

CLIMATE INVESTMENT FUNDS

CTF-SCF/TFC.12/6
May 30, 2014

Joint Meeting of the CTF and SCF Trust Fund Committees
Montego Bay, Jamaica
June 25, 2014

Agenda Item 6

FY15 CIF BUSINESS PLAN AND BUDGET

EXECUTIVE SUMMARY

PROPOSED DECISION

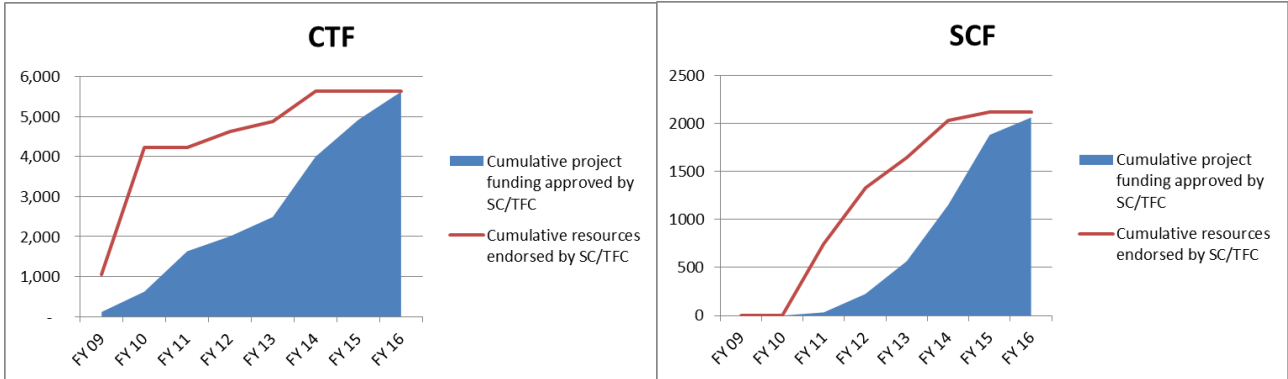
The joint meeting of the CTF and SCF Trust Fund Committees reviewed and approves the *FY15 Business Plan and Budget*, (document CTF-SCF/TFC.12/6).

The Committees welcome the business plan and notes that the proposed FY15 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. Over the last five and a half years, pilot countries have prepared 52 investment plans with envisaged CIF funding of \$7.4 billion for endorsement by the Clean Technology Fund (CTF) and the three Sub-Committees of the Strategic Climate Fund’s (SCF’s) targeted sub-programs. As of March 31, 2014 a total of \$4.3 billion had been approved for funding of 119 programs and projects flowing from the endorsed investment plans.

Figure A: Cumulative Funding Endorsed under Investment Plans and Approved under Project Proposals (\$ million; actuals up to March 31, 2014, projected thereafter)



II. ACTION PRIORITIES AND MAIN OUTPUTS FOR FY15

2. The proposed CIF FY15 Business Plan and Administrative Budget focuses on six priority areas for action as summarized in Table A below. The work program to implement actions in the six areas will be undertaken jointly by the CIF Administrative Unit and the MDBs, with the MDB Committee serving as the mechanism for coordination and joint decision-making. The Trustee will support the work program by managing the flow of CIF funds for: (a) program administration by the CIF units; (b) project development and implementation support by the MDBs; and (c) project preparation and implementation by the recipient countries.

Table A: Summary of Priority Areas for Action and Main Outputs and Results in FY15

Priority Areas for Action	Main Outputs and Results in FY15
<p>1. Expand CIF approved funding for climate mitigation and adaptation by a targeted \$1.65 billion in FY15, including funding generated through programs designed to effectively engage the private sector.</p>	<p>a) 94 project proposals (27 CTF and 74 SCF) submitted for TFC/Sub-Committee approval of \$1.67 billion in funding (\$922 million CTF, \$753 million SCF), including project proposals detailed under (b-d) below.</p> <p>b) 10 project proposals under SCF private sector set-asides (SCF) submitted for approval by Sub-Committees for \$91million.</p> <p>c) Four projects submitted for \$75 million under CTF’s Dedicated Private Sector Program (DPSP) Phase 1; submission of additional DPSP sub-programs and projects for funding approval, pending CTF Trust Fund Committee decision on proposed design and implementation of a DPSP Phase 2.</p> <p>d) Remaining Dedicated Grant Mechanism projects submitted for approval under FIP.</p>
<p>2. Support the implementation of country investment plans with focus on programmatic outcomes.</p>	<p>a) 8 updates/revisions of investment plans (3 CTF and 5 SREP) submitted for TFC/Sub-Committee approval.</p> <p>b) Meetings of stakeholders in 9 CTF countries, and 30 SCF pilots to review progress in implementation of investment plans.</p> <p>c) Monitoring and reporting plans established, local capacity strengthened, and annual reporting against core indicators at country program level completed in 11 CTF countries and 32 SCF pilots with support from MDBs.</p>
<p>3 Assist country partners in developing new and additional investment plans in response to increased contributions from CIF donors.</p>	<p>a) Submission of up to 15 additional country investment plans under SREP (3 from current pilots and up to twelve from countries to be selected) for endorsement by the SREP Sub-Committee.</p>

<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"> a) Start implementation of “evidence-based” learning approaches under 5 CTF and 15 SCF funded programs or projects. b) Information sharing and lessons learning activities included in all new investment plans, all new FIP and PPCR projects and selectively in CTF and SREP projects. c) Four targeted thematic workshops to facilitate South - South learning held among pilot countries. d) Information on project implementation progress, innovations, and results shared through multimedia channels to targeted audiences. e) Increased social media presence and strengthened strategic partnerships with media agencies.
<p>5. Start to implement a CIF gender action plan to mainstream gender in CIF policy and programming.</p>	<ul style="list-style-type: none"> a) CIF gender guidelines note developed and disseminated. b) CIF gender indicators review and gender scorecard completed. c) Annual reporting on key gender indicators initiated. d) Gender mainstreamed in CIF learning events.
<p>6. Ensure that the essential tools and processes for monitoring, analysis, and reporting on CIF’s financial, strategic and operational risks are established and functioning.</p>	<ul style="list-style-type: none"> a) Execution of a goal driven implementation plan for the ERM Framework begun. b) ERM dashboard functioning satisfactorily, and enhanced through feedback from the CIF Committees, the MDBs and other stakeholder users. c) Tier 2 risk assessment submitted for review by the joint meeting of the Trust Fund Committees (November 2014). d) Annual report on the implementation and effectiveness of the ERM program to Trust Fund Committees (June 2015).

III. PROPOSED FY 15 BUDGET

3. The delivery by the CIF Units of the above FY15 work program needs the support of an overall administrative budget of \$27.5 million (see Table B). Two thirds of this budget amount, or \$17.6 million, cover expenditures for administrative services provided by the Trustee, the CIF Administrative Unit and the MDBs. While their collective work program continues to expand in

volume and complexity, their collective expenditures are estimated to decline in FY15 from the FY14 level by \$43.0 thousand. The coming fiscal year will therefore be the second year in a row with an administrative services budget that remains flat or better in real terms.

4. The remaining \$9.81 million comprises two components: First, a requested top-up of \$6.6 million for the multi-year country programming budget for FY15 to enable MDBs to support the programming of major expansion of CIF financing under SREP and assist pilot countries in the implementation of investment plans with increased programmatic focus. Second, the creation of a new multi-year budget component, involving \$3.21 million, to fund the costs of implementing evidence-based learning activities into CIF funded projects that are already approved and under implementation.

Table B: Approved FY14, Revised FY14 and Proposed FY15 Budget by Budget Category (\$,000)

	FY14 Approved Budget	FY14 Revised Budget	FY15 Proposed Budget	Variance FY15 Prop-FY14 Rev
Administrative Services				
Trustee	3,654.5	3,644.8	3,435.6	(209.2)
Admin Unit	7,642.4	7,451.2	7,505.3	54.1
MDBs	6,602.9	6,582.0	6,694.0	112.0
Sub-total	17,899.8	17,678.0	17,634.9	(43.0)
Partnership Forum 1/	300.0	300.0	-	(300.0)
MDB Support for Country Programming	2,971.1	(49.6)	6,603.0	6,652.6
Evidence-based Learning Initiative	-	-	3,213.0	3,213.0
Total	21,170.9	17,928.4	27,450.9	9,522.5
1/ \$300k top up budget approved in FY14 and added to the carry over of \$739.5k from FY13. No request in FY15 since Partnership Forum is on an eighteen month cycle.				

Administrative Services

5. The proposed FY15 budget for Trustee services amounts to \$3.44 million, representing a decrease of \$0.21 million (or 5.7%) from the revised FY14 budget. The bulk of this decrease is on account of lower investment management fees linked to a decreasing average balance of the portfolio.¹ The remainder of the reduction is expected to occur under financial and relationship management services as CIF has matured and is better streamlined.

6. The projected modest increase (0.7%) in the CIF Administrative Unit's FY15 expenditures arises primarily from staffing developments. As the CIF program moves into its sixth year of operation, it is not surprising that the Unit's staff complement will be changing and expertise will be required in new and specialized areas of the CIF work program. The Program Manager is leaving and her replacement is expected to join by the end of the fiscal year. The Deputy Manager moved to a new assignment at mid-year with the recruitment of her replacement expected to be completed late 2014. The Sr. Gender Specialist position was filled in

¹ The portfolio balance is the cash balance of the Fund which includes cash contributions, encashed promissory notes and investment income.

February 2014 and the recruitment of the Sr. Risk Management Officer is pending. In addition, two new mid-level positions will be added, one for policy management and the other for communication/website development to strengthen the unit's capacity to fulfill increased responsibilities and work programs in these areas.

7. The MDBs expenditures to guide and coordinate CIF activities in their respective institutions have been estimated to rise by \$0.11 million in FY15, translating into a proposed collective budget increase of 1.7%. This reflects the net effect of (a) AfDB's estimated expenditures going up by 9% as a result of institution wide substantial cost of living adjustments to staff salaries and consultant fees driven by the Bank's relocation to Abidjan; and (b) the total expenditures of the remaining five MDBs rising by 1.2%, i.e. flat in real terms. While MDB coordination expenditures for CTF are expected to fall by 0.6% in FY15, they are projected to rise by 2.6% under the SCF, primarily in response to the planned expansion of the SREP work program.

MDB support for country programming²

8. The MDBs, with support from the CIF Administrative Unit, will lead the work in priority areas 2 and 3 set out in Table A. They have estimated their expenditures for undertake this work at \$10.25 million, half of which (\$5.36 million) will be required for supporting the development of 15 new investment plans under SREP. The CTF and the SCF are projected by end of FY14 to have balances of \$0.45 million and \$3.19 million, respectively, which would be available towards meeting estimated FY15 expenditures of \$1.19 million and 9.05 million respectively. Hence, the additional funding needed under CTF is \$0.74 million and under SCF \$5.86 million.

The "Evidence-based" Learning Initiative

9. The Trust Fund Committees, at their joint meeting in October 2103, requested the CIF Administrative Unit and the MDBs to propose project/program concepts that are suitable for incorporating evaluative approaches, or as subsequently renamed, approaches to "evidence-based learning", for the consideration by the Committees at their joint meeting in June 2014.

10. The implementation costs of evidence-based learning components in CIF projects that are yet to be approved, will be included in the overall project cost, and funding of the component will be additional to the funding envisaged under the originally endorsed investment plan.

11. Seven already approved projects have been identified as suitable candidates for integration of evidence-based learning activities. Transactions costs for going back to the CIF and MDB management for approval of supplementary project financing of such activities would be high. Therefore, and noting that this would be purely a one-time arrangement, it is proposed

² The Trust Fund Committees consider and approve annual additions to this budget based on projections of funding needs. The MDB Committee reviews and approves requests from the MDBs for individual joint-mission activities following established procedures. Once approved by the MDB Committee, the Trustee transfers funds to the respective MDBs, and the MDBs report back to the Committee on the use of them. CTF-SCF/TFC.4/Inf.2

that a multi-year budget allocation of \$3.21 million be included under the FY15 CIF administrative budget as a special initiative to cover the estimated costs of the evidence-base learning components of the seven projects.

IV. UPDATE ON MONITORING CIF EFFICIENCY AND TRACKING AND CONTROLLING

Monitoring the Efficiency Ratio

12. 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. Tentative projections of cumulative CIF program related administrative costs over the period FY09-FY14 compared to projected cumulative project funding over the same period showed a CIF' "efficiency" ratio at the end of the period to be well below the above range for comparable trust funds.

17. Annual CIF budget proposals have included updated projections of the efficiency ratio, taking into account program and project related administrative costs. The latest such update (Annex 7) shows efficiency ratios to be 1.2% and 6.9% under CTF and SCF respectively. Project related costs excluded, these ratios drop to 0.8% and 3.8%. The ratios have fallen a few points from the projections reported in last year's CIF Business Plan and Budget paper as a result of project funding for period FY09-FY15 estimated to rise proportionally more than FY09-FY15 administrative costs.

18. The low CTF ratio reflects the large volume of lending under individual operations, while the higher SCF ratio results from lower individual lending amounts and higher program related costs linked to the program's complexity and innovative nature. The above numbers suggest that six 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 above.

Tracking costs of activities

19. Annual budget submissions have included updates of the unit costs of a set of seven discrete and regularly occurring activities, six of which are managed by the CIF Administrative Unit and one by the Trustee. Annex 6 provides the FY14 update of expenditures for these activities (average costs for the various categories of CIF meetings, MDB joint-missions, external audits, annual report, and learning products) and explains the factors that impact costs from year to year. Two additional activities have been added this year to the tracking table: MDB support to pilot countries for implementation of CIF results frameworks, and stakeholder meetings to review progress in the implementation of investment plans (lead by the countries and supported by the MDBs).

Measures to Contain Administrative Costs

20. *Program related administrative services.* The FY14 Business Plan and Budget listed mechanisms and practices that are followed to promote cost-effective delivery of program related administrative services:

- a) a transparent budgeting process that is built on regular reviews of utilization of approved funds, checking for consistency and comparability of estimated expenditures across MDBs, and providing guidance to MDBs for estimation of requirements for travel and attendance at CIF meetings;
- b) managing the size, skill sets and grade levels of the staff complement of the CIF Administrative Unit to ensure cost-effective delivery of responsibilities;
- c) ensuring that consultant terms of employment are based on level of responsibility and experience required, and that fees are commensurate with prevailing market reference rates;
- d) mandating or encouraging travel arrangements that take advantage of lowest available fare in the class entitled by MDBs' own travel policies;
- e) when practical, scheduling varies categories of meetings/events in time and location to reduce costs of travel and contractual services (for impact on costs see Annex 6);
- f) continuing the established practice of holding the Partnership Forum every 18 months instead of once a year (annual budget savings estimated at over \$300,000);
- g) implementing adopted policies on eligibility of TFC/SC members for CIF funded travel to meetings;
- h) pursuing cost-sharing opportunities by MDBs making best effort to combine CIF joint-mission travel with that for regular MDB operations;
- i) implementing existing MDB policies regarding competitive procurement of contractual services, where appropriate; and
- j) use of electronic communications, video and telephone conferencing to reduce travel costs.

21. The above practices are implemented on a continuing basis. In addition, the World Bank Group in February 2014 started the implementation of a new travel policy, aiming at further reducing costs travel costs by limiting the use of business class, disallowing rest stops en-route to or back from destination, encouraging advance booking to take advantage of special fares, and

adjustment to per diem. This new policy governs all CIF funded travel of World Bank Group staff and consultants.

22. Project related administrative costs incurred by the MDBs are managed outside the CIF administrative budget. The MDBs recover their costs of preparing, supporting implementation and supervising CTF funded programs and projects through a fee 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.

23. Mechanisms for monitoring the use and appropriateness of the levels of payments for project implementation and supervision services have been established. Under SCF they involve benchmarking with reference to MDB experiences and costs, and reporting by the MDBs on their costs of providing implementation and supervision services.³ Under the CTF, the MDBs are required to report annually to the Trust Fund Committee on the use of project related administrative costs.⁴ Annex 8 provides information on MDB payments for project implementation support and supervision services.

³ SCF/SC.6/6, *Costs of MDB Project Implementation Support and Supervision Services for Public Sector Programs and Projects under the SCF*, November 11, 2011; and SCF/TFC.7/6 *MDB Project Implementation Services under SCF's Targeted Programs – Sources of Funding and Implementation*, June 23, 2011.

⁴ *CTF Financing Products, Terms and Review procedures for Public Sector Operations, Annex C*, May 28, 2009