains hard-earned by developing countries over the past decades and progress towards achieving the Millennium Development Goals.

2. Consistent with the experience of the Clean Energy for Development Investment Framework (CEIF)¹, and in recognition of the Bali Action Plan decision² to launch a comprehensive process by addressing, among other things, ways to strengthen the catalytic role of the United Nations Framework Convention on Climate Change (UNFCCC) regime in encouraging multilateral bodies to support adaptation and mitigation in a coherent and integrated way, the African Development Bank, Asian Development Bank, European Bank for Reconstruction and Development, Inter-American Development Bank, International Bank for Reconstruction and Development (IBRD)/International Development Association (World Bank), and International Finance Corporation (collectively, the Multilateral Development Banks (MDBs)), are actively pursuing ways to increase the availability of innovative financing through existing and new instruments and to accelerate the access of developing countries to carbon finance, building on comparative advantages of the various institutions and their strong development policy dialogue with client countries.

3. Within this context, and recognizing that climate change is central to the sustainable development and poverty reduction agenda, the World Bank, in consultation with the other MDBs, developed and developing countries and other development partners, proposed to establish the strategic Climate Investment Funds (CIF) to mobilize new and additional financing for activities and investments that demonstrate how financial and other incentives can be scaled-up to support adaptation and mitigation in a coherent and integrated manner. The Strategic Climate Fund (SCF) is to be established as one of two funds under the CIF, along with the Clean Technology Fund (CTF).

4. On May 30, 2008, in Potsdam, Germany, the MDBs, developed and developing countries and other development partners reached an agreement on the design and establishment of the SCF. Following the agreement in Potsdam, the Executive Directors of the World Bank, on July 1, 2008, approved the establishment of the SCF. Based on the agreement reached in Potsdam and the approval of the Executive Directors of the World Bank, this Governance Framework for the SCF was prepared for adoption at the joint meeting of the Trust Fund Committees for the SCF and the CTF on November 18, 2008, held in Washington, D.C., in the United States of America.

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¹ The Clean Energy for Development Investment Framework (CEIF), a platform for increasing private and public sector investments in clean energy, was endorsed in April 2007 by the Development Committee, the governing body of the World Bank.

² Adopted by the Conference of the Parties to the United Nations Framework Convention on Climate Change (UNFCCC) in its Decision 1/CP.13,

³ This Governance Framework includes amendments approved on December 28, 2011 (in accordance with paragraph 59 of this Governance Framework) regarding (i) the term of the Members and co-chairs of the SCF Trust Fund Committee and (ii) the timing and co-chairing provisions for the SCF Trust Fund Committee and the Partnership Forum.

B. PURPOSE AND OBJECTIVES

5. The SCF aims to provide financing to pilot new development approaches or scale-up activities aimed at a specific climate change challenge or sectoral response.

6. Recognizing that UNFCCC deliberations on the future of the climate change regime include discussions on a future financial architecture and funding strategy for climate change, the CIF will be an interim measure designed for the MDBs to assist in filling immediate financing gaps. The SCF, therefore, includes specific sunset clauses linked to the agreement on the future of the climate change regime as set out in paragraphs 56, 57, and 58 below.

7. The objectives of the SCF are to:

- (a) promote international cooperation on climate change and support progress toward the future of the climate change regime;
- (b) provide experience and lessons in responding to the challenge of climate change through learning-by-doing;
- (c) promote and channel new and additional financing for addressing climate change through targeted programs to be established as part of the SCF or through separate funds like the CTF or other funds addressing climate change, such as the Forest Carbon Partnership Facility;
- (d) utilize the skills and capabilities of the MDBs to raise and deliver concessional climate financing at a significant scale to unleash the potential of the public and private sectors to achieve meaningful reductions of carbon emissions and greater climate resilience;
- (e) provide incentives for scaled-up action and transformational action (both mitigation and adaptation) and for solutions to the climate change challenge and poverty reduction in developing countries, consistent with poverty reduction and sustainable development strategies that are robust to climate change;
- (f) provide incentives to maintain, restore and enhance carbon-rich natural ecosystems to prevent carbon sinks from becoming sources of increased emissions, and to enhance all the services they provide, including climate resilience or adaptive capacity, and thereby support sustainable development;
- (g) complement other multilateral financial mechanisms, such as the Global Environment Facility (GEF) and the Adaptation Fund, and bilateral sources of financing, and seek co-financing where appropriate; and

- (h) maximize co-benefits of sustainable development, particularly in relation to the conservation of biodiversity, natural resources ecosystem services and ecological processes.

8. The SCF will make available, through the MDBs, a range of financing, credit enhancement and risk management tools such as loans, credits, guarantees, grants and other support, targeted to the needs of developing countries. This strategic response will be implemented by the MDBs and will focus on accelerating and scaling up transformational low carbon and climate resilient investments while at the same time promoting sustainable development and poverty reduction. The MDBs will rely on their own policies and procedures in developing and managing activities financed under the SCF.

C. SCF PROGRAMS

9. Within the framework of the SCF, targeted programs with dedicated funding (SCF Programs) can be established to provide financing to pilot new development approaches or scaled-up activities aimed at a specific climate change challenge or sectoral response. Resources will be mobilized and pledged to specific SCF Programs to be financed within the SCF. Arrangements to guide the SCF Programs, ensure effective partnerships, and provide accountability will be defined for each SCF Program to ensure the effective operations of the programs.

10. The following proposals have been established under the framework of the SCF:

- (a) A pilot program for climate resilience is proposed to be established to provide incentives for scaled-up action and transformational change in integrating consideration of climate resilience in national development planning consistent with poverty reduction and sustainable development goals.
- (b) A forest investment program is proposed to be established to mobilize significantly increased funds to reduce deforestation and forest degradation and to promote improved sustainable forest management, leading to emission reductions and the protection of carbon reservoirs.
- (c) A renewal energy program is proposed to be established to support investments in low income countries for energy efficiency, renewable energy and access to modern sustainable energy.

11. In support of the objectives of the SCF, set out in paragraph 7 above, SCF Programs, in addition to those listed in paragraph 10 above, may be considered in accordance with the following criteria:

- (a) multiple donor interest in establishing a SCF Program;
- (b) broad applicability of lessons to be learned;
- (c) sufficient resources to finance activities at scale;

- (d) complementary to any other multilateral financial mechanism or initiative; and
- (e) link between climate change and development.

12. The scope, objectives and eligibility criteria for each of the SCF Programs will be recommended by the Administrative Unit in consultation with the MDBs, the Trustee and other key stakeholders, and approved by the SCF Trust Fund Committee. The SCF Trust Fund Committee will provide guidance in developing such scope, objectives and eligibility criteria for the SCF Program.

D. GOVERNANCE AND ORGANIZATIONAL STRUCTURE

13. The governance and organizational structure of the SCF includes an SCF Trust Fund Committee, SCF Sub-Committee(s), a Partnership Forum, an MDB Committee, an Administrative Unit and a Trustee.

SCF Trust Fund Committee

14. The SCF Trust Fund Committee will be established to oversee the operations and activities of the SCF, and will consist of the following members (the Members):

- (a) eight representatives from contributor countries (or groups of such countries) making the minimum contributions to the SCF pursuant to paragraph 17 below, identified through a consultation among such contributors (or potential contributors with respect to the first year of the SCF operations);
- (b) eight representatives from eligible recipient countries (or groups of such countries), identified through a consultation among interested eligible recipient countries. For the purpose of this paragraph, an eligible recipient country means any country which meets the eligibility criteria approved by the SCF Trust Fund Committee funding under any of the SCF Programs;
- (c) a senior representative of the World Bank, recognizing the role of the World Bank as the overall coordinator of the CIF partnership; and
- (d) a representative of the MDBs, identified by the MDB Committee for each meeting of the SCF Trust Fund Committee on the basis of rotation among the MDBs.

15. Members referred to in paragraphs 14(a) and (b) above will be the decision-making Members, and Members referred to in paragraphs 14(c) and (d) will be the non-decision making Members.

16. Members referred to in paragraphs 14(a) and (b) above will serve for an eighteen month term, except that they will serve for a one year term for the first year of the SCF operations. Retiring Members may be reappointed. Not more than one Member will be a representative of the same country at any given time.

17. In order to be selected as a Member representing a contributor country or countries on the SCF Trust Fund Committee pursuant to paragraph 14(a) above, a contributor country (or group of contributor countries) will be required to make a commitment, by way of entering into a Contribution Agreement (as defined in paragraph 39 below) with the Trustee, to contribute to the SCF (but excluding any amount which is transferred from the SCF to the CTF or other trust funds under paragraph 46 below) in no less than the minimum amount determined through a consultation among contributor countries. The minimum amount determined should be reported to the Administrative Unit and the Trustee.

18. In the event that a part of the contributor's contribution is subject to legislative approval, the contributor may enter into the Contribution Agreement with the Trustee for the total amount of the contribution, but qualify the portion of the contribution, which is subject to legislative approval; provided that if that contributor has not unqualified the portion of its contribution in an amount no less than the minimum contribution within eighteen (18) months of the effectiveness of the Contribution Agreement, that contributor country will not be eligible to apply for a seat at the SCF Trust Fund Committee for the subsequent term until and unless the minimum contribution is unqualified. In no case will a contributor country that has not unqualified an amount equal to or exceeding the minimum contribution serve as a Member of the SCF Trust Fund Committee for a period exceeding two years.

19. If any country whose representative is identified under paragraph 14(a) or (b) above to serve as a Member should no longer be able to serve for its term due to paragraph 18 above or such other reasons, the matter will be submitted to the SCF Trust Fund Committee. The SCF Trust Fund Committee may determine if any action should be taken to reconstitute the number of the Members present under paragraphs 14(a) and (b) after the cessation of the representation by that country, in view of the objective of having equal representation of both groups under paragraphs 14(a) and (b).

20. The SCF Trust Fund Committee will be responsible for:

- (a) approving establishment of SCF Programs and the scope, objectives and eligibility criteria governing the use of the funds under the SCF Programs based on a consultative process and an analysis to determine the utility of new SCF Programs;
- (b) ensuring that the strategic orientation of the SCF is guided by the principles of the UNFCCC;
- (c) establishing an SCF Sub-Committee for each SCF Program and designating who may participate in the SCF Sub-Committee;
- (d) approving allocation of SCF resources for administrative budgets;
- (e) providing guidance on the convening of the CIF Partnership Forum;

- (f) ensuring monitoring and periodic independent evaluation of performance and financial accountability of MDBs;
- (g) approving annual reports of the SCF;
- (h) ensuring that lessons learned are transmitted to the UNFCCC and other relevant bodies;
- (i) reviewing reports from the Trustee on the financial status of the SCF; and
- (j) exercising such other functions as they may deem appropriate to fulfill the purposes of the SCF.

21. The SCF Trust Fund Committee will elect two co-chairs from among its Members to serve for an eighteen month term. One co-chair will be a representative of an eligible recipient country and the other co-chair will be a representative of a contributor country. The co-chairs will be elected at the Trust Fund Committee meeting convened six months following the Partnership Forum, recognizing that members of the Trust Fund Committee are to be selected at the Partnership Forum.

22. Decisions by the SCF Trust Fund Committee will be made by consensus of the decision-making Members. Consensus is a procedure for adopting a decision when no participant in the decision-making process blocks a proposed decision. For the purposes of the SCF, consensus does not necessarily imply unanimity. A dissenting decision maker, who does not wish to block a decision, may state an objection by attaching a statement or note to the decision. If consensus is not possible, then a proposed decision will be postponed or withdrawn.

23. The SCF Trust Fund Committee will meet at such frequency as it may decide, but at least once a year.

24. Members of the MDB Committee and the Trustee may attend the SCF Trust Fund Committee meetings as observers. Any member of any SCF Sub-Committee, who is not a Member, may be invited to attend the SCF Trust Fund Committee meetings as an observer.

25. To ensure good linkages with key partners so as to promote the efficient use of resources and complementary with other sources of financing, the SCF Trust Fund Committee will invite as observers, representatives of GEF, United Nations Development Programme (UNDP), United Nations Environment Programme (UNEP), and the UNFCCC. The SCF Trust Fund Committee may also invite representatives of other organizations with a mandate to address climate change. Civil society, including non-governmental organizations (NGOs) and representatives of the private sector, may also be invited to identify a representative to observe the SCF Trust Fund Committee meetings.

SCF Sub-Committee

26. The SCF Trust Fund Committee will establish an SCF Sub-Committee for each of the SCF Programs. Each Sub-Committee will consist of:

- (a) up to six representatives from contributor countries to the SCF Program, identified through a consultation among such countries (or potential contributors with respect to the first year of the SCF operations), but at least one of which should be a Member of the SCF Trust Fund Committee;
- (b) a matching number of representatives from eligible recipient countries to the SCF Program, but at least one of which should be a Member of the SCF Trust Fund Committee. For the purpose of this paragraph, an eligible recipient country means any country which meets the eligibility criteria for funding under the concerned SCF Program; and
- (c) such other representatives designated by the SCF Trust Fund Committee for this purpose.

27. Unless otherwise determined by the SCF Trust Fund Committee under paragraph 20(c), members of each SCF Sub-Committee will serve for eighteen month terms. Retiring members may be reappointed. Not more than one Member will be a representative of the same country at any given time.

28. The functions of each SCF Sub-Committee will include:

- (a) approving programming priorities, operational criteria and financing modalities for the SCF Program;
- (b) approving SCF Program financing for programs and projects;
- (c) approving periodic reports to the SCF Trust Fund Committee on the operations of the SCF Program;
- (d) ensuring continuity between activities foreseen for the SCF Program and activities of other development partners active in the field of climate change, including the GEF and the UN, and ensuring effective cooperation between the SCF Program and the GEF and UN country activities to maximize synergies and avoid overlap; and
- (e) exercising such other functions as they may deem appropriate to fulfil the purposes of the SFC Program.

29. Each SCF Sub-Committee will elect its own co-chairs for an eighteen month term. One co-chair will be a representative of an eligible recipient country, and the other co-chair will be a representative of a contributor country.

30. Each SCF Sub-Committee will meet at such frequency as it may decide, but at least once a year concurrently with the SCF Trust Fund Committee. Further, each SCF Sub-Committee

may review and approve SCF financing for programs and projects without meeting, but through such other means and procedures appropriate for project or program review.

31. Except as otherwise specifically provided, the procedures applied to the SCF Trust Fund Committee will apply to the SCF Sub-Committees.

Partnership Forum

32. The Partnership Forum is a broad-based meeting of stakeholders of the CIF, including eligible recipient and contributor countries, MDBs, UN organizations, GEF, UNFCCC, the Adaptation Fund, bilateral development agencies, civil society organizations, private sector entities, and scientific and technical experts. The Partnership Forum will be convened every eighteen months to provide a forum for dialogue on the strategic directions, results and impacts of the CIF. The Partnership Forum will be co-chaired by a representative from an eligible recipient country and a representative from a contributor country elected from among government representatives participating in the Partnership Forum. The Partnership Forum will serve as a primary venue to identify representatives from eligible recipient and contributor countries to serve as members of the SCF Trust Fund Committee and Sub-Committees pursuant to paragraphs 14(a) and (b) and paragraphs 26(a) and (b) above.

33. The Partnership Forum will provide an opportunity for independent scientific, technical and other advice on major issues of implementation in integrating climate change and development and for sharing cutting edge knowledge concerning climate change challenges. UNEP will be invited to collaborate with the Administrative Unit in proposing to the SCF Trust Fund Committee ways to ensure scientific and expert input, based on personal qualifications and experience of experts and a balance of developed and developing country expertise, into the Partnership Forum.

34. The Partnership Forum will be a meeting for dialogue and consultation and will not lead to written outcomes, such as agreed texts or declarations, which could be used as a basis for discussions in the UNFCCC.

MDB Committee

35. To facilitate collaboration, coordination and information exchange among the MDBs, the MDB Committee - comprising representatives of the MDBs - will be established. The MDB Committee will be responsible for:

- (a) identifying specific areas of MDB cooperation to harmonize their climate change programs and actions, linking their initiatives with SCF Programs and projects;
- (b) prior to each meeting of the SCF Trust Fund Committee or a SCF Sub-Committee, reviewing a provisional agenda and documentation prepared by the Administrative Unit;
- (c) reviewing recommendations proposed by the Administrative Unit on the scope and objectives of SCF Programs proposed to be established;

- (d) reviewing recommendations proposed by the Administrative Unit on program criteria and priorities and the activity cycle for approval by the respective SCF Sub-Committee;
- (d) monitoring progress in implementing SCF Programs and reporting to the SCF Sub-Committees on compliance with the criteria and priorities approved by the respective SCF Sub-Committee on the use of SCF resources;
- (e) reviewing a draft annual consolidated report on the SCF activities, performance, and lessons, including details of SCF's portfolio, status of implementation, funding allocations for the previous period, pipeline of projects and funding projections, administrative costs incurred, and other pertinent information;
- (f) serving as a forum to ensure effective operational coordination, exchange of information and experience among the MDBs;
- (g) liaising with other development partners, including bilateral development agencies/banks, for purposes of promoting co-financing of activities through an annual consultation between the MDBs and development partners, including bilateral development banks;
- (h) advising the Administrative Unit on its work program, including the implementation of a comprehensive knowledge management system, results measurement system and learning program, taking into account opportunities for synergies with the activities of the MDBs; and
- (i) performing any other functions assigned to it by the SCF Trust Fund Committee or SCF Sub-Committees.

36. The MDB Committee will meet at such frequency as it may deem necessary, but at least once a year.

Administrative Unit

37. The Administrative Unit will be established to support the work of the CIF, including the SCF, and to support the SCF Trust Fund Committee, SCF Sub-Committees and other bodies of the CIF. The Administrative Unit will be housed in the Washington, D.C. offices of the World Bank and comprised of a small team of professional and administrative staff employed by the World Bank.

38. The Administrative Unit will be responsible for:

- (a) preparing, in consultation with the MDB Committee, all documentation required for review by the SCF Trust Fund Committee and SCF Sub-Committees, including developing an agenda for the SCF Trust Fund Committee and SCF Sub-Committee meetings;

- (b) making recommendations, in consultation with the MDBs, the Trustee and other key stakeholders, on the scope and objectives of SCF Programs proposed to be established;
- (c) making recommendations, in consultation with the MDB Committee, on program criteria and priorities and the activity cycle for approval by the SCF Sub-Committees;
- (d) conducting background research and analyses as requested by the SCF Trust Fund Committee and SCF Sub-Committees;
- (e) preparing an annual consolidated report on the SCF's activities, performance, and lessons, including details of the SCF's portfolio, status of implementation, funding allocations for the previous period, pipeline of projects and funding projections, administrative costs incurred, and other pertinent information;
- (f) managing a comprehensive database of the SCF activities, knowledge management system, result measurement system and learning program;
- (g) servicing the meetings of the SCF Trust Fund Committee and SCF Sub-Committees;
- (h) managing partnerships and external relations, including convening meetings of the MDB Committee and the Partnership Forum;
- (i) collaborating with the Trustee to ensure that the Trustee receives all the information necessary to carry out its responsibilities; and
- (j) performing any other functions assigned to it by the SCF Trust Fund Committee and SCF Sub-Committees.

Trustee

39. The IBRD will serve as Trustee for the SCF. IBRD, in its capacity as the Trustee, will establish a trust fund for the SCF (the Trust Fund) to receive contributions from contributors to the SCF, and will hold in trust, as a legal owner, and administer the funds, assets and receipts that constitute the Trust Fund, pursuant to the terms of the agreements entered into with the contributors in respect of their contributions to the SCF (the Contribution Agreements).

40. The Trustee will, subject to the availability of applicable resources in the Trust Fund and the terms of the Contribution Agreements, make commitments and transfers of the SCF resources, in accordance with the approvals of the SCF Trust Fund Committee for allocation of the SCF resources. Commitments and transfers of the SCF resources to the MDBs will be made in the manner agreed between the Trustee and the MDBs.

41. Upon transfer of funds to the MDBs, the Trustee will have no responsibility for the use of the SCF resources transferred and activities carried out therewith. The Trustee will require and accept from the MDBs certain periodic financial reports, as agreed between the Trustee and the

SCF Trust Fund Committee. Each MDB will be responsible for the use of funds transferred by the Trustee and activities carried out therewith in accordance with: i) its own policies, guidelines, and procedures; and ii) the applicable decisions of the SCF Trust Fund Committee and any relevant SCF Sub-Committee, including the purpose for which the allocations of the funds have been approved.

42. The Trustee will provide to the SCF Trust Fund Committee, and, to the extent applicable, any SCF Sub-Committee, regular reports on the financial status of the Trust Fund, as agreed between the Trustee and the SCF Trust Fund Committee, or as the case may be the relevant SCF Sub-Committee.

43. The Trustee will be accountable to the SCF Trust Fund Committee for the performance of its functions.

E. CONTRIBUTIONS

44. In making a contribution to the SCF, each contributor will enter into a Contribution Agreement with the Trustee. The contributions will be administered by the Trustee in accordance with the terms of the Contribution Agreements.

45. Contributors will have beneficiary interests in the Trust Fund resources, including reflows of funds returned to the Trust Fund, in accordance with and as specified in the Contribution Agreements.

46. In accordance with the terms of the Contribution Agreement, a contributor may choose to provide funding to one or more SCF Programs under the SCF and/or, through the SCF, to other trust fund(s) established under the framework of the CIF, including the trust fund for the CTF (other "CIF Trust Fund(s)"). Further, with agreement of the Trustee in consultation with the Administrative Unit, the contributor may request the Trustee to have a portion of its contributions transferred to other trust funds than CIF Trust Funds, which supports the objectives of the CIF. The contributor will designate in the Contribution Agreement to which SCF Programs or trust funds its funding will be contributed.

47. Contributor countries will ensure that their contributions to the SCF are new and additional resources supplementing existing Official Development Assistance (ODA) flows otherwise available for developing countries.

48. Bilateral development agencies/banks are encouraged to contribute to the achievement of the objectives of the SCF through bilateral projects or co-financing of projects funded by the SCF. Contributors may report on this bilateral financing to the SCF Trust Fund Committee and the relevant SCF Sub-Committee for its review and confirmation that such bilateral financing conforms to the objectives of the SCF. Activities confirmed by the SCF Trust Fund Committee and the relevant SCF Sub-Committee will be included in the annual report on the SCF.

F. ALLOCATION OF SCF RESOURCES

SCF Program Activities

49. Program criteria and priorities will be recommended by the Administrative Unit in consultation with the MDB Committee, and approved by the relevant SCF Sub-Committee. Any MDB may, prior to its appraisal, submit to the relevant SCF Sub-Committee proposals for programs, projects or other activities and costs, for approval of allocation of the SCF resources. The SCF Sub-Committee may approve allocation of SCF resources for programs, projects and other activities and costs under the relevant SCF Program in accordance with the approved programming priorities and operational criteria; provided that such approval of allocation will be subject to the amount of applicable resources made available in the Trust Fund for that SCF Program in accordance with the Contribution Agreements through deposits of cash, promissory notes or similar obligations in a form acceptable to the Trustee.

50. The further processing of a program or project will follow the MDB's policies and procedures for appraisal, MDB Board approval and supervision.

Administrative Costs

51. The Administrative Unit, the MDBs and the Trustee will perform specific administrative services and project related activities. Consistent with MDB policies on management of trust funds, compensation for administrative services and project related activities will be on the basis of full cost recovery for the entities but should be guided by the principles of value for money, reasonableness, and transparency.

52. Each of the Administrative Unit, the MDBs and the Trustee will submit to the SCF Trust Fund Committee, for approval, a proposal for compensation for the administrative services and other activities agreed to be provided for the upcoming fiscal year. Upon approval, the Trustee may transfer such amounts to the MDBs from the applicable Trust Fund resources, provided that the amounts of compensation will be subject to an end of year adjustment based on actual costs incurred.

53. In the event that the SCF Trust Fund Committee decides, under paragraph 56 below, to cease making allocations of funding prior to termination of the SCF Trust Fund, each of the Administrative Unit, the MDBs and the Trustee may submit to the SCF Trust Fund Committee, for approval, a proposal for compensation for the administrative services and other activities to be provided until the termination of the SCF Trust Fund.

G. REFLOWS

54. Each MDB is responsible for returning to the Trustee any reflow of funds received by it on any financing instrument provided with the SCF resources in accordance with the approval of the SCF Trust Fund Committee. The credit risk of defaults by borrowers of the SCF financing will be borne by the SCF Trust Fund.

H. MONITORING AND EVALUATION

55. Each MDB will report annually to the SCF Trust Fund Committee, through appropriate SCF Sub-Committees, for monitoring and evaluation conducted by the MDB in accordance with its procedures. An independent evaluation of the operations of the SCF and the impacts of its activities will be carried out jointly after three years of operations by the independent evaluation departments of the MDBs. Such evaluation will be based on the scope and reporting criteria agreed with the SCF Trust Fund Committee.

I. SUNSET CLAUSE

56. Recognizing that the establishment of the SCF is not to prejudice the ongoing UNFCCC deliberations regarding the future of the climate change regime, including its financial architecture, the SCF 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 SCF once the agreement providing for the new financial architecture is effective. The SCF Trust Fund Committee will decide the date on which it will cease making allocations from the outstanding balance of the SCF.

57. The Trustee will, in accordance with the Contribution Agreements, continue to administer the Trust Fund after the cessation of allocation by the Trust Fund Committee until such date specified in the Contribution Agreements, in order to receive the Trust Fund scheduled reflows of funds from outstanding SCF 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 SCF as determined by the SCF 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.

58. Notwithstanding paragraph 56 above, if the outcome of the UNFCCC negotiations so indicates, the SCF Trust Fund Committee, with the consent of the Trustee, may take necessary steps to continue the operations of the SCF, with modifications as appropriate.

J. AMENDMENTS TO THE GOVERNANCE FRAMEWORK FOR THE SCF

59. The SCF Trust Fund Committee may recommend amendments to any terms of this Governance Framework, which will become effective with the agreement of all current contributor countries to the SCF, and all current recipient countries that have been allocated funding from the SCF, and the Trustee.