

CLIMATE INVESTMENT FUNDS

SCF/TFC.6/4
October 27, 2010

Meeting of the SCF Trust Fund Committee
Washington, D.C.
November 11, 2010

TRUSTEE REPORT ON THE FINANCIAL STATUS OF THE SCF

Proposed Decision by SCF Trust Fund Committee

The SCF Trust Fund Committee welcomes the report of the Trustee on the SCF Trust Fund document, SCF/TFC.6/4, and takes note of the status of pledges, contributions and total receipts to the SCF; the funding availability of the SCF Trust Fund; and the update of activities undertaken by the Trustee to manage the SCF Trust Fund.

The Trust Fund Committee welcomes the efforts of contributors to take steps to advance their payments to the Trust Fund.

INTRODUCTION

1. This report provides the Trust Fund Committee of the Strategic Climate Fund (SCF) with information on the financial status of the SCF Trust Fund. The paper is divided into five sections. Following the introduction in this Section I, Section II presents the pledges to the SCF, the status of contributions, and total receipts; Section III reports on the total funding decisions made by the SCF Trust Fund Committee and SCF Sub-Committee; Section IV shows funding availability of the Pilot Program for Climate Resilience (PPCR), the Forest Investment Program (FIP) and the Scaling-Up Renewable Energy in Low Income Countries Program (SREP), which are the SCF targeted programs established under the SCF; and Section V reports on the update of activities undertaken by the Trustee to manage the SCF Trust Fund.

PLEDGES, CONTRIBUTIONS AND RECEIPTS

2. Table 1 presents the pledges to the SCF and its targeted programs valued on the basis of exchange rates of September 30, 2010. Pledges represent a donor's expression of intent to make a contribution and form the basis for the endorsement of Investment Plans/Strategic Programs for Climate Resilience by the SCF Sub-Committees. The total amount pledged is USD eq. 972 million for PPCR, USD eq. 558 million for FIP and USD eq. 307 million for SREP. Since the last meeting of the SCF Trust Fund Committee in March 2010, Denmark made additional pledges to the SCF for the amount of DKK 126 million.

STRATEGIC CLIMATE FUND										
Table 1: Pledges										
as of September 30, 2010										
(in millions)										
Contributor	Contribution		Total a/	USD eq.	PPCR	USD eq.	FIP	USD eq.	SREP	USD eq.
	Type	Currency								
Australia	Grant	AUD	50	48	40	39	10	8	-	-
Canada	Grant	CAD	100	84	100	84	-	-	-	-
Denmark	Grant	DKK	191	35	76	14	10	61	11	
Germany	Grant	EUR	50	68	50	68	-	-	-	-
Japan	Grant	JPY	18,531	222	9,266	111	5,559	67	3,706	44
Netherlands	Grant	USD	76	76	-	-	-	-	76	76
Norway	Grant	NOK	1,050	179	45	8	855	146	150	26
Switzerland	Grant	USD	20	20	-	-	-	-	20	20
United Kingdom c/	Capital	GBP	800	1,273	225	358	100	159	50	80
United States d/	Grant	USD	508	508	290	290	168	168	50	50
				2,514		972		558		307

a/ Total value amounts to USD eq. 2.5 billion.

b/ Represents countersigned contribution agreement/arrangement.

c/ Includes allocation of GBP 385 million to CTF, GBP 3.5 million to Readiness Fund of the Forest Carbon Partnership Facility (FCPF), GBP 11.5 million to Carbon Fund of the FCPF and GBP 50 million to the Congo Basin Fund.

d/ The total pledge made by the United States to the CIFs remains \$2 billion; the allocation across the programs is indicative and based on an extrapolation of current U.S. allocations.

3. Contributions represent the amount that contributors have agreed to contribute to the SCF under Contribution Agreements/Arrangements with the Trustee. Contributors may make a contribution to the SCF in the form of (i) a Grant Contribution or (ii) a Capital Contribution¹. Grant or Capital Contributions to the Trust Fund may be paid by means of payment in cash, or with the agreement of the Trustee, by the delivery to the Trustee of promissory notes payable on demand or similar obligations in a form acceptable to the Trustee in accordance with the terms of the Contribution Agreements/Arrangements with the Trustee. Receipts represent payments received by the Trustee.

4. Tables 2a through 2c show the contribution details by contributor to each program. Effective contributions represent conversion of pledges into commitments by way of countersigned Contribution Agreements/Arrangements. As of September 30, 2010, the Trustee had finalized Contribution Agreements/Arrangements with nine contributors for the total amount of USD eq 1.9 billion, and had received USD eq. 1.1 billion in total from those contributors to the SCF.² The Contribution Agreement with Switzerland is pending final signature and the Supplemental Contribution Amendment for Denmark's additional pledge (DKK 126 million) had been finalized as of the date of the report.

STRATEGIC CLIMATE FUND				
Table 2a. PPCR - Status of Contributions and Receipts				
as of September 30, 2010				
(in millions)				
<u>Contributor</u>	<u>Contribution Type</u>	<u>Currency</u>	<u>Effective</u>	<u>Receipts</u>
Australia	Grant	AUD	40	38
Canada	Grant	CAD	100	100
Denmark	Grant	DKK	38	38
Germany	Grant	EUR	50	15
Japan	Grant	JPY	9,266	4,633
Norway	Grant	NOK	45	45
United Kingdom	Capital	GBP	225	23
United States	Grant	USD	55	55

¹ Capital contribution may be used for any purposes, except that no more than 10% of the contribution will be used for financing grants.

² Includes allocation to the Clean Technology Fund.

STRATEGIC CLIMATE FUND
Table 2b. FIP - Status of Contributions and Receipts
as of September 30, 2010
(in millions)

<u>Contributor</u>	<u>Contribution Type</u>	<u>Currency</u>	<u>Effective</u>	<u>Receipts</u>
Australia	Grant	AUD	10	10
Denmark	Grant	DKK	27	27
Japan	Grant	JPY	5,559	-
Norway <i>a/</i>	Grant	NOK	285	285
United Kingdom	Capital	GBP	100	12
United States	Grant	USD	20	20

a/ NOK 285 mil was received in 2010, with a higher level of funding to be released over the following two years contingent upon (i) the significant participation of other donors; (ii) operational progress of the program; and (iii) outcome of UNFCCC deliberations on financing for REDD.

STRATEGIC CLIMATE FUND
Table 2c. SREP - Status of Contributions and Receipts
as of September 30, 2010
(in millions)

<u>Contributor</u>	<u>Contribution Type</u>	<u>Currency</u>	<u>Effective</u>	<u>Receipts</u>
Japan	Grant	JPY	3,706	-
Netherlands	Grant	USD	76	-
Norway	Grant	NOK	150	-
United Kingdom	Capital	GBP	50 <i>a/</i>	15

a/ Represents provisional allocation.

FUNDING DECISIONS

5. The SCF Trust Fund Committee approves allocation of SCF resources for administrative budget, while the SCF Sub-Committees approve SCF financing for programs and projects under the respective targeted programs. To date, the SCF Trust Fund Committee approved administrative budget for a total amount of USD 30 million and the PPCR Sub-Committee approved seven Phase 1 Funding totaling USD 9 million (Table 3).

6. In accordance with the Contribution Agreements/Arrangements, commitments and transfers of the administrative budgets are applied first, against the investment income earned, and second, against all other programs on a pro rata basis calculated based on the cash balance of funds in each program. Accordingly, the USD 30 million approved for administrative budget was allocated against the investment income earned in the fund to date followed by the cash balance of each program on a pro rata basis.

STRATEGIC CLIMATE FUND	
Table 3: Cumulative Funding Decisions	
Inception to September 30, 2010	
(in USD millions)	
Projects and Fees	9
PPCR	9
FIP	-
SREP	-
Administrative Budget	30
Total	39

FUNDING AVAILABILITY

7. Funding availability refers to Funds held in Trust³ with no restrictions less funding decisions pending cash transfers and amounts pending funding decisions. The Trustee reports the schedule of funds available for each targeted program under the SCF as funding decisions for programs and projects are made by each Sub-Committee⁴. As show in Table 4, the total funds available for PPCR, FIP and SREP as of September 30, 2010 amount to USD 256 million, USD 91 million and USD 21 million, respectively.

STRATEGIC CLIMATE FUND			
Table 4: Schedule of Funds Available			
as of September 30, 2010			
	PPCR	FIP	SREP
1. Funds held in Trust	276	95	24
a. Cash	194	81	6
b. Unencashed Promissory Notes a/	83	14	18
2. Financial Reserve b/	12	2	3
3. Funds held in Trust with no restrictions (4 = 1 - 2 - 3)	264	93	21
4. Funding Decisions pending disbursement	8	3	0
a. Projects	2	-	-
b. MDB Fees	-	-	-
c. Administrative Budget c/	6	3	0
5. Funds available to support Sub-Committee funding decisions (6 = 4 - 5)	256	91	21

a/ Valued on the basis of exchange rates of September 30, 2010
b/ Represents amount reserved to cover foreign exchange fluctuations and minimum liquidity requirements.
c/ Calculated on a pro rata basis based on the cash balance of funds in each program.

³ Funds held in Trust represent cumulative receipts less cumulative disbursements.

⁴ Administrative budget for the SCF is approved by the SCF Trust Fund Committee.

UPDATE ON TRUSTEE ACTIVITIES

8. **Investment Management:** Table 5 illustrates the composition of instruments in which the SCF Trust Fund portfolio was invested as of September 30, 2010. Assets held in trust by the World Bank (as the Trustee) are maintained in a commingled investment portfolio (the “Pool”) for all trust funds administered by the World Bank. The assets in the Pool are managed in accordance with the investment strategy established for all trust funds administered by the World Bank. The Pool is actively managed so that the probability of incurring negative returns is no more than 1% over the applicable investment horizon.

STRATEGIC CLIMATE FUND	
Table 5. Asset Mix of the Trust Fund Portfolio	
as of September 30, 2010	
<u>Asset Class</u>	<u>Percentage</u>
Govt	19%
Mortgage-backed Security	0%
Asset-backed Security	7%
Agency	3%
Sovereign/Govt Gtd	10%
Money Markets/Fin. Inst	60%
Corporates	0%
	<u>100%</u>

9. As of September 30, 2010, the SCF Trust Fund has earned investment income of approximately USD 4 million on the undisbursed balance of the Trust Fund. The investment income return since inception was approximately 1.38%

10. **Accounting and Reporting:** The Trustee completed the audit of the cash-based financial statements for the SCF Trust Fund for the year ended December 31, 2009 in March 2010. The audited financial statements were sent to the Committee members along with the external auditor’s report, and also posted on the CIF website. For the calendar year 2010, the Trustee will prepare the audited financial statements under the special purpose basis of accounting, as previously communicated to the SCF Trust Fund Committee.

11. **Systems Development:** The Trustee is continuing on with the CIF Trustee system development, which has benefited from extensive consultation with CIF Administrative Unit and MDBs over the past year. The system is being developed in phases and the first phase is planned to launch in January 2011. The second phase will commence in March/April 2011. The project is on-time and currently the Trustee does not foresee any budget issues. The Trustee is also supporting the systems development of the CIF Administrative Unit to ensure a smooth implementation of sharing data between the Trustee and the CIF Administrative Unit.