

CLIMATE INVESTMENT FUNDS

CTF-SCF/TFC.10/7/Rev.1

April 15, 2013

Joint Meeting of the CTF and SCF Trust Fund Committees
Washington D.C.
April 29-30, 2013

Agenda Item 8

FY 14 BUSINESS PLAN AND BUDGET

(EXECUTIVE SUMMARY)

Note: Technical changes have been introduced in this revised text to ensure consistency of data throughout the paper.

PROPOSED DECISION

The joint meeting of the CTF and SCF Trust Fund Committees reviewed and approves the proposal for the document CTF-SCF/TFC.10/7/Rev.1, *FY14 Business Plan and Budget*.

The Committees welcome the business plan and notes that the proposed FY14 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.

[The joint meeting also approves:

- a) an additional USD 250,000 to the proposed FY14 budget of the CIF Administrative Unit to cover the recruitment of a gender specialist in the unit¹; and
- b) contingent upon approval of the proposal in document SREP/SC.9/4 by the SREP Sub-Committee and the CTF Trust Fund Committee, USD 350,000 (USD 175,000 from the CTF Trust Fund and USD 175,000 from the SCF Trust Fund)

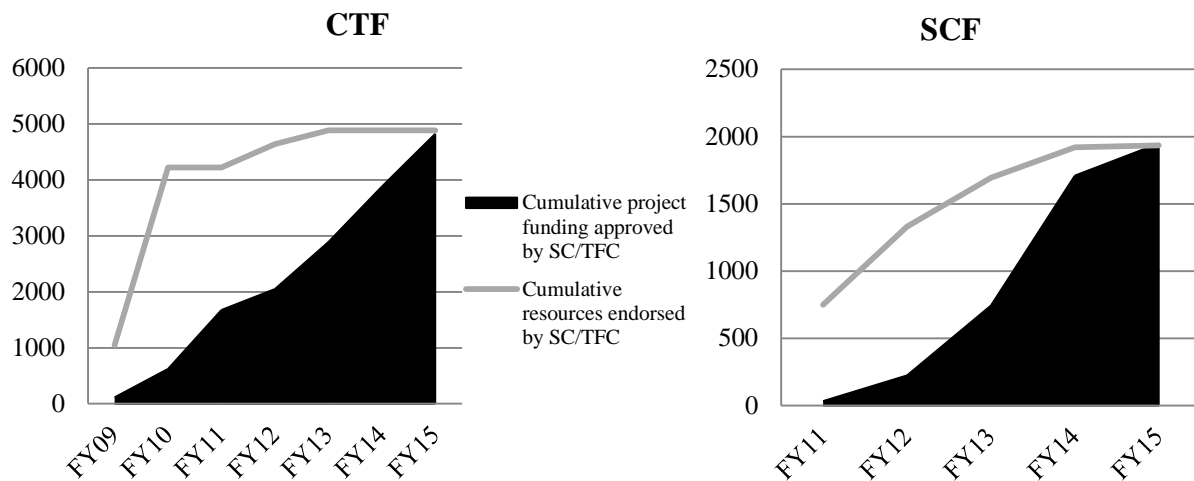
to be added to the resources available for MDB support for country programming to cover the costs of the first year of activities for the global index of the business environment for energy.]

¹ This is dependent upon the decision of the joint meeting under agenda item 9.

I. INTRODUCTION

1. Over the last four and a half years, pilot countries have prepared 50 investment plans with envisaged CIF funding of \$6.82 billion, equivalent to 95 % of funds pledged to the CIF², for endorsement by the Clean Technology Fund (CTF) and the three Sub-Committees of the Strategic Climate Fund's (SCF's) targeted sub-programs. By the end of FY13, it is expected that CIF funding for 100 projects, flowing from the endorsed investment plans, will have been approved for a total of \$3.63 billion (equivalent to 50% of pledged funds)

Figure A: Cumulative Funding Endorsed under Investment Plans and Approved under Project Proposals (USD million; actuals up to March 15, 2013, projected thereafter)



II. ACTION PRIORITIES AND MAIN OUTPUTS FOR FY14

2. The proposed CIF FY14 Business Plan and Administrative Budget outlines five priority areas for action in order to support the completion of programming of available CIF funds under investment plans, enable systematic reporting of results and capturing and sharing of lessons at the project and program levels, and promote strong engagement of stakeholders, including effective communication of CIF's accomplishments.

3. These action priorities and their associated key outputs and results in FY14 are summarized below. As elaborated later, they give rise to a proposed overall administrative budget for FY14 totaling \$20.86 million.

² The total US dollar value of contributions made to the CIF as of December 31, 2012 was \$7,194 million (on the basis of exchange rates as of December 31, 2012)

Priority Areas for Action	Main Outputs and Results in FY14
<p>1. Full implementation of CIF investment plans through project development and approval and updates or revisions of endorsed plans; promoting private sector participation in CIF financing.</p>	<ul style="list-style-type: none"> a) 6 investment plans (5 SREP, 1 FIP) submitted for endorsement. b) 5 updates/revisions of CTF investment plans submitted for TFC approval. c) 100 project proposals for \$1.96 billion in funding approval, and preparation of 53 project proposals for \$1.18 billion in FY15. d) Allocations of FIP, PPCR and SREP “set-asides” for enhanced private sector engagement in pilot countries largely completed. e) Proposed initiative on broadening private sector access beyond current CTF program mechanisms (Global Private Sector Program initiative) and use of local currency financing [<i>pending CTF TFC approval</i>] launched and moving forward.
<p>2. Implementation of strengthened procedures for pipeline management</p>	<ul style="list-style-type: none"> a) CIF program pipelines with higher delivery predictability in moving project proposals through development phase to funding approval. b) Quarterly updates of CTF, PPCR, FIP and SREP pipelines, underpinning semi-annual operational reports.
<p>3. Completing and implementing simplified results frameworks for monitoring and reporting against indicators at the country program level.</p>	<ul style="list-style-type: none"> a) An agreed simplified FIP results framework. b) Baseline and target values of core indicators established and institutional arrangements for monitoring in place under all investment plans. c) Annual progress monitoring and reporting against core indicators at country program level initiated. d) Synthesis reports covering the program, analysis and overarching findings of CTF and PPCR completed.
<p>4. Ensuring that key lessons learned are captured and disseminated in a timely and effective manner.</p>	<ul style="list-style-type: none"> a) Inclusion of information sharing and lessons learning (ISL) activities in all new investment plans; selectively in updates and revisions of endorsed CTF investment plans. b) ISL activities included in all new PPCR and FIP projects and selectively so in CTF and SREP projects. c) Six pilot country or thematic meetings held, contributing

	<p>to advancing FY14 learning priorities.</p> <p>d) Learning products addressing cross-cutting and program-specific learning priorities completed and disseminated with enhanced MDB involvement.</p>
<p>5. Strengthening the engagement of CIF stakeholders in the above activities, and effectively communicating key messages and sharing stories that convey CIF's experience as a learning platform.</p>	<p>a) Meetings with stakeholders under 30 pilots to review implementation of investment plans (first of scheduled bi-annual meetings).</p> <p>b) Initial meetings of indigenous peoples groups and local communities to launch the Development Grant Mechanism held in remaining five FIP countries.</p> <p>c) Early campaign to promote the Fifth Partnership Forum and key CIF messages successfully completed; Stakeholder Forum held in connection with the Partnership Forum.</p> <p>d) Information on project level progress and results, to be supplied by MDBs, effectively disseminated to targeted audiences.</p> <p>e) Timely and effective responses to key issues of concern raised through press and other media.</p> <p>f) Effective outreach to private sector under 1(e) above.</p> <p>g) Orientation sessions held for new CIF recipient country members; regular briefings prior to meetings of Trust Fund Committees and Sub-Committees.</p>

4. The tasks involved in completing the above work program will be undertaken jointly by the CIF Administrative Units and the MDBs with the MDB Committee serving as the mechanism for coordination and joint decision making. The Trustee will support the 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.

III. PROPOSED FY14 BUDGET (TABLE A BELOW)

5. Overall, the proposed budget of \$20.86 million is 2.8% below the revised FY13 budget and 2.0% lower than the approved FY13 budget. This outcome is the net result of reduced additional funding needs for both MDB support for country programming and the Partnership Forum out-weighing the projected increase on expenditures for

administrative services. The Trustee, the CIF Administrative Unit, and the MDBs share in roughly equal proportions in the estimated \$0.84 million increase in estimated expenditures for FY14 administrative services which are 5 % above the revised FY13 budget in nominal terms.

Table A: Approved FY13, Revised FY13 and Proposed FY14 Budget by Budget Category (\$,000)

	FY13 Approved Budget	FY13 Revised Budget	FY14 Proposed Budget	Variance FY14 Prop- FY13 Rev
Administrative Services				
Trustee	3,570.9	3,380.0	3,654.5	274.5
Admin Unit	7,308.0	7,062.4	7,329.9	267.6
MDBs	6,485.6	6,307.7	6,602.9	295.2
Sub-total	17,364.6	16,750.1	17,587.3	837.2
Partnership Forum 1/	-	988.0	300.0	(688.0)
MDB Support for Country Programming	3,913.9	3,718.2	2,971.1	(747.1)
Systems Development	-	-	-	-
Total	21,278.4	21,456.3	20,858.4	(597.9)

1/ FY14 request is to top up the carry over of \$739.5k from FY13 to meet FY14 expenditures.

6. On the Trustee’s side, more than half of the \$274.5k increase is due primarily to rising investment management costs which in turn are driven by the growing average cash balances under both the CTF and the SCF. The remainder is on account of rising expenditures for external audits of the Trustee’s and the MDBs’ financial statements, as unit costs of such audits are expected to increase relative to FY13 with the mounting number of financial transactions made.

7. The CIF Administrative Unit’s estimated \$267.6k increase is primarily accounted for by staffing developments. FY13 saw turnovers in staff, and recruitment to refill affected staff positions will not be completed until early FY14. In addition, the Unit’s staff complement will require two new mid-level positions, one for portfolio coordination and monitoring, the other for communications support, two key areas of the FY14 work program.

8. The MDB’s FY14 program coordination expenditures are estimated to marginally fall under CTF and rise by \$320,000 (7%) in the case of SCF. The additional resources are required to allow SCF Focal Points (staff and consultants) to promote and coordinate efforts to: (a) support pilot countries in the establishment and implementation of functioning monitoring and reporting systems at the country program level; (b) strengthen MDB contributions to the SCF’s lessons learning and sharing agenda; (c) implement the new private sector engagement initiatives; and (d) work with the CIF Administrative Unit in the execution of the targeted communication strategy to raise awareness and understanding of CIF’s mission and accomplishments.

9. The Partnership Forum is now held every 18 months as agreed by the CTF and SCF Trust Fund Committees at their joint meeting in November 2011. The fifth Partnership Forum will be co-hosted by the Inter-American Development Bank and held in Spring 2014. The preliminary cost estimate is around \$1.0 million based on the current estimate of the CIF funded expenditures for the fourth Forum held in Istanbul last November. Given a balance of \$739,500 available in the CIF Multi-year Trust Fund for the Partnership Forum, an additional contribution of \$300,000 is requested under the FY14 budget.

10. Multi-year budget for MDB support to country programming³. Funding for MDB joint-mission support for preparation of all currently scheduled investment plans (57) will have been fully allocated by the end of FY13. Focus on MDB support for country efforts will now be on: (a) the updating and revision of endorsed CIF investment plans; (b) engaging stakeholders in bi-annual reviews of investment plan implementation; (c) incorporating revised results frameworks in investment plans, and starting monitoring and reporting on progress against core indicators; and (d) completing the implementation of the PPCR Phase I technical assistance grants for investment plan preparation. Except for (a) above, the support for the above tasks will typically be provided through one of the MDBs that earlier was participating in joint-mission support.

11. The MDBs' expenditures for the above activities are estimated to be \$865,000 under CTF and \$2.68 million under SCF, for a total of \$3.54 million. Given the projected balances of funds available at the end of FY13, the additional funding needed for FY14 amounts to \$2.97 million of which \$0.49 million for CTF activities and \$2.48 million for SCF's three targeted programs. The proposed total CIF FY14 budget allocation of \$2.97 million represents a drop of 20% from the revised estimated use of budget funds in FY13.

IV. MONITORING CIF EFFICIENCY RELATIVE TO BENCHMARKS

12. The document Benchmarking CIF's Administrative Costs⁴ 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.

13. Annual CIF Budget proposals have presented updated projections of such an efficiency ratio, taking into account program and project related administrative costs. The latest update shows efficiency ratios of 1.4% and 7.5% under CTF and SCF respectively.

³ 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.

⁴ CTF-SCF/TFC.4/Inf.2

Project related costs (i.e. fees and payments for implementation services) excluded, these ratios drop to 1.1% and 4.0%. (Annex 7)

14. 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 five 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 holding up well relative to the benchmarks referred to above.

V. TRACKING COSTS OF ACTIVITIES

15. Annual budget submissions have included updates of the unit costs of a set of seven discrete regularly occurring activities, six of which are managed by the CIF Administrative and one by the Trustee. Annex 6 provides the FY13 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.

VI. MEASURES TO CONTAIN ADMINISTRATIVE COSTS

16. Program related administrative services. The following mechanisms and practices are being implemented on a continuing basis to promote cost-effective delivery of program related administrative services:

- a) a transparent budgeting process built on regular reviews of utilization of approved funds and checks for consistency and comparability of estimates across MDBs;
- 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; 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;
- c) mandating or encouraging travel arrangements that take advantage of lowest available fare in the class entitled by MDBs' own travel policies; when practical, scheduling various categories of meetings/events in time and location to reduce costs of travel and contractual services; and use of electronic communications, video and telephone conferencing to reduce travel costs;
- d) 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);

- e) implementing adopted policies on eligibility of TFC/SC members for CIF funded travel to meeting;
- f) pursuing cost-sharing opportunities by MDBs making best effort to combine CIF joint-mission travel with that for regular MDB operations; and
- g) implementing existing MDB policies regarding competitive procurement of contractual services, where appropriate.

17. Project related administrative costs incurred by the MDBs are managed outside the CIF administrative budget. In the case of CTF, recovery is provided through a fee applied to CTF loans and guarantees paid by the borrower. Under SCF's targeted sub-programs, recovery occurs through case-by-case approval by the Sub-Committees of MDB requests for payments for project implementation support and supervision services.

18. 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. Under the CTF, the MDBs are required to report annually to the Trust Fund Committee on the use of project related administrative costs. (Annex 8)