

CLIMATE INVESTMENT FUNDS

March 28, 2018

Summary of the Co-Chairs
Intersessional Meeting of the Trust Fund Committee of the Strategic Climate Fund (SCF)
Washington, DC
March 8, 2018

Co-Chairs

Mr. Shamshur Rahman Khan, Bangladesh
Ms. Katie Berg, United States

AGENDA ITEM 1. OPENING

1. The meeting of the SCF Trust Fund Committee was opened by the CIF Program Manager, Ms. Mafalda Duarte. The meeting was chaired by Mr. Shamshur Rahman Khan from Bangladesh, representing the recipient countries, and Ms. Katie Berg from the United States, representing the contributor countries.

AGENDA ITEM 2. ADOPTION OF AGENDA

2. The Trust Fund Committee adopted the provisional agenda set forth in document SCF/TFC.IS.1/1

AGENDA ITEM 3. LONG-TERM SCF ADMINISTRATIVE COSTS AND FUNDING OPTIONS

3. The SCF Trust Fund Committee having reviewed document SCF/TFC.IS.1/2 Long-term SCF Administrative Costs and Funding Options, welcomes the report and appreciates the analysis conducted by the CIF Administrative Unit, in collaboration with the MDBs and Trustee.

4. Recognizing the importance of ensuring the continuous performance of administrative services by the CIF Administrative Unit, MDBs, and the Trustee, for the effective delivery of the SCF Programs;

5. Having considered the proposals for addressing the funding shortfall in the SCF Trust Fund set out in the document SCF/TFC.IS.1/2 Long-term SCF Administrative Costs and Funding Options prepared by the CIF Administrative Unit, in collaboration with the MDBs and the Trustee, upon instruction of the SCF Trust Fund Committee in its decision of December 11, 2017;

6. Appreciating that the analysis takes into account opportunities for implementing further cost-saving measures;

7. Acknowledging that the analysis is based on certain assumptions about future performance and events during the FY19/FY60 period that may or may not be realized or occur, including: (a) projections of estimated Administrative Costs; (b) projections of estimated Investment Income and Reflows; (c) projections of the estimated amount resulting from the future encashment of promissory notes; (d) non-exercise by any of the Contributors of the right to withdraw the Contributor's Share; (e) the sufficiency of projected Reflows to cover Administrative Costs after FY28;

8. Acknowledging that in addition to any adjustments that may be necessary as a result of changes in assumptions about future performances and events during the FY10/FY60 period, the decision hereunder will also need to be revised if and when the Trust Fund Committee decides to cease making allocations of funding prior to the Final Transfer Date in accordance with paragraph 7.2 of the SCF Standard Provisions;

9. Recognizing the anticipated shortfall in grant resources available in the FIP Program Sub-Account to finance projects, even after the use of Reflows to finance Administrative Costs, and emphasizing that continuing scrutiny is needed to ensure efficient use of resources, including grant resources for projects not yet approved;

10. Noting the concern of one Trust Fund Committee member regarding the inclusion of the currency risk reserve for the purposes of determining the projected, indicative amount in SREP grant

resources that remain available for allocation to SREP projects and the impact this approach may have on the final, encashed amounts available for funding projects in the SREP 'sealed' pipeline.

Decides that:

- (A) For the purpose of ensuring that sufficient resources remain available in the SCF Trust Fund to cover the Administrative Costs from FY19 to FY60 and that these costs are borne by all SCF Programs, regardless of the future cash balance in each Program Sub-Account, such estimated costs net of expected Investment Income shall be apportioned among SCF Programs for each year between FY19 and FY60 based on each Program Sub-account's pro rata share of the SCF's cash balance as at December 31, 2017, namely 22% for FIP, 41% for PPCR, and 37% for SREP in accordance with paragraph 6.2 of the SCF Standard Provisions.
- (B) SCF Reflows may be used to finance Administrative Costs and shall be allocated to finance the potential shortfall of grant resources to cover Administrative Costs after they become available in each Program Sub-Account;
- (C) A portion of uncommitted SCF cash resources available to fund grants shall be allocated to fund the projected residual amount, after the use of Reflows and Investment Income, of estimated Administrative Costs from FY19 to FY28;
- (D) The pause in the approval of SCF funding shall be lifted.

In light of the foregoing, the SCF Trust Fund Committee requests the Trustee to:

- (A) allocate USD 11.6 million from the available grant resources in the FIP Program Sub-Account to finance estimated Administrative Costs from FY19 to FY28, such that the projected, indicative amount of approximately USD 81.8 million in FIP grant resources remains available for allocation to FIP projects;
- (B) allocate USD 10.6 million from the available grant resources in the PPCR Program Sub-Account to finance estimated Administrative Costs from FY19 to FY28, such that the projected, indicative amount of approximately USD 16.3 million in PPCR grant resources remains available for allocation to PPCR projects;
- (C) allocate USD 31.6 million from the available grant resources in the SREP Program Sub-Account to finance estimated Administrative Costs from FY19 to FY28, such that the projected, indicative amount of approximately USD 59.6 million in SREP grant resources remains available for allocation to SREP projects; and
- (D) annually review the sufficiency of accumulated resources, including projected Reflows and Investment Income, to cover Administrative Costs from FY19 to FY60. If the Trustee determines at any time that the assumptions made in the analysis are not met or that intervening events have occurred that impact the analysis undertaken thus far, including a situation where accumulated or projected Reflows and Investment Income are not or will

not be sufficient to cover Administrative Costs, a meeting of the Trust Fund Committee shall be convened to review the situation and to agree on steps to be taken.

11. The SCF Trust Fund Committee also requests the Trustee, the CIF Administrative Unit and the MDBs to undertake further analysis building on the scenarios already presented and identify new scenarios for implementing further cost-saving measures to be presented at the June meeting for consideration and decision, including more information on the attribution of administrative expenses between SCF and CTF and any impact the proposed cost-saving measures will have on the current standards of operation of the SCF program.

Agenda Item 4. Other Business

No other decision items were raised by the SCF Trust Fund Committee.

Agenda Item 5. Closing

The meeting was closed on Thursday, March 8, 2018.