

CLIMATE INVESTMENT FUNDS

CTF-SCF/TFC.2/7
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CLIMATE INVESTMENT FUNDS BUSINESS PLAN AND FY10 BUDGET PAPER¹

¹ Fiscal Year 2010 refers to the period July 1, 2009 to June 30, 2010.

Proposed Decision of the Joint Meeting of the CTF and SCF Trust Fund Committees

The Trust Fund Committees reviewed and approves the proposal for the CIF Business Plan and FY10 Budget for (document CTF-SCF/TFC.2/7). The Committees welcome the business plan and notes that the proposed FY10 CIF budget provides administrative resources for the expected work program of CIF's entire corporate management structure: the Trustee as manager of the financial assets of CIF, the Administrative Unit as the coordinator of CIF work, the organizer of the Partnership Forum, and provider of support to the Trust Fund and other CIF committees, and the six MDBs as the "implementing agencies" under the CIF. The budget also covers the expenditures that the six MDBs will incur in assisting recipient countries in preparing investment plans and strategies for the CTF and the three targeted programs under the SCF in FY10, and the costs that the Trustee and the MDBs will incur in developing systems for ensuring effective management of CIF resources.

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I. BACKGROUND

1. The CIF Trust Fund Committees (TFCs), at their joint meeting on November 18, 2008, reviewed and approved the *Climate Investment Funds FY09 Budget Paper*. The Committee noted that the proposed CIF budget had been prepared to reflect the understanding that “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”.

2. The approved FY09 budget, totaling \$11.4 million, provided \$7.2 million of administrative resources for the CIF Trustee, the CIF Administrative Unit, and the six participating Multilateral Development Banks (MDBs) to design and develop the CTF and SCF programs and put policies, business processes and administrative procedures in place to enable early start up of CIF operations at the country level. The budget also provided \$4.2 million to cover expenditures that the six MDBs as implementing agencies were expected to incur in assisting recipient countries in preparing strategic programs or plans for use of CIF funds.

3. The CIF are about six month into their operations. Since the fiscal year covers the period July 1 to June 30, the consideration of a second CIF annual budget is now due. This proposed CIF Business Plan and FY10 Budget (i) reports to the TFCs on achievements during FY09 ; (ii) sets out program targets for CIF business development FY10-12 and addresses associated thematic work program challenges; (iii) reviews the outcome of the FY09 budget; (iv) presents specific administrative services and associated budget requests for FY10 for the Trustee, the Administrative Unit and the six MDBs; and (v) summarizes planned MDB activities in support of country programming of CTF and SCF funds and their associated budget requests for FY10.

II. ACHIEVEMENTS FY09

4. CIF’s work program during its first year of operation has focused on moving new program design and development forward as speedily as possible, commencing the critical step of programming CIF resources at the country level, and establishing a *modus operandi* for managing its business. A summary of what has been accomplished follows.

Program design

5. The SCF framework provides for the establishment of targeted programs with dedicated funding to pilot new development approaches or scaled up activities addressing a specific climate change challenge or sectoral response. It established that a Pilot Program for Climate Resilience (PPCR) would be the initial such program followed by a Forest Investment Fund/Program and a program to support investments in low income-

countries for energy efficiency, renewable energy and access to modern sustainable energy should proceed.²

6. During FY09, the CIF Administrative Unit, working with the MDB Committee and consulting with stakeholders, has managed the completion of the design of all three targeted SCF programs. Initial efforts focused on addressing outstanding matters in the design of the *PPCR* to facilitate the SCF Trust Fund Committee's review and approval (November 2008). Further program development involved the completion of a comprehensive country selection process based on recommendations of an Expert Group established by the PPCR Sub-Committee, and the preparation of programming guidelines and financing modalities (see below).

7. Development of the proposed Forest Investment Program (FIP) led to the review by the SCF Trust Fund Committee of a preliminary design document prepared by a working group (January 2009). The TFC provided guidance for further design development which in turn was considered at a second design meeting (March 2009). The resulting revised design document formed the basis for the submission of a *Forest Investment Program Design Document* to the TFC for review and approval at its May 2009 meeting.

8. Informal consultations on the design of the proposed targeted program to promote renewable energy in low income countries were undertaken to gather preliminary views on the scope of such a program. They led to the preparation of a preliminary concept note submitted to the SCF Trust Fund Committee for discussion (January 2009). The Committee provided guidance on further design development and proposed that a working group be convened to prepare an initial design. Such a group reviewed and revised a preliminary draft design document prepared by the CIF Administrative Unit in consultation with the MDB Committee (March 2009). Following broader consultations, the design document, *Scaling Up Renewable Energy in Low Income Countries Program (SREP)* was submitted to the SCF Trust Fund Committee for consideration at its May 2009 meeting.

Development of policies and operational guidelines

9. Work managed by the Administrative Unit in close consultation with the MDB Committee has or is expected to result in the approval by the Trust Fund Committees of a series of proposed policies, guidelines and operational procedures designed to enable the MDBs to commence the dialogue with country partners on the programming of CIF resources:

- a) *CTF Guidelines for Investment Plans* set out operational procedures for preparing and reviewing investment plans (approved November 2008).

² In the further development of this proposal it was decided to concentrate on renewable energy.

- b) *CTF Investment Criteria for Public Sector Operations* establishes criteria to assess and prioritize proposed public sector programs and projects in investment plans (approved November 2008).
- c) *CTF Criteria for Financing Low Carbon Opportunities in Coal and Gas power Investments* provide detailed criteria for CTF co-financing of low carbon opportunities in coal and gas power investments (approved January 09).
- d) *CTF Private Sector Operational Guidelines* define modalities and terms for engaging the private sector in CIF operations (approved January 09).
- e) *CTF Results Measurement System* and *PPCR Framework for Results Measurement* proposes indicators to measure the performance of the CTF and PPCR activities at various levels, as well as roles and responsibilities for monitoring and evaluation (proposed for TFC review at May 2009 meeting).
- f) *CTF Reporting by Bilateral Development Agencies/Banks* which proposes a reporting framework for projects supported by bilateral donors that conform to the objectives of the CTF (proposed for TFC review at May 2009 meeting).
- g) *Note on Disclosure of Documents Prepared for purpose of the Climate Investment Funds* responds to a CTF request for clarification on how the World Bank's disclosure policy would be applied in the case of country investment plans (proposed for TFC review at May 2009 meeting).
- h) *PPCR Programming and Financing Modalities* provides guidance on a strategic two-phased approach to programming and delivery of financing for climate resilient development (proposed for PPCR Sub-Committee review at its May 2009 meeting).
- i) *CTF Public Sector Financing Terms* define the financing products for which MDBs may deploy CTF resources, the terms for such financing, including fees for MDB project development and supervision costs, and standard CTF co-financing conditions and review procedures (proposed for TFC review at May 2009 meeting)³.

Country programming

10. The principle of country led and MDB supported programming for the use of CIF resources is central to CIF's mission. CTF Country Investment Plans and proposed PPCR

³ A note on the implications of CTF guarantee operations on ODA classification of donor contributions has also been prepared.

Strategic Programs for Climate Resilience will serve as frameworks for allocation of CIF funds. To the same end, the proposed designs of the two new SCF programs call for the preparation of country FIP Investment Strategies and country SREP Funding Plans.

11. Based on agreed guidelines for programming of CTF resources and joint programming missions, the MDBs have worked together to support country led preparation of CTF Investment Plans. As of end April 2009, six CTF joint missions had been fielded (Egypt, Mexico, Turkey, Morocco, South Africa, Turkey and Ukraine). Three additional joint-missions are planned before the end of the fiscal year, which would bring the total to 9, compared to the original target of 12.

12. The Governments of Egypt, Mexico and Turkey presented their CTF Investment Plans to the CTF Trust Fund Committee for review at its January, 2009 meeting. The TFC endorsed the three plans for further development of activities foreseen in the plans for CTF funding. The potential CTF funding under these plans totals \$1.05 billion. In March, 2009 the CTF Trust Fund Committee approved CTF co-financing of \$100 million for *Turkey: Private Sector Renewable Energy and Energy Efficiency Project*.

13. MDB dialogue with country partners on programming of PPCR resources is pending TFC approval of programming guidelines and financing modalities, and the finalization of the selection of participating countries. As per original target, 5 joint MDB missions are expected to be fielded before the end of FY09. With governments in the lead, the MDB staff will work with country institutions and stakeholders in planning PPCR Phase 1 activities with the aim of countries submitting their Strategic Programs for Climate Resilience to the PPCR Sub-Committee in FY10.

14. Country programming of SCF resources under the proposed two new programs (FIP and SREP) can proceed once the SCF-TFC has approved their design, programming guidelines are in place and the country selection process has been completed. Given the experience under PPCR, it is likely to be early 2010 before FIP and SREP joint programming mission will be fielded.

Managing stakeholder relations

15. The principles guiding the development of the CIF recognized that, if the CIF are to effectively contribute to a global solution to climate change, it is crucial for lessons and experiences to be shared in an inclusive, transparent, strategic and timely manner. Likewise, the implementation of the CIF would benefit from lessons and experience elsewhere and from assessments by stakeholders of progress and performance in CIF implementation.

16. To that end, the annual *CIF Partnership Forum* was created. The first gathering of the Forum took place in Washington DC on October 14, 2008, at a time when CIF program development was still in its infancy and action at the country level yet to commence. Nevertheless, participation and interest encompassed a broad range of stakeholders, including representatives from 27 countries, 30 Non-Government

Organizations, 3 Indigenous Peoples Groups, 7 private sector entities, United Nations agencies (UNDP, UNEP, UNWFP, the Adaptation Fund, ECLAC, FAO and IEA) and the World Bank Group.

17. This first Forum served as an early opportunity to explore how best to promote dialogue and open exchanges on various aspects of the CIF. While it served as an important venue to begin an open dialogue, given its timing so early in the process it lacked the capacity for in-depth review and deepening understanding of on-the-ground challenges and opportunities. Nevertheless, the first Forum set the stage for regular convening of the Forum as a central CIF venue. The Administrative Unit, working with the MDB Committee and in consultation with partner agencies and organizations, has begun the planning for the second forum to be held in Manila in March, 2010, and a preliminary design proposal for the event has been submitted to the Trust Fund Committees for consideration at their May, 2009 meetings.

18. A number of collaborative engagements and consultations with stakeholders during FY09 have served to improve dialogue and build understanding with constituent groups and to pave the way for their active contributions, including as observers at CIF Trust Fund Committee and Sub-Committee meetings, to the work of the CIF.

- a) Collaboration with *IUCN* led to decisions by the two Trust Fund Committees at the January 2009 meetings to invite civil society observers to the CTF and SCF Committee and PPCR Sub-Committee meetings. The background paper on NGO and civil society participation in various multilateral governing bodies, commissioned from IUCN, helped to facilitate these decisions.
- (b) The CIF Administrative Unit subsequently engaged in extensive outreach and collaboration with the *civil society/NGO community, the United Nations Permanent Forum on Indigenous Issues (UNPFII)* and *the World Business Council for Sustainable Development* on how best to initiate transparent and inclusive self selection processes in order to recommend candidates to serve as observers for each constituency.
- (c) At the February 2009 UNPFII meeting in Karasjok, Norway, a CIF Administrative Unit representative presented the CIF, briefed participants on the Committees' decisions regarding observers, and invited them to undertake a self selection process. A sustained dialogue with NGOs and the WBCSD clarified goals and timelines for such processes.
- (d) The design processes for the Forest Investment Program (FIP) and the Scaling Up Renewable Energy Program (SREP) have been consultative and inclusive, with support being provided to representatives of developing country governments and NGOs to attend the meetings. Special attention was given in the FIP design process to include representatives of Indigenous Peoples.

- (e) To raise awareness of the Climate Investment Funds among the private sector and policy makers, the Administrative Unit organized a panel presentation on the CTF Mexico Investment Plan at the *Implementing Renewable Energy in Emerging Markets in Africa, Latin America and the Caribbean Conference* in San Francisco on April 28. Senior representatives of the World Bank, IADB and the IFC participated on the panel.
- (f) UNEP is working with the MDB Committee on finalizing a proposal for a UNEP managed *Technical Assistance Support Program under the new Scaling Up Renewable Energy Program*. The proposed program would provide targeted support services to assist recipient countries in preparing the specific processes, institutional capacities and policy conditions needed for full scale SREP investment activities.
- (g) UNDP has been an active contributing partner in the dialogue and working groups on the *PPCR Programming and Financial Modalities* paper and the *PPCR Results Framework*. Discussions on how to coordinate with a UNDP-led adaptation learning platform are underway. Given its ongoing adaptation programs and projects in PPCR countries, UNDP will be a key partner in supporting preparation and implementation of country strategic programs for climate resilience.

Governance and management

19. The CIF design documents established principles for the organization of the funds and proposed that the CIF be governed by a Trust Fund Committee and serviced by an MDB Committee, an Administrative Unit and a Trustee. The two Trust Fund Committees adopted Governance Frameworks reflecting these principles and arrangements at their November 2008 meetings.

20. *The Trust Fund Committees and the PPCR Sub-Committee* will by the end of the fiscal year each have convened in three sets of meetings to execute its responsibilities (November 2008, January and May 2009). They have adopted rules of procedures for their meetings and instituted arrangements for participation of Non-Government Organizations and Civil Society Organizations as “active” observers similar to the status of UN agencies. The Administrative Unit working with the MDB Committee has established operational procedures for managing the activity cycle for review and approval of the TFCs and their Sub-Committees.

21. *The CIF Administrative Unit* has been established within the Vice-Presidency for Sustainable Development in the World Bank, led by a Program Manager appointed in November 2008. Recruitment of a core staff of eight is currently being completed, including a Sr. Private Sector Development Specialist, a Sr. Knowledge Management and Monitoring and Evaluation Specialist, and a Sr. Partnership Specialist. Core staff are expected to join by July-August, 2009. Interim staffing arrangements have been in place

throughout the fiscal year to enable the Unit to be operational pending recruitment of the full complement of staff.

22. *The MDB Committee* members have met in person in connection with Trust Fund Committee meetings. Between these meetings it has conducted business through regular weekly or bi-weekly teleconferences. The six individual *Multilateral Development Banks* have all established CIF Focal Points to mainstream and build understanding of CIF-related objectives and guidelines within their respective institutions, to coordinate implementation of CIF funded programs and to participate in the work of the MDB Committee. The internal organizational and staffing arrangements for these focal points vary across agencies in accordance with existing organizational structures and established internal business processes and practices.

23. *The Trustee.* As per agreed CIF design, the trustee function is performed by IBRD. The Trustee has entered into, or is negotiating Contribution Agreements with each contributing donor country. A two-day meeting with all the MDBs was convened in Washington, DC to discuss the Financial Procedures Agreement (FPAs) which set out the terms and conditions for making commitments and cash transfers to the MDBs as well as reporting requirements. Negotiations to conclude the FPAs are ongoing. Multi-donor trust funds for each of the CTF and the SCF have been established, as have processes to ensure proper controls and risk mitigation for the CTF and SCF business events that trigger financial transactions. Financial models to project cash flows, manage a liquidity reserve, monitor the capacity of the Funds to meet obligations to MDBs and to donor loan contributors are under development. Policy papers on the accounting framework for CTF and SCF have been prepared and work with the MDBs to design the process flows for the financial transactions for both the CTF and the SCF is underway. The MDBs in turn are seeking to create appropriate internal arrangements for managing the CIF funds on behalf of the Trust Fund Committees/donors, and the new administrative and legal activities required to be effective implementing agencies of the CIF.

III. BUSINESS DEVELOPMENT OBJECTIVES AND TARGETS

24. With the CIF program now under way, the main tasks facing CIF management, i.e. the MDBs, the Administrative Unit and the Trustee, working together under the oversight and guidance of the TFCs, are to

- a) support preparation of country led strategic programming for the use of CIF resources allocate CIF funds based on country led programming;
- b) assist recipient countries in preparing and financing public and private sector activities identified in strategic country programs for CIF funding;
- c) support recipient country institutions and partners in their implementation of CIF funded activities, following the regular practices of the respective MDBs;

- d) monitor progress and evaluate outcomes of such activities (projects and programs);
- e) distill and disseminate lessons learnt to a broad set of stakeholders in an inclusive and transparent manner; and to
- f) establish and implement effective systems for measuring results on all of the above fronts.

25. The “sunset” provisions specified in the agreed CIF design call for a deliberate and well managed approach to undertaking these tasks, particularly the first two, in a window that may be limited to 3-4 years. The two main planning objectives, elaborated in the remainder of this section of the paper, are therefore to

- a) establish and regularly monitor a set of multi-year CIF business development targets that are both feasible given constraints at the country and CIF agencies levels and consistent with the “sunset” provisions; and to
- b) develop and implement effective approaches for engaging the private sector; strengthening partnerships; knowledge management/sharing of lessons; monitoring and evaluation; and results management, - and in all of the above build on the capacities and the programs of the MDBs.

Business Development Targets

26. The business development targets presented in Table 1 and further detailed in Annex 1 serve the following three purposes:

- a) They establish benchmarks against which to measure progress in key areas of CIF program implementation, i.e. establishment of country strategic programs or investment plans, and approval of funding for individual projects and programs.
- b) They project a distribution over time of targeted commitments of CIF resources which will assist the Trustee, working with donors, in the planning of timely availability of “paid up” funds.
- c) They guide the MDBs and the Administrative Unit in organizing, planning their respective programs of work over the next 3-4 years, and underpin the estimation of costs of administrative services and the projections of budgetary requirements.

27. The targets are presented recognizing that the proposed FIP and SREP programs are yet to be considered by the SCF Trust Fund Committee for approval. The opportunity is merely taken here to demonstrate what consequences for CIF business development would flow from admission of the proposed programs to dedicated SCF funding.

Table 1 - Business Development Targets for FY09-13 by CIF Program

		FY09	FY10	FY11	FY12	FY13	Total
CTF total							
1. Joint missions fielded	nos.	9	8				17
2. Country plans/programs for TFC/SC review	nos.	7	10				17
3. Indicative CIF funding commitments	US\$m	2,059	2,941				5,000
4. Projects to the TFCs/SCs for review	nos.	2	15	20	14		51
5. Potential project funding commitments	US\$m	300	1,439	1,918	1,343		5,000
SCF total							
1. Joint missions fielded	nos.	5	15	8	-	-	28
2. Country plans/programs for TFC/SC review	nos.	-	5	20	3	-	28
3. Indicative CIF funding commitments	US\$m	-	227	887	136	-	1,250
4. Projects to the TFCs/SCs for review	nos.	-	-	17	56	11	84
5. Potential project funding commitments	US\$m	-	-	251	840	159	1,250
CIF Total							
1. Joint missions fielded	nos.	14	23	8	-	-	45
2. Country plans/programs for TFC/SC review	nos.	7	15	20	3	-	45
3. Indicative CIF funding commitments	US\$m	2,059	3,168	887	136	-	6,250
4. Projects to the TFCs/SCs for review	nos.	2	15	37	70	11	135
5. Potential project funding commitments	US\$m	300	1,439	2,169	2,183	159	6,250

Planning parameters

28. The development of CIF funded activities over the 3-4 year planning horizon will be dependant on the overall availability of CIF funds, the number of countries involved; the outcome of country programming operations and the scale of potential CIF involvement; the capacity and time requirements at the country level for preparation of the initial strategic frameworks for deployment of CIF resources and the capacity of the MDBs to support such efforts. Table 2 sets out key assumptions on these points. The assumptions will be revisited and revised in light of experience gained during program implementation, and appropriate adjustments made to the planning parameters as the business plan rolls forward.

29. Availability of CIF funds. The funding amounts assumed available for the individual CIF program funds are those that have been set as USD equivalent targets during the program design processes. The actual USD equivalent of contributor funds, when deposited with the Trustee, will depend on foreign exchange rates at the time, thereby impacting over time the USD equivalent of funds available to commit under the various CIF programs.

30. Country operations. Available CIF funds cannot be spread too thin given the focus of CIF objectives on positive incentives for scaled-up and transformational change and effective demonstration of new development approaches aimed at specific climate change challenges. Accordingly, the CTF Trust Fund Committee has agreed that programming of targeted CTF resources (\$5.0 billion) be limited to 15-20 countries which implies an average of \$300 million in CTF support per country. This would

translate into an average of \$100 million of potential CIF funding, under the assumption that country investment plans on average will identify three CIF funded activities.⁴

31. Similarly, for PPCR, the Sub-Committee, guided by the work of an Expert Group, has agreed that programming of a targeted overall resource envelop of \$500 mill will involve 9 countries and 2 regional groupings, resulting in potential average PPCR funding of about \$45 million per country/regional group program, and \$15 million per PPCR funded activity.

32. The appropriate scale of country participation for the proposed two new SCF programs is a matter for the yet to be established TFC Sub-Committees for these programs to consider. Consistent with understandings reached during program design, it has been assumed for business planning purposes, that a target envelop of \$500 million for the FIP would involve 10 countries, and that programming of \$250 million under SREP would involve 5-10 low-income countries (with the mid-point of 7 used for the projections made here). This would result in averages of potential SCF funding per activity of about \$17 million in the case of FIP and about \$21 million in the case of SREP (again on the working assumption of three activities per FIP Investment Strategy or SREP Funding Plan).

Table 2 - Main Assumptions Underpinning CIF Business Development Targets.

	Unit	CTF	PPCR	FIP	SREP
1. CIF funds available	(US mill)	5,000	500	500	250
2. Countries of operation	(nos.)	17	11	10	7
3. CIF funded projects per country program	(nos.)	3	3	3	3
4. Time to prepare country program	(months)	3	10	10	8
5. Time to prepare project for TFC/SC review	(months)	12	12	12	12

Notes:

4. Measured from initial proposal to field joint mission to endorsement of country plan/program by TFC/SC.

5. Measured from TFC/SC endorsement of country plan/program to TFC/SC review of project document.

33. Preparation and processing. The time that countries require to prepare strategic country plans or programs will vary considerably depending on (i) the degree of complexity of the task and country capacity and availability of “best practice” to address it; (ii) the status of MDB dialogue in relevant sectors, and (iii) the scale and nature of stakeholder interests and potential concerns. Considering these factors and the experience from early country programming initiatives under CTF, the preparation time required under the CTF Investment Plans, is expected to be considerably shorter than under the three targeted SCF programs (3 months vs. 8-10 months).

34. Setting targets over time for commitments to project funding also needs to consider the time required for countries to prepare, and the MDBs to process projects up

⁴ The number of potential CTF funded activities (projects/programs) per CIF Investment Plan, PPCR Strategic Program, FIP Investment Strategy, and SREP Funding Plan will vary. For business planning purposes, an average of three activities has been assumed based on experience so far under the CTF. This assumption will be reviewed and revised based on outcome of future country programming.

to the level envisaged at TFC/SC review. The assumed average time period of 12 months from concept to pre-appraisal stage is broadly consistent with present practices and standards among the MDBs. In line with a programmatic approach, and to strengthen coordination between public and private sector activities of the MDBs, it is likely that public and private sector components of a specific program will be rolled out over time, typically with private sector investments moving forward on a faster track.

Summary and implications

35. The key features of the projected CIF business development scenario over the next 3-4 years and their main implications for CIF's work program are as follows:

36. Country programming: The six MDBs, working together, face the task over the next three years of supporting country led preparations of strategic frameworks for deployment of CIF resources (17 for CTF and 28 for the targeted SCF programs) in up to 45 countries. The focus of this assistance will be on CTF during the first half of this period, and on the three targeted SCF programs during the second half.

37. Throughout this period, the effectiveness and outcome of MDB joint mission support will be monitored and lessons on the effectiveness of the approaches taken to country programming will be generated. Subject to progress in country-programming in accordance with the above benchmarks, a comprehensive assessment of outcomes and lessons learnt will be carried out for the CTF program during the second half of 2010 (i.e. in FY11) and for the targeted SCF programs during the first half of 2012 (FY12).

38. Preparation of activities flowing from country programming: A minimum of 135 activities are expected to be prepared for CIF funding over the next three years, 84 of which under the three SCF programs and 51 under the CTF program. Detailed preparation work is underway under the CTF (one such activity having already been approved for CTF funding and another expected before the end of the fiscal year) and will continue through FY12. For the PPCR Phase II such preparation work is expected to start on a small scale later in FY10, while for the proposed new targeted SCF programs preparation would not commence until FY11, as a result of their more recent entry into the CIF program.

39. The MDBs will support country led preparation of CIF funded activities as part of their regular operational programs. Given the objective to integrate CIF funded activities with the MDBs' portfolio of programs or projects in selected countries, the incremental costs of preparing these activities, both at the country level and the MDB support level, are expected to be relatively limited in the case of the CTF and the FIP but more substantial in the case of PPCR Phase II and SREP. Under these latter two programs, grant financing of country incurred preparation costs will be required. The MDBs will

recover their incremental costs for CIF project preparation through the MDB project fees approved at the time of TFC/SC approval of project funding.⁵

40. **Commitment of CIF resources:** Country proposals for project funding will be submitted for consideration by TFC/SCs throughout the planning period, escalating from 15 in FY10 to 70 in FY12, and leaving a “tail” of 11 funding proposals (remaining FIP and SREP activities) for FY13. Correspondingly, potential commitments of funds will increase from \$300 million in FY09 to \$2.2 billion in FY11 after which it levels off in FY12 to subsequently fall to \$160 million in FY13.

41. The realization of the above business development scenario and the achievement of a goal of committing 97% of an overall CIF envelop of \$6.25 billion to program and project funding by June 30, 2012, is based on the assumption that cash funds will be on hand at the required points in time.

Thematic support

42. As a necessary complement to the work by the MDBs on country programming of CIF resources and project development and financing, the Administrative Unit, working with the MDB Committee and partner agencies and organizations, will develop and implement a series of thematic support activities in the areas of private sector development, knowledge management and M&E, stakeholder relations, and results management. Without them, the full potential impact of CIF objectives will not be realized.

Engagement of the Private Sector

43. The private sector, being the foundation of economic growth, has a significant role to play in the reduction of greenhouse gas emissions as well in reducing vulnerability to climate change. Strategies for achieving transformational outcomes and progress towards low carbon development and climate resilience will therefore need to include a combination of public and private initiatives. The CIF design documents recognize the need to address this challenge and the importance of promoting a programmatic approach that incorporates public and private sector activities working in concert towards delivery of country strategies and plans.

44. Effective integration of private sector involvement in CIF’s mission, requires a shared understanding of the objectives and modalities for such involvement. Program design and programming guidelines show CIF programs (ongoing and proposed) as having the following *objectives for engaging the private sector*:

- a) *CTF* - to involve private sector parties in a few initial investments, designed to help align perceived risks with real risks and “create a track record” on

⁵ Country requests for grant financing of country expenditures for preparing activities identified under approved country strategic programs or plans will be reviewed and endorsed by the MDB Committee for notification to the relevant Trust Fund Committee or Sub-Committee.

the basis of which “replication is expected to occur without further subsidy” and/or to off-set the incremental up-front costs for the early entrants into a market after which projects are expected to become financially viable and will be followed by a scale-up of investment and market transformation within the relevant country and/or sector. At the same time, as private sector experience develops there will be greater scope for establishing a policy and regulatory framework for accelerating and scaling-up of investment.

- b) *PPCR* - to engage the private sector as a key stakeholder in country efforts to integrate climate resilience in developmental planning, and as a partner in financing and implementing non-government priority investment needs.
- c) *FIP* - to develop and implement models for working with, and leveraging resources from the private sector, as a means for scaling up private sector investments and promoting transformational change, and as a partner in financing and implementing non-government priority investment needs⁶.
- d) *SREP* - to pursue a strategy combining public and private sector actions, including overcoming barriers, in order to scale-up private sector investments, leveraging private sector (and other) financing, and utilizing the transformational impact of the private sector.

45. Addressing these objectives requires *effective modalities for engaging the private sector* at the implementation and strategic levels. At the *implementation* level, activities focus initially on government-led country programming of CIF financing support by joint MDB missions. Engagement with the private sector (private sector business or trade organizations and individual companies) occurs through consultations on the country program and the opportunities for the private sector as potential project sponsors. Continued marketing of the CIF opportunity follows as part of normal business development by the MDBs active in the country. They work with individual private sector sponsors on the development of specific CIF funding proposals, consistent with CIF private sector operational guidelines. Furthermore, it is envisaged that the CTF could provide partial risk guarantees for private sector projects to mitigate the risk of government action or inaction.

46. At the *strategic* level, the engagement with the private sector has dual purposes. On the one hand, it should enable the private sector to realize its potential contribution to CIF’s objectives. On the other hand, it should help CIF’s governing bodies and agencies understand the private sector’s concerns and needs in respect to a low carbon or climate resilient business environment. Hence, the need for a dialogue and open exchange of views and information.

⁶ In many cases key private sector companies relevant to the FIP will face similar barriers as those in the CTF and will require similar financing approaches to those envisioned above.

47. To that end, the Administrative Unit, working with the MDB Committee and partner agencies and organizations, will develop a strategic approach to CIF's engagement of the private sector, to be submitted to the Trust Fund Committees for consideration at their fall 2009 meetings. The Sr. Private Sector Development Specialist of the Administrative Unit will coordinate this work.

Knowledge management

48. Providing experience and lessons in responding to the challenge of climate change through learning by doing is a central objective of the CIF in support of transformational change. To accomplish it requires a deliberate and systematic approach to documenting and sharing knowledge (in the broadest sense of the term) that is generated through CIF funded activities at the project, country program, and CIF program levels.

49. Such an approach will be built on existing knowledge management programs, practices and capacities of the MDBs, and draw on the experience from partner agencies and organizations. Its effectiveness needs to be monitored as part of the implementation of a broader CIF results management system.

50. The CIF are now moving quickly into operations. The establishment of a CIF program for managing knowledge and sharing lessons, based on agreed principles and objectives, is therefore a priority. To start the discussion within the broader CIF partnership, a brief paper, *CIF Knowledge Management and Learning - Launching a Dialogue*, has been submitted to the Trust Fund Committees for their consideration at their May, 2009 meeting. Based on the guidance coming out of these discussions, the Administrative Unit, working with the MDB Committee and partner agencies and organizations, will develop a strategic approach to CIF knowledge management, to be submitted to the Trust Fund Committees for their consideration at their fall 2009 meetings. The Sr. Knowledge Management and Monitoring & Evaluation Specialist of the Administrative Unit will coordinate this task.

Partnerships and stakeholder outreach

51. The overarching goal of the CIF is to promote international cooperation on climate change and support progress towards the future of the climate change regime. The sharing of lessons and experience in responding to the challenge of climate change is essential for this goal to be accomplished. Engaging in partnerships with other stakeholders is an effective tool for lessons sharing. Partnering also provides the CIF access to the expertise and experience of others which will serve them well in the pursuit of their objectives.

52. During the 2008-09 period, strong partnerships are developing among the MDBs through the work of the MDB Committee and joint-missions at the country-level. Similarly, engagement on the design of CIF-related programs has strengthened the working relationships with the UNFCCC Secretariat, the GEF, UNDP and UNEP, as well

as with Governments that are involved in CIF's decision-making committees and several NGOs that are active in the climate change mitigation and adaptation arena.

53. At the international level, the Partnership Forum provides the primary way for strengthening partnerships amongst stakeholders, and allows lessons being learnt through CIF activities to be shared. Planning for the second forum is underway (see Section II). The Administrative Unit, working with the MDB Committee, will, based on the Trust Fund Committees review of the preliminary design proposal, prepare and submit a detailed design document for their consideration.

54. As CIF moves further into its operational stage, expanding existing and entering into new partnership activities will have to happen at the country, regional and international levels. This should form part of the implementation of a wider strategy for outreach to stakeholders; the twin objectives being to (i) ensure that a growing portfolio of relevant lessons is effectively shared and can be built upon by others in ways that accelerates the scaling-up of climate change financing and investments, and (ii) access the expertise and experience of other agencies and organizations in support of CIF's program of work.

55. To help guide the CIF in these activities, the Administrative Unit working with the MDB Committee and partner agencies and organizations, will develop a strategic approach to stakeholder outreach and partnerships, to be submitted to the Trust Fund Committees for considerations at their meetings in the fall of 2009. The Sr. Partnership Specialist of the Administrative Unit will coordinate this work.

Managing for results

56. CIF management for results involves the implementation of a system for monitoring inputs to and outputs from activities driven by business development objectives, and for measuring outcomes relative to objectives in the context of results frameworks. Such a system needs to cover three levels: the project, country program and CIF program levels and make it possible to aggregate data and information vertically (from project to CIF program) and horizontally across projects, country programs and CIF programs.

57. The establishment of an effective and efficient results management system is urgent given CIF's mission to share results, lessons and experience to accelerate actions by others, and to do so within a relatively short time span. The required elements include frameworks and procedures for (i) project supervision, monitoring systems, and evaluation practices of the individual MDBs (already in place); (ii) measuring progress at the country level in the development and implementation of country strategic programs or investment plans; (iii) measuring progress towards objectives at the level of the individual CIF programs; and (iv) assessing progress towards business development objectives and targets and holding CIF agencies accountable to agreed performance standards.

58. Work is underway within all the ongoing and proposed programs to prepare results frameworks and measurement systems. These initiatives, while driven by individual program specific objectives and interests and taking different methodological approaches need to be coordinated with respect to common objectives and requirements for the CIF as a whole.

59. Such objectives and requirements are yet to be defined in operational terms. Taking account of the ongoing work in this area, and of past and future guidance on this matter from the TFCs, the Administrative Unit, working with the MDB Committee and consulting with partner agencies and organizations, will take the lead in outlining and developing the appropriate elements of a comprehensive results management system. A first step in that task would be the development of a brief concept note on the objectives for and possible elements of such a system to be submitted to the Trust Fund Committees for their consideration at their meetings in the Fall of 2009.

IV. FY09 BUDGET OUTCOME

60. The TFCs at their joint meeting in November, 2008 approved a total budget of \$7.2 million for FY09 to cover estimated expenditures for administrative services. In addition, it approved a budget of \$4.2 mill to cover MDB expenditures for support to country-led strategic programs for deployment of CIF resources. The activities supported by the FY09 administrative budget were reported on earlier in this document (Section II). What follows is a brief report on the budget outcome (Tables 3 and 4 below, with details in Annex 2.

Administrative Services

61. The administrative services budget for FY09 was divided in two time slices, July 1-December 30, 2008, and January 1-June 30, 2009. This was done recognizing that the first period involved program planning expenditures (estimated at \$1.82 million) which would be reimbursed retroactively. Activities during the second period, while continuing to include program design and development, including of new targeted programs under the SCF, were expected to also include a shift towards program start up and implementation (\$5.4 million). Supported by an approved budget, the CIF units launched a work program, the results of which were summarized in Section II of this paper.

Table 3 - FY09 Administrative Services. Estimated Outcome by Program Fund (\$ '000)

	FY09 Approved Budget	FY09 Revised Estimate	Difference
<u>CTF</u>			
1st half	909.7	867.3	(42.4)
2nd half	2,563.2	2,230.9	(332.3)
Subtotal	3,472.9	3,098.2	(374.7)
<u>SCF</u>			
1st half	907.3	733.5	(173.8)
2nd half	2,834.0	2,670.8	(163.2)
Subtotal	3,741.3	3,404.3	(336.9)
<u>CTF+SCF</u>			
1st half	1,817.0	1,600.8	(216.1)
2nd half	5,397.2	4,901.7	(495.5)
TOTAL	7,214.2	6,502.6	(711.6)

**FY09 Revised Estimate includes actual expenses for the 1st half of FY09, and revised estimate for the 2nd half of FY09.*

62. A budget review in April, 2009 concluded that the estimated cost for completing CIF's administrative work program in FY09 was expected to come in at 10% (\$ 0.71 million) below budget. The CTF and the SCF programs contributed thereto in equal shares. The major contributing factor to the under run is the Trustee's lower than projected investment management fees which in turn resulted from the fact that only recently were contribution payments being deposited with the Trustee.⁷

63. While overall the MDBs revised estimates of FY09 expenditures are within their combined FY09 budget envelopes, some MDBs, based on actual costs so far, expect expenditures to be higher than originally estimated and budgeted. This, however, should not be surprising, given the inherent challenge of gauging administrative costs for engaging in new programs that require new approaches and institutional arrangements.⁸

⁷ The Trustee's investment management fees are based on 3.5 based on points on the average annual portfolio balance.

⁸ The main contributing factors to these over runs, as reported by the MDBs, were (i) unforeseen additional travel needs related to negotiations with Trustee on FPAs and participating on behalf of CIF agencies at climate change meetings; (ii) underestimated requirements for financial management and control, including setting up of control structures, and (iii) required legal services proving to be greater than originally budgeted for.

**Table 4 - FY09 Administrative Services.
Estimated Outcome by CIF Unit. (\$ '000)**

	FY09 Approved Budget	FY09 Revised Estimate	Difference
Trustee	1,320.7	988.8	(331.9)
Admin Unit	2,238.0	2,167.1	(70.9)
MDBs Total:	3,655.5	3,346.7	(308.8)
ADB	488.7	393.5	(95.2)
AfDB	408.7	466.5	57.8
EBRD	228.4	250.0	21.6
IADB	507.4	543.1	35.7
IFC	255.1	247.9	(7.2)
IBRD	1,767.1	1,445.7	(321.4)
Total	7,214.2	6,502.6	(711.6)

MDB Support to Country Programming of CIF Resources

64. Section II provided a summary of the MDBs' FY09 activities in support of country-led programming of CIF resources. Approved budget resources for the joint mission work by the MDBs were estimated based on assumptions that were recognized as subject to considerable uncertainty and requiring costs to be monitored and reviewed as a guide for determining future resource requirements.

65. The incremental costs of MDB support to country led programming were reviewed by the MDB Committee in light of (i) the joint-mission experience gained in FY09 with CTF missions, and (ii) a reassessment of the nature and scope of the required MDB support to country programming of PPCR funds, undertaken as part of the development of the PPCR programming guidelines. The review concluded as follows (details in Annex 3).

- a) *Regarding CTF joint missions* - While the costs of the first three joint missions came in considerably below budget norm. The circumstances under which this cluster of investment planning activities took place would not be representative for most of the remaining missions. Early joint mission experience suggests that contrary to the original assumption, two rather than one mission will be required. In addition, the experience from the first two groups of joint missions suggests that investment planning initiatives covering both public and private sectors are going to be the standard, with fewer, if any, cases of pure public sector or pure private sector plans. This again will push costs up. Hence, the MDB decided to retain the current norm (incl. contingencies) for CTF funding of \$300,000 per joint mission.

- b) *Regarding PPCR joint missions* - A number of factors contribute to high transactions costs in supporting the development of PPCR country strategic programs: (a) the number of sectors and institutions involved in developing Strategic Country Programs for climate resilience; (b) the learning-by-doing approach that is required given the absence of “best practice”; and (c) the multiplicity of stakeholder groups involved. The same conditions would be expected to hold true for the FIP and to a somewhat lesser degree also for SREP. The MDBs’ engagement with country partners, therefore, would have to be considerably more extended and resource intensive than originally envisaged, both in respect to staff time staff and travel. As a result, the MDB Committee agreed that the norm for SCF funding of MDB support to country programming be raised from \$ 208,000 to \$ 368,000 (incl. contingencies).

66. Based on the above review and conclusions and the projected joint-mission schedule for the remainder of FY09 (see Table 1 in Section III), the original estimates for MDB support to CTF and PPCR country programming were revised (Table 5). The revision shows an expected positive balance of \$1.32 million by the end of the fiscal year, which would be available for transfer to a FY10 budget. The projected balance for SCF is negative (\$0.68 million) as a result of the application of the revised funding norms for PPCR joint-missions discussed above.

**Table 5 - FY09 Budget for MDB support for Country programming.
Estimated Outcome by Program. (\$ ‘000)**

	CTF	SCF	Total
Approved budget for FY09	2,981.95	1,194.85	4,176.80
Revised Estimate for FY09	1,655.90	1,840.00	3,495.90
Balance transferred to FY10	1,326.1	(645.2)	680.90

V. FY 10 BUDGET

Introduction

67. The proposed FY10 CIF budget is based on the estimated expenditures for activities that the Trustee, the Administrative Unit and the six MDBs plan to undertake during the period July 1, 2009 to June 30, 2010 to help CIF reach its business development targets and deliver its work program in key thematic areas as summarized in Section III.⁹ It comprises three parts: administrative services; MDB support to country

⁹ Consistent with provisions under the agreed CIF design, costs that MDBs will incur in administering individual investment or technical assistance projects are not included in the proposed budget. Such costs are to be recovered through an MDB fee as per agreed CIF design.

programming of CIF resources; and a special initiative on systems development. The proposed FY10 budget is summarized in Tables 6 and 7 below and detailed in the sections to follow.

**Table 6 - Approved FY09 and Proposed FY10 Budgets
by Budget Category. (\$ '000)**

	FY09 Approved Budget	FY10 Proposed Budget	Difference (FY10 - FY09 Est.)
Administrative Services			
Trustee 1/ Administrative Unit	1,320.7	2,952.7	1,631.9
MDBs	2,238.0	5,831.4	3,593.4
	3,655.5	5,254.4	1,598.9
Sub-total	7,214.2	14,038.4	6,824.3
MDB Support for Country Programming	4,176.8	7,231.1	3,054.3
Systems Development	-	2,000.0	2,000.0
Total	11,391.0	23,269.5	11,878.6

1/ FY09 budget approved for Trustee includes only 2nd half. Trustee budget for the 1st half is included in IBRD IA budget.

68. The estimated expenditures for administrative services and MDB support to country programming are specific to activities envisaged under CTF and SCF. The budget presentation assumes that the proposed two new targeted programs under SCF, once approved by the Trust Fund Committee, will start up and move into implementation during FY10. The proposed budgets for CTF and SCF are the result of costing out activities specific to programs envisaged under the respective funds. Whenever that has not been feasible, costs have been allocated between the two funds using best estimates.

69. The budget presentation recognizes the importance of being able to assess the proposed FY10 budget in relation to the approved FY09 budget (Table 6). It may, however, be more relevant to compare FY10 estimated expenditure levels (which translate into the proposed budget) to the revised estimates of what FY09 activities actually have cost (Table 7). Such a comparison, however, is complicated by the fact that the operational phase of the CIF did not start until the end of calendar year 2009, with prior expenditures purely reflecting planning for the establishment of the CIF by the World Bank Group and The Regional Development Banks. To facilitate meaningful comparisons across FY09 and FY10, the budget presentation therefore applies the concept of an 'annual equivalent' of the revised estimates for the 2nd half of FY09. This is simply the revised estimated expenditures for the period January 1, 2009 to June 30, 2009 multiplied by two.

**Table 7 - FY09 Revised Estimates and Proposed FY10 Budget
by Fund Program and Budget Category (\$ '000)**

	CTF		SCF		Total		Difference (FY10 - FY09 Est.)
	FY09 Annual Equivalent*	FY10 Proposed Budget	FY09 Annual Equivalent*	FY10 Proposed Budget	FY09 Annual Equivalent*	FY10 Proposed Budget	
Administrative Services							
Trustee	1,132.6	1,714.6	845.0	1,238.1	1,977.6	2,952.7	975.1
Administrative Unit	1,005.1	2,129.8	3,329.0	3,701.6	4,334.2	5,831.4	1,497.2
MDBs	2,324.1	2,473.6	1,167.6	2,780.8	3,491.7	5,254.4	1,762.7
Sub-total	4,461.8	6,318.0	5,341.7	7,720.5	9,803.5	14,038.4	4,235.0
MDB Support for Country Programming	1,655.9	1,066.0	1,840.0	6,165.2	3,495.9	7,231.1	3,735.2
Systems Development	-	1,000.0		1,000.0	-	2,000	2,000.0
Total	6,117.7	8,383.9	7,181.7	14,885.6	13,299.4	23,269.5	9,970.2

* FY09 Annual equivalent of revised estimate of expenditures during 2nd half of FY09

Summary

70. The estimated expenditures for FY10 translate into a proposed budget of \$23.27 million. This represents an increase of \$11.88 million over the FY09 approved budget of \$11.39 million, and an increase of \$9.97 million over the FY09 expenditures (annual equivalent) of \$13.30 million.

71. The \$9.97 million increase over FY09 expenditures (annual equivalent) reflects the expected resource implications of CIF transiting into a fully operational phase, including the expected expansion of SCF's targeted programs. Specifically, the increase involves three elements:

- a) \$4.23 million to cover the estimated increases in expenditures for CIF administrative services by the Trustee, the Administrative Unit and the six MDBs
- b) a \$3.73 million increase in resource requirements for the planned expansion of MDB support for country programming; and
- c) a \$2.00 million allocation for a special initiative on systems development.

72. The FY10 \$4.23 million increase in expenditures for *administrative services* includes the costs of holding the first full scale CIF Partnership Forum March, 2010 in Manila (preliminary estimate \$1.40 million) to be covered under the Administrative Unit's budget. It also includes \$1.35 million in external audit costs, not required during FY09, to be covered under the Trustee budget.

73. The balance, or \$1.48 million, is the increase in administrative services costs net of the Forum and external audit costs. It represents the outcome of the Trustee's estimated FY10 expenditures (excl. audit costs) being marginally lower than in FY09, the Administrative Unit's estimated FY10 expenditures (excl. costs of Partnership Forum) being marginally higher, and the MDBs' combined estimates for FY10 being \$1.75 million (or 18%) higher the FY09 annual equivalent. This latter increase reflects incremental funding required to support the planned higher level of CTF activity, the

stepping up of PPCR implementation, and the starting up of implementation of the proposed new FIP and SREP programs, as outlined in the business plans section (Section III) of the paper.

74. The increase in resources required for *MDB support for country programming* (\$3.7 million) derives directly from the planned scaling up of such assistance to meet proposed business development targets (Table 1 in Section III) and the higher unit cost of providing such assistance based on experience gained during FY09 (see Annex 3).

75. The proposed FY10 budget support for *systems development*, which was indicated in the FY09 budget document as forthcoming, would enable the Trustee to commence a multi-year process to develop the required stand-alone system for the CIF to ensure the Trustee's ability to manage the complex and unique financial characteristics of the CIF, and for the MDBs to make changes, as required, to their existing systems to accommodate the procedural and reporting requirements of the Trustee.

76. Finally, as in the case of the previous and first budget, the proposed business driven F10 budget has been based on "best assumptions" on what it takes by way of resources to move forward an ambitious and innovative CIF program that is designed to "do things differently", and to try new approaches and institutional arrangements for addressing climate change and its impact. Experience gained during the first year of operation has improved our ability to gauge these requirements. Adjustments to the assumptions and their associated estimates will continue to be made based on experience gained as program implementation progresses. They are just one of many items on CIF's "learning-by-doing" agenda.

Part A -Administrative Services

The Trustee

77. Table 8 below shows the projected budgetary requirements for Trustee services between July 1, 2009 and June 30, 2010.

**Table 8 - Estimated Expenditures and Proposed FY Budget for Trustee Services
FY10 (\$ '000)**

Trustee Services	CTF		SCF		TOTAL	
	FY09 Annual Equivalent ^a	FY10 Estimate	FY09 Annual Equivalent ^a	FY10 Estimate	FY09 Annual Equivalent ^a	FY10 Estimate
Financial Management and Relationship Management	285.1	228.0	190.1	152.0	475.2	380.0
Investment Management a/	26.0	385.0	24.0	85.0	50.0	470.0
Accounting and Reporting	385.6	181.8	257.1	121.2	642.7	303.0
Legal Services	185.8	119.8	123.9	79.9	309.7	199.7
One time Trust Fund Fee b/	250.0	125.0	250.0	125.0	500.0	250.0
External Audit c/	-	675.0	-	675.0	-	1,350.0
Total Costs	1,132.6	1,714.6	845.0	1,238.1	1,977.6	2,952.7

a/ Investment Management fees are calculated based on a cost of 3.5 basis points against the average annual balance of the portfolio; the projected average portfolio size is \$1,100 million for the CTF trust fund and \$244 million for the SCF trust fund for FY10.

b/ One-time Trust Fund fee of \$250,000 per fund to be charged over two years. This charge is to recover IBRD long-term costs of trust fund administration, including but not limited to, quality control and compliance, internal audit, human resources, and institutional integrity.

c/ Covers the FY10 external audit requirements for the Trustee, Administrative unit and the six MDBs.

78. The proposed FY10 budget for the Trustee represents the following assumptions:
- a) Financial management and relationship management: Costs are based on staff time required for management of financial models to assess and ensure the sound financial structure of the Trust Funds; implementation of operational procedures for recording allocations and commitments and making cash transfers to MDBs; donor relationship management; coordination with the CIF Administration Unit and the MDBs to develop best practice operational policies relating to financial transactions; and implementation of the reporting and transactional processes and procedures for the Trust Funds;
 - b) Investment management: Investment management fees are calculated based on a cost of 3.5 basis points against the average, annual balance of the portfolio; the projected average portfolio size for the CIF trust funds for FY10 is USD 1,344 million in total, of which USD 1,100 million represents the estimated portfolio size for the CTF and USD 244 million for the SCF;
 - c) Accounting and reporting: Costs are based on the management of the accounting model for the Trust Funds, including further development and implementation of accounting policies for tracking both donor loan contributions and for reflows from MDBs (i.e., interest and principal payments on loans to recipients); maintenance of appropriate records and accounts to identify contributions and other receipts (reflows and return of unused funds) as well as Trust Fund liabilities to MDBs, and preparation of Financial Statements;
 - d) Legal services: Costs are determined based on the time required to finalize Contribution Arrangements with each donor and Financial Procedures Agreements to be entered into between MDBs and the Trustee. Costs also include staff time needed for drafting new legal documents as well as amending the existing legal documents for the Trust Funds operation as necessary;
 - e) External audit: All CIF Units, i.e. the Trustee, the Administrative Unit and the six MDBs will be required to undergo external audits of their respective 2009 financial statements of CTF and SCF funds. The total cost for this work is estimated at around \$1.2 million and have been included in the proposed FY10 budget for the Trustee, with the understanding that the other units will be reimbursed by the Trustee for payments they make to external auditors.
 - f) One-time Trust Fund fee: This fee of \$250,000 per fund is to recover IBRD long-term costs of trust fund administration, including but not limited to, quality control and compliance, internal audit, human resources and institutional integrity. It will be charged over two years (FY09 and FY10).

Systems Development

79. In previous communications, the Trustee informed the Trust Fund Committees of the need to develop a stand-alone system for the CIF to ensure the Trustee's ability to manage the complex and unique financial characteristics of the CTF and the SCF, including management of the approved outgoing financing in the form of loans and guarantees, but also the incoming loans and capital contributions from the donors. In addition, the system must support the Committees in its decision-making on lending that is no more concessional than the incoming financing.

80. The Trustee system will serve as a hub for the Committees, the Administrative Unit, and the MDBs. The system is expected to communicate electronically with the systems of the MDBs as well as the Administrative Unit system. All development will be coordinated with the MDBs and the Administrative Unit to ensure that applications that require 'cross-communication' with other systems are uniform and system-to-system communication can take place.

81. Each of the MDBs may require changes to their existing systems to accommodate the procedural and reporting requirements of the Trustee. The extent of these changes is not yet fully known. However, the Trustee recommends that budget be set aside for the MDBs to ensure that they can pay for system changes as they become known. The Trustee, IBRD as an implementing agency, and the IFC, who for the most part share the same system platforms, have agreed to coordinate each of their system development efforts to maximize efficiencies.

82. After further consultations, the Trustee is revising the total estimated cost for development of the systems for all MDBs and the Trustee from a range of \$4.0 to \$6.0 million to a range of \$3.0 to \$5.0 million. The amount requested for FY10 is \$1 million for the Trustee and \$1 million to be shared amongst the MDBs as needed for both the CTF and SCF. It is important to note that systems development is a multi-year project for which the Trustee is only requesting an amount be approved for FY10. As the system development specifications are further refined, the Trustee and the MDBs will update the Trust Fund Committees on the budgetary requirements for FY11.

**Table 9 - Proposed FY10 Budget for Special Initiative
on Systems Development (\$'000)**

	Trustee	MDBs	Total
FY10	1,000	1,000	2,000
Total Costs	1,000	1,000	2,000

CIF Administrative Unit

83. During FY10, the Administrative Unit, working with the MDB Committee, will facilitate the work of the Trust Fund Committees and their Sub-Committees, manage institutional relations, internal and external, support the development of further policy and program development and coordinate start-up activities of the PPCR and the proposed two new targeted SCF programs. In addition, it will, working with the MDB Committee and in consultation with partner agencies and organizations, coordinate the various “corporate” CIF thematic work programs in areas reviewed in Section III of the paper. Its senior technical staff members are expected to take the lead on this work. Finally, it will continue its ongoing efforts to institute effective systems for operational and financial management.

84. The estimated expenditures for these activities total \$5.83 million, including a preliminary provision of \$1.40 million for the costs of the second Partnership Forum in Manila.

Table 10 - Estimated Expenditures and Proposed FY10 Budget for Administrative Unit Services (\$'000)

	CTF		SCF		TOTAL		Staff weeks		Consultant weeks	
	FY09 Annual Equivalent*	FY10 Estimate	FY09 Annual Equivalent*	FY10 Estimate	FY09 Annual Equivalent*	FY10 Estimate	Annual Equivalent*	FY10 Estimate	Annual Equivalent*	FY10 Estimate
1. Facilitating the work of TFCs and Sub-Committees	253.9	353.5	404.7	353.5	658.6	707.0	44.76	61.4	13.3	5.9
2. Managing Institutional Relations and Partnership building (incl Partnership Forum)	331.6	1,111.4	401.6	1,672.4	733.2	2,783.8	104.12	185.3	27.6	34.5
3. Policy and Program Development	137.2	356.6	2,240.3	1,367.5	2,377.5	1,724.0	186.03	195.4	79.2	82.6
4. Management and Finance	282.4	308.3	282.4	308.3	564.9	616.5	78.59	95.5	41.4	28.9
GRAND TOTAL	1,005.1	2,129.8	3,329.0	3,701.6	4,334.2	5,831.4	413.50	537.6	161.6	152.0

85. The annual costs of the Partnership Forum apart, the proposed FY09 budget for the Administrative Unit, shows a minimal (3%) increase over the FY09 annual equivalent expenditures.

86. A major task for the Administrative Unit in FY10 is the planning, organization and management of the *Second Partnership Forum* in Manila in March, 2008. It is proposed that ADB will host the Forum, and the Administrative Unit will work closely with ADB and the MDB Committee in the planning and organizing the event. The preliminary \$1.40 million cost estimate covers travel (\$750,000); outreach, press, interpretation and hospitality (\$450,000); and equipment, logistics facilities, personnel support and general operating costs (\$200,000). These costs are included in the estimated costs for stakeholder relations management shown in Table 10. A more detailed estimate will be provided when a detailed design proposal to the Trust Fund Committees is submitted.

87. The coordination function for the envisaged Global Support Program (for details see the PPCR Programming and Financing paper) will be placed in the CIF Administrative Unit. Provisions have been made in the proposed budget for funding the costs of a coordinator, the holding of two learning events and travel for pilot country representatives to these events.

The Multilateral Development Banks

88. Implementation of CIF funded programs and projects is the joint responsibility of the six MDBs. Technical and country program units in the MDBs will work with institutions and counterparts in recipient countries to prepare strategic programs or investment plans for use of CIF resources. The business development targets (Section III, Table 1) indicate that work will be completed during FY10 on 10 CTF investment plans and 5 PPCR Strategic Programs for submission to the CTF Trust Fund Committee and the PPCR Sub-Committee respectively. The incremental costs that the MDBs will incur in supporting these activities would be covered under the proposed CIF budget for country programming presented in Part B below.

89. The MDBs' technical and operational staff will also (i) assist country partners in preparing activities, foreseen in the strategic programs and investment plans, for CIF funding, (ii) help process these opportunities through funding approval, (iii) subsequently monitor implementation, and (iv) evaluate project outcomes and impacts of these projects. During FY10, 15 CTF project funding proposals are expected to be submitted to the TFC, and preparation work on others will be underway. The MDBs will recover their costs for these services through an MDB fee as per agreed CIF design.

90. The MDBs' CTF Focal Points coordinate and help guide the above activities. They inform public and private operational units of CIF's potential contributions to country programs and the global environment, explain the criteria for accessing CIF resources and clarify the established CIF policies, guidelines and procedures for CIF funded projects. They provide primary inputs for each MDB's operational reporting to the TFCs on program performance and lessons learnt, present the view of the MDBs in CIF partnerships, meetings and fora, and contribute to the joint thematic work programs in the areas of private sector development, knowledge management and M&E, stakeholder relations management, and results management activities. They provide a quality control function and vet project proposals on behalf of the MDB prior to submission to the TFCs or their Sub-Committees for consideration and approval. Finally, CIF Focal Points work inter-departmentally within their respective MDBs to establish the legal, financial, and administrative arrangements required to become an effective implementing entity of the CIF.

91. The expenditures incurred by the CIF Focal Points and other units and departments in the delivery of the above services and activities are covered under CIF's administrative budget. For FY10, the expenditures have been estimated to be \$5.25 million which is \$1.7 million, or 50%, higher than the annual equivalent of the revised estimates for FY09 2nd half (Table 11).

Table 11 - Summary of Estimated Expenditures and Proposed FY10 Budget for MDB Administrative Services (\$ '000)

	CTF		SCF		Total	
	FY09 Annual Equivalent*	FY10 Estimate	FY09 Annual Equivalent*	FY10 Estimate	FY09 Annual Equivalent*	FY10 Estimate
ADB	404.1	359.3	260.1	409.8	664.2	769.1
AfDB	367.5	326.7	361.4	441.2	728.9	768.0
EBRD	364.0	343.8	-	59.2	364.0	403.0
IADB	426.1	409.5	354.3	417.5	780.4	827.0
IFC	276.2	501.7	94.4	296.5	370.6	798.1
WB	486.2	532.7	97.4	1,156.6	583.6	1,689.2
TOTAL	2,324.1	2,473.6	1,167.6	2,780.8	3,491.7	5,254.4

Notes: (1) "FY annual equivalent" refers to the revised estimate for FY09 2nd half multiplied by two.

(2) FY10 External audit costs for MDBs are covered separately under the Trustee's budget.

92. Of the \$1.75 million increase, \$1.61 million, or 92%, reflect sharply rising coordination costs due to the foreseen expansion of *SCF*'s targeted programs from one in FY09 to three in FY10 (see Table 12 below). The FIP and the SREP are thematically distinct from each other, as well as from the PPCR, and will therefore require different skill sets for effective program coordination. Also, the overlap of PPCR, FIP and SREP recipient countries is expected to be small to non-existent. As a consequence, coordination and outreach will involve working with different country departments and stakeholders. For these reasons, the MDBs plan to establish separate, but coordinated Focal Points for each of the three SCF programs, potentially working as "virtual" teams within each MDB. Also, the possibilities to share services such as financial management and control, and legal expertise, and to coordinate operational reporting across the three programs will be explored.

Table 12 - Proposed FY10 Budget for MDB Administrative Services by SCF Program. (\$ '000)

	PPCR	FIP	SREP	Total
ADB	136.6	136.6	136.6	409.8
AfDB	174.2	130.8	136.3	441.2
EBRD	41.9	17.3	-	59.2
IADB	136.1	161.9	119.5	417.5
IFC	85.3	105.6	105.6	296.5
WB	455.5	350.5	350.5	1,156.6
TOTAL	1,029.7	902.6	848.5	2,780.8

93. The overall FY10 increase in estimated expenditures for CTF coordination is \$150,000, or 6 % (see Table 11). This is the net outcome of a decrease for the Regional Development Banks and an increase for the World Bank and the IFC.

94. In the case of the World Bank, the 10% increase reflects added staff time required for support to operations teams involved in an increased pipeline of investment plan preparation, and for review and vetting of project funding proposals before submission to the TFC, as CTF operations are ramped up in FY10, all based on experience gained in the initial CTF investment plans and operations.

95. In the case of IFC, the estimated expenditures for FY10 increase are expected to double from FY09 (annual equivalent). This is a consequence of two factors: First, IFC's FY09 estimated costs for CTF program coordination, lower than those of other MDBs, reflected an absorption by IFC, on a one-off basis, of part of the early expenditures for starting up IFC's engagement under the CTF program. As CTF activities move into implementation, the incremental costs of administering such funds within IFC, including those related to financial management, have become more visible and the Corporation is budgeting accordingly. Secondly, a substantial scale-up of outreach to IFC operational units and task teams is planned for FY10 consistent with IFC's commitment to support country programming of CTF resources in the private sector.

**Table 13 - Estimated FY10 Expenditures and Proposed Budgets
for MDB Administrative Services by MDB and Service Category (\$
'000)**

CTF									
	ADB	AfDB	EBRD	IADB	IFC	WB	TOTAL	Total Staff Weeks	Total Cons Weeks
1. Internal outreach and integration of CIF in MDB policies, procedures and systems	167.0	95.3	75.1	136.1	203.4	285.1	962.1	144.2	49.4
2. CIF operational reporting	18.0	66.8	53.3	43.6	45.6	58.0	285.3	56.3	24.2
3. Participation in CIF committees and fora	50.1	107.5	137.3	122.5	102.4	111.5	631.2	75.4	4.0
4. Financial management and relations with the CIF Trustee	124.2	57.1	78.1	107.3	150.2	78.1	595.0	93.2	53.4
GRAND TOTAL	359.3	326.7	343.8	409.5	501.7	532.7	2,473.6	369.1	131.0

SCF									
	ADB	AfDB	EBRD	IADB	IFC	WB	TOTAL	Total Staff Weeks	Total Cons Weeks
1. Internal outreach and integration of CIF in MDB policies, procedures and systems	165.2	57.2	17.3	158.9	55.8	500.2	954.7	154.7	57.0
2. CIF operational reporting	17.9	61.8	17.3	41.6	23.5	128.7	290.9	55.6	20.0
3. Participation in CIF committees and for a	102.1	275.2	24.6	129.4	194.2	371.0	1,096.5	123.4	8.0
4. Financial management and relations with the CIF Trustee	124.6	46.9	-	87.6	23.0	156.6	438.7	64.2	53.2
GRAND TOTAL	409.8	441.2	59.2	417.5	296.5	1,156.6	2,780.8	397.9	138.2

Notes: 1. Estimates for Service Category 3 include 15 staff-weeks of time for each MDB to contribute to the FY10 thematic work programs to be coordinated by the senior thematic specialists of the Administrative Unit (details in Section III of this paper). 2. FY10 External audit costs for MDBs are covered separately under the Trustee's budget.

96. The estimated costs of providing the required administrative services for CIF program coordination, shown in Table 13, vary across MDBs for three main reasons:

- a) Firstly, each MDB incurs fixed and variable cost of program coordination. The latter is driven by the size of the CIF portfolio of activities, which in part stems from how active the MDB intends to be under the various CIF programs. In addition, each of the four Regional Development Banks will engage in the development of strategic programs and investment plans and subsequent project financing in CIF recipient countries within their respective regions. Given global mandates, the World Bank and the IFC can potentially do so in all recipient countries, with higher variable coordination costs as a result.
- b) Secondly, the MDBs have their own particular internal organizational structures, operational procedures, financial management systems and administrative practices. As a result, the costs for integrating management of CIF funds and coordination of program implementation in a manner that is consistent with the CIF governance framework and procedures (including those of the Financial Procedures Agreement) varies across the MDBs.¹⁰
- c) Thirdly, staff resources, unit costs, and rules for applying overhead charges or indirect costs vary. Several of the MDBs rely heavily on consultant services while others depend more on existing staff to provide the required services either in the form of full-time positions or on a time-sharing basis. All MDBs are involving the services of technical, financial and legal expertise from other departments in the activities required of their CIF focal points, including those relating to initial set-up.

Part B - MDB Support to Country Programming of CIF Resources

97. The FY10 business development targets for MDB support to country programming of CIF resources call for a total of 23 joint missions to be fielded and 15 strategic country plans/programs to be completed for presentation to the CTF Trust Fund Committee and the SCF Sub-Committees for the targeted SCF programs. Given this level of projected activity and the adjustments made to the budget norm for SCF funded MDB support, the estimated MDB expenditures for country programming of CIF resources in FY10 amount to \$7.91 million.¹¹ The estimated balance from the FY allocation is US\$0.68 million, resulting in a requirement of \$7.23 million for new funding in FY10.

¹⁰ Some MDBs report that these “start-up” costs require considerable administrative and legal resources during FY10. They therefore anticipate that once the administrative and other institutional arrangements are in place, subsequent annual administrative costs of the MDBs will decrease.

¹¹ Once the guidelines for development of the FIP Investment Strategies and the SREP Funding Plans, have been agreed, it will be possible to make more detailed estimates of the MDBs’ costs. In the meantime, and for purposes of the CIF FY10 Budget submission, it is proposed that the MDBs’ estimated costs of supporting countries in developing

Table 14 - Estimated Expenditures and Proposed FY10 Budget for MDB Support to Country Programming of CIF Resources (\$ '000)

	CTF	SCF	Total
FY09 budget envelop	2,982.0	1,194.9	4,176.8
Revised estimated costs for MDB FY09 joint missions	1,655.9	1,840.0	3,495.9
Balance transferring to FY10	1,326.1	(645.2)	680.9
Estimated costs of FY10 joint missions	2,392.0	5,520.0	7,912.0
Additional funds required for FY10 joint mission program	1,066.0	6,165.2	7,231.2

(Details in Annex 3)

“Access by individual MDBs to this resource pool of funding will be managed by the MDB Committee based on agreed parameters. The Committee will on a continuing basis review and endorse proposals for support to individual countries for IP or TAP preparation, supported jointly by one of the regional MDBs and the WB. Such proposals will outline the scope, nature and timing of the envisaged activities for IP/TAP preparation, the role of each MDB and arrangements for collaboration between MDBs and other development partners, and the costs and funding sought, including its allocation to participating MDBs. The MDB Committee, upon its endorsement of a proposal for IP/TAP preparation will notify the TFC/PPCR-Subcommittee and AU. The latter will request the Trustee to release CTF/PPRC funds to the collaborating MDBs. The transfer will involve the endorsed sum in its entirety, which will carry over into the following year in the event work is extended beyond the current year. Unused funds at the completion of a TAP will be returned to the Trustee”.

98. The arrangements for MDBs to access CIF budget resources remain as outlined in the CIF FY09 Budget Paper with respect to CTF Investment Plans and PPCR Technical Assistance Programs (now referred to as Strategic Country Programs for Climate Resilience).

99. These arrangements would be extended to the two new targeted programs under SCF, once they have been approved.

Annexes

1. Business Development Targets for FY09-13 by CIF Program
2. FY09 Budget Review – Supporting Tables
 - 2a) Estimated (budgeted) and Actual Administrative Expenses for period July 1 to December 31, 2008 by Fund Program and MDB
 - 2b) Original and Revised Estimates for Trustee Administrative Services for period January 1 to June 30, 2009
 - 2c) Original and Revised Estimates for Administrative Unit Services for period January 1 to June 30, 2009
 - 2d) Original and Revised Estimates for MDB Administrative Services for period January 1 to June 30, 2009
3. Estimated MDB Costs and Funding Requirements for Supporting Country Programming of CIF Resources in FY10

Annex 1.

1a. Business Development Targets for FY09-13 by CIF Program

		FY09	FY10	FY11	FY12	FY13	Total
CTF total							
1. Joint missions fielded	nos.	9	8				17
2. Country plans/programs for TFC/SC review	nos.	7	10				17
3. Indicative CIF funding commitments	US\$m	2,059	2,941				5,000
4. Projects to the TFCs/SCs for review	nos.	2	15	20	14		51
5. Potential project funding commitments	US\$m	300	1,439	1,918	1,343		5,000
PPCR							
1. Joint missions fielded	nos.	5	6				11
2. Country plans/programs for TFC/SC review	nos.		5	6			11
3. Indicative CIF funding commitments	US\$m		227	273			500
4. Projects to the TFCs/SCs for review	nos.			15	18		33
5. Potential project funding commitments	US\$m			227	273		500
FIP							
1. Joint missions fielded	nos.		6	4			10
2. Country plans/programs for TFC/SC review	nos.			8	2		10
3. Indicative CIF funding commitments	US\$m			400	100		500
4. Projects to the TFCs/SCs for review	nos.				24	6	30
5. Potential project funding commitments	US\$m				400	100	500
SREP							
1. Joint missions fielded	nos.		3	4			7
2. Country plans/programs for TFC/SC review	nos.			6	1		7
3. Indicative CIF funding commitments	US\$m			214	36		250
4. Projects to the TFCs/SCs for review	nos.			2	14	5	21
5. Potential project funding commitments	US\$m			24	167	59	250
SCF total							
1. Joint missions fielded	nos.	5	15	8	-	-	28
2. Country plans/programs for TFC/SC review	nos.	-	5	20	3	-	28
3. Indicative CIF funding commitments	US\$m	-	227	887	136	-	1,250
4. Projects to the TFCs/SCs for review	nos.	-	-	17	56	11	84
5. Potential project funding commitments	US\$m	-	-	251	840	159	1,250
CIF Total							
1. Joint missions fielded	nos.	14	23	8	-	-	45
2. Country plans/programs for TFC/SC review	nos.	7	15	20	3	-	45
3. Indicative CIF funding commitments	US\$m	2,059	3,168	887	136	-	6,250
4. Projects to the TFCs/SCs for review	nos.	2	15	37	70	11	135
5. Potential project funding commitments	US\$m	300	1,439	2,169	2,183	159	6,250

1b. Key Parameters Determining CIF Programming Targets

Key Parameter	Unit	CTF	PPCR	FIP	SREP
1. CIF funds available	(US\$mill)	5,000	500	500	250
2. Number of countries participating	(nos.)	17	11	10	7
3. Average number of CIF funded projects per country plan/program	(nos.)	3	3	3	3
4. Average time required to prepare country plan/program	(months)	3	10	10	8
5. Average time required to prepare project for TFC/SC review	(months)	12	12	12	12

Notes:

4. Measured from initial proposal to field joint mission to endorsement of country plan/program by TFC/SC.

5. Measured from TFC/SC endorsement of country plan/program to TFC/SC review of project document.

Annex 2. FY09 Budget Review – Supporting Tables

2a. Estimated (budgeted) and Actual Administrative Expenses for period July 1 to December 31, 2008 by Fund Program and MDB.

CTF

MDB		Staff Costs	Consultant Costs	Contractual Services	Travel	Total Direct Costs	Indirect Costs	TOTAL
ADB	<i>Budgeted</i>	29,482	-	-	30,333	59,815	6,390	66,204
	<i>Actuals</i>	12,132	-	-	25,234	37,366	2,561	39,927
AfDB	<i>Budgeted</i>	22,050	-	-	28,940	50,990	5,252	56,242
	<i>Actuals</i>	22,500	-	-	18,918	41,418	2,071	43,489
EBRD	<i>Budgeted</i>	33,600	-	-	15,456	49,056	11,500	60,556
	<i>Actuals</i>	40,108	-	-	14,019	54,127	13,816	67,943
IADB	<i>Budgeted</i>	21,033	27,533	-	1,764	50,330	5,033	55,363
	<i>Actuals</i>	29,053	43,680	-	14,312	87,045	8,705	95,750
IFC	<i>Budgeted</i>	64,918	-	-	-	64,918	4,544	69,462
	<i>Actuals</i>	58,460	-	-	-	58,460	4,092	62,552
WB	<i>Budgeted</i>	365,564	33,435	80,574	89,082	568,655	33,225	601,880
	<i>Actuals</i>	426,057	26,379	31,091	38,062	521,590	36,070	557,661
CTF Total Budgeted		536,646	60,968	80,574	165,575	843,764	65,944	909,708
CTF Total Actuals		588,310	70,059	31,091	110,546	800,006	67,315	867,321

SCF

MDB		Staff Costs	Consultant Costs	Contractual Services	Travel	Total Direct Costs	Indirect Costs	TOTAL
ADB	<i>Budgeted</i>	14,741	-	-	15,167	29,908	3,195	33,103
	<i>Actuals</i>	6,065	-	-	14,155	20,220	1,280	21,500
AfDB	<i>Budgeted</i>	26,950	1,500	-	25,164	53,614	5,252	58,866
	<i>Actuals</i>	27,000	9,000	-	19,800	55,800	2,790	58,590
EBRD	<i>Budgeted</i>	-	-	-	-	-	-	-
	<i>Actuals</i>	-	-	-	-	-	-	-
IADB	<i>Budgeted</i>	10,516	13,767	-	-	24,283	2,428	26,711
	<i>Actuals</i>	22,947	26,840	-	2,200	51,987	5,199	57,185
IFC	<i>Budgeted</i>	44,400	-	-	-	44,400	3,108	47,508
	<i>Actuals</i>	-	-	-	-	-	-	-
WB	<i>Budgeted</i>	299,886	150,514	90,574	167,266	708,240	32,830	741,070
	<i>Actuals</i>	426,239	24,649	41,091	53,674	545,654	50,578	596,232
SCF Total Budgeted		396,493	165,780	90,574	207,597	860,444	46,813	907,258
SCF Total Actuals		482,251	60,489	41,091	89,829	673,661	59,847	733,507

TOTAL (CTF+SCF)

MDB		Staff Costs	Consultant Costs	Contractual Services	Travel	Total Direct Costs	Indirect Costs	TOTAL
ADB	<i>Budgeted</i>	44,223	-	-	45,500	89,723	9,584	99,307
	<i>Actuals</i>	18,197	-	-	39,389	57,586	3,841	61,427
AfDB	<i>Budgeted</i>	49,000	1,500	-	54,104	104,604	10,504	115,108
	<i>Actuals</i>	49,500	9,000	-	38,718	97,218	4,861	102,079
EBRD	<i>Budgeted</i>	33,600	-	-	15,456	49,056	11,500	60,556
	<i>Actuals</i>	40,108	-	-	14,019	54,127	13,816	67,943
IADB	<i>Budgeted</i>	31,549	41,300	-	1,764	74,613	7,461	82,074
	<i>Actuals</i>	51,999	70,520	-	16,512	139,032	13,903	152,935
IFC	<i>Budgeted</i>	109,318	-	-	-	109,318	7,652	116,970
	<i>Actuals</i>	58,460	-	-	-	58,460	4,092	62,552
WB	<i>Budgeted</i>	665,450	183,948	171,148	256,348	1,276,894	66,056	1,342,950
	<i>Actuals</i>	852,297	51,029	72,182	91,736	1,067,244	86,648	1,153,893
CTF+SCF Total Budgeted		933,140	226,748	171,148	373,172	1,704,208	112,757	1,816,965
CTF+SCF Total Actuals		1,070,561	130,549	72,182	200,375	1,473,667	127,161	1,600,828

2b. Original and Revised Estimates for Trustee Administrative Services for period January 1 to June 30, 2009.

Trustee Services	CTF		SCF		TOTAL	
	Budgeted	Revised	Budgeted	Revised	Budgeted	Revised
	1/1/09-6/30/09	1/1/09-6/30/09	1/1/09-6/30/09	1/1/09-6/30/09	1/1/09-6/30/09	1/1/09-6/30/09
Financial Management and Relationship Management	191,880	142,569	131,200	95,046	323,080	237,615
Investment Management a/	440,000	13,000	60,000	12,000	500,000	25,000
Accounting and Reporting	195,000	192,799	130,000	128,532	325,000	321,331
Legal Services	93,600	92,910	79,040	61,940	172,640	154,850
One time Trust Fund Fee b/	-	125,000	-	125,000	-	250,000
External Audit c/	-	-	-	-	-	-
Total Costs	920,480	566,278	400,240	422,518	1,320,720	988,796

a/ Investment Management fees are calculated based on a cost of 3.5 basis points against the average annual balance of the portfolio; the projected average portfolio size is \$38 million for the CTF trust fund and \$34 million for the SCF trust fund for FY09.

b/ One-time Trust Fund fee of \$250,000 per fund to be charged over two years. This charge is to recover IBRD long-term costs of trust fund administration, including but not limited to, quality control and compliance, internal audit, human resources, and institutional integrity.

c/ The Trustee does not anticipate that external audit will be required for the CIF for FY09.

2c. Original and Revised Estimates for Administrative Unit Services for period January 1 to June 30, 2009.

	CTF		SCF		TOTAL	
	Budgeted	Revised	Budgeted	Revised	Budgeted	Revised
1. Facilitating the work of TFCs and Sub-Committees	74,970	126,951	264,970	202,346	339,941	329,297
2. Managing Institutional Relations and Partnership building (incl Partnership Forum)	156,670	165,792	373,920	200,792	530,590	366,584
3. Policy and Program Development	91,017	68,601	1,007,422	1,120,158	1,098,439	1,188,759
4. Management and Finance	134,519	141,220	134,519	141,220	269,038	282,440
GRAND TOTAL	457,177	502,564	1,780,831	1,664,516	2,238,008	2,167,080

2d. Original and Revised Estimates for MDB Administrative Services for period January 1 to June 30, 2009, by Service category.

CTF	ADB		AfDB		EBRD		IADB		IFC		WB		TOTAL	
	Original Estimate	Revised Estimate	Original Estimate	Revised Estimate	Original Estimate	Revised Estimate	Original Estimate	Revised Estimate	Original Estimate	Revised Estimate	Original Estimate	Revised Estimate	Original Estimate	Revised Estimate
1. Internal outreach and integration of CIF in MDB policies, procedures and systems	99,979	73,936	49,035	56,700	35,740	33,815	107,052	95,874	59,728	59,728	110,118	131,698	461,652	451,751
2. CIF operational reporting	26,949	6,000	13,125	14,175	38,000	26,175	29,425	31,958	28,926	28,926	22,560	16,812	158,985	124,046
3. Participation in CIF committees and fora	65,377	84,904	61,346	78,750	45,612	56,627	49,907	25,566	20,662	20,662	60,724	56,461	303,627	322,970
4. Financial management and relations with the CIF Trustee	58,640	37,197	23,310	34,125	48,456	65,393	51,703	59,655	28,804	28,804	50,384	38,120	261,297	263,294
GRAND TOTAL	250,944	202,037	146,816	183,750	167,808	182,010	238,087	213,054	138,119	138,119	243,786	243,091	1,185,560	1,162,061

SCF	ADB		AfDB		EBRD		IADB		IFC		WB		TOTAL	
	Original Estimate	Revised Estimate	Original Estimate	Revised Estimate	Original Estimate	Revised Estimate	Original Estimate	Revised Estimate	Original Estimate	Revised Estimate	Original Estimate	Revised Estimate	Original Estimate	Revised Estimate
1. Internal outreach and integration of CIF in MDB policies, procedures and systems	49,989	66,170	49,035	51,975	-	-	81,755	79,712	-	-	70,407	29,686	251,186	227,543
2. CIF operational reporting	13,475	6,000	13,125	18,900	-	-	18,238	17,714	-	21,186	7,698	2,566	52,536	66,366
3. Participation in CIF committees and for a	45,688	28,749	61,346	86,186	-	-	47,332	44,284	-	10,593	59,092	5,132	213,458	174,944
4. Financial management and relations with the CIF Trustee	29,319	29,148	23,310	23,625	-	-	39,952	35,427	-	15,410	43,169	11,330	135,750	114,941
GRAND TOTAL	138,471	130,067	146,816	180,686	-	-	187,277	177,137	-	47,189	180,366	48,714	652,930	583,793

Annex 3

Estimated MDB Costs and Funding Requirements for Supporting Country Programming of CIF Resources in FY10

A. MDB Support for Country Programming of CTF Funds

FY09 activities and costs

1. Based on reported costs for the first three missions (Egypt, Mexico and Turkey) and budgeted costs for the next group of three missions (Ukraine, Morocco and South Africa) the average mission cost is \$131,750, ranging from \$85,900 for Turkey to \$177,200 for South Africa. Allowing for indirect costs (charge on staff costs) the average increases to \$146,000. This compares to \$260,100 (excl. contingencies) per joint mission Category 2 (public and private sector coverage) originally estimated and as presented in the CIF FY09 Budget Paper. The difference is largely explained by three factors: the number of staff-weeks per mission was lower than originally assumed (24 compared to 30), and average staff week rates and travel costs were 15% and 60 % lower than budgeted respectively.¹²

Table 1: Cost of FY09 MDB CTF Joint Missions

<u>Country</u>	<u>Reported Mission costs</u> (\$'000)		<u>Staff weeks</u> (nos.)	<u>Indirect costs</u> \$'000)	<u>Total Adjusted</u> (\$'000)
Turkey	85.9 (actual)		23.3	14.4	100.3
Mexico	153.9 (actual)		30.2	14.6	168.5
Egypt	106.4 (actual)		22.5	13.7	120.1
Ukraine	161.3 (budgeted)		24.0	16.5	177.8
Morocco	105.8 (budgeted)		19.0	9.7	115.5
South Africa	177.2 (budgeted)		26.0	16.5	193.7
Total	790.5		145		875.9
Average	131.7		24.1		145.9

¹² A more detailed analysis of actual to budgeted cost differences will be carried out when the actual costs of the three missions in the second batch become available.

Proposed FY10 budget support

2. The first three missions involved countries which had taken an early interest in accessing CIF resources and where conditions for quickly moving into dialogue on CTF Investment Plan preparation were favored by ongoing sector dialogue with the MDBs. Considerable analytical work and discussions relating to IP preparation had already preceded the start of the joint mission. In addition, there was a strong expectation on part of donors that rapid early progress be made in getting a set of initial CTF Investment Plans prepared. All this contributed to reduced resource requirements from the CTF budget and expeditious completion of the investment plans.

3. These conditions are unlikely to prevail as the program expands with the involvement of additional countries. As a result, MDB costs of future joint missions are expected to rise relative to actual costs incurred for the initial joint missions although they are projected to remain within the original cost projections. There are already signs that the second and third groups of joint missions are experiencing higher costs of engagement with country institutions than under the first one. In particular, there is a need for investing more time prior to the formal joint mission on raising awareness at the country level on the criteria and priorities for CTF financing, as well as supporting governments in targeting CTF resources on areas that can catalyze transformation and leverage future activities. Also, returning missions have stressed the need for a two mission process: an initial mission to launch a dialogue on country programming of CTF resources, scope out and agree on the work required to prepare an IP, followed by a subsequent, second mission to work with country partners in finalizing such a plan. This by itself would mean additional costs of joint mission support in the order of \$60,000.

4. Hence, for purposes of CIF FY10 budget (i) it is assumed that all remaining CTF missions will cover public and private sectors, i.e. Category 2); (ii) the estimated cost for a Category 2 CTF joint mission is \$260,000 (excl. contingencies) but now involving two visits to the country; (iii) a 15% contingency will help meet the costs for a two-step mission process which because of extraordinary circumstances cannot be met from the regular \$260,000 budget.

Table 2 – Estimation of Additional CTF Funds Required in FY10 for MDB Support to Country Preparation of CTF Investment Plans

	\$
CTF FY09 budget envelop for support to country preparation of IPs (target 12 IPs)	2,981,950
Revised estimated costs for MDB FY09 missions (revised target 9 missions)	1,655,900
Balance transferring to FY10	1,326,050

Estimated costs of FY10 missions	
8 missions @ \$260,000	2,080,000
Contingency (15%)	312,000
Additional funds required for FY10	1,065,950

B. MDB Support for Country Programming of SCF Funds

FY09 Activities and Costs

5. The FY09 budget provided for \$1.2 million to meet MDB costs in supporting country programming of PPCR resources. Given the extended process of selecting countries for participation in PPCR and the need to develop and agree on guidelines for country programming (PPCR Sub-committee meeting in May) the dialogue with individual countries participating in PPCR on the development of Strategic Programs for Climate Resilience will only start in the last two months of FY09 (in about 5 of the 11 countries/regions selected). Country requests for PPCR Phase 1 financing, however, will not begin to materialize until FY10.

6. The final design proposals for the FIP and SREP programs will be presented to the SCF TFC at its May meeting. Thereafter, country selection and development of programming guidelines can proceed. The launching of MDB dialogue with selected countries on programming FIP and SREP funds will therefore realistically not begin until early 2010.

Proposed FY10 budget support

PPCR

7. In the absence of agreed programming guidelines, the FY09 envelop for MDB support to country programming of PPCR funds had by necessity to be based on broad assumptions which would be subject to review and revision. Now that proposed guidelines for how to engage with countries in developing a Strategic Program for Climate Resilience are available, it is possible to re-estimate the costs of MDB support to that process. This revision (see Table 3 below) shows estimated MDB costs per country program rising from \$239,000 to \$ 368,000, i.e. by 54% (FY09 budget figures shown in parenthesis).

8. The revised estimate reflects the following conclusions arrived at by the MDB Committee through its development of the PPCR programming guidelines:

(i) The involvement of multiple sectors in planning for climate resilience, the expected relative unfamiliarity at the level of country sector institutions with the concept of climate resilience and its relationship to national development planning and financing, the absence of any established “good practice” in planning for climate resilience, and the

multiplicity of stakeholders at the national and local levels are factors that all raise the complexity and transactions costs of developing strategic programs for climate resilience.

(ii) As a consequence, the time required for completing a Strategic Program will be far longer than originally envisaged - averaging an assumed 10 months but with a considerable range. Engagements by the MDBs with country institutions will need to be phased through an initial scoping mission, followed by two joint missions. The first to help launch the preparation of the Strategic Program. The latter to discuss a draft Strategic Program for Climate Resilience prior to its submission to the PPCR Sub-Committee. In-between the two joint missions, the MDBs will need to provide support to country teams in the preparation of the Strategic Programs.

(iii) All of the above translates into increased and broadened requirements for MDB staff skills, time and travel.

**Table 3 - Revised Estimated Costs of MDB Support per PPCR Strategic Program
(Original estimates from November 2008 shown in parenthesis)**

<i>Staff costs</i>	<u>US\$</u>
Operations staff: 36 staff -weeks (WB 14, RDB 14 and IFC 8)@\$5000	180,000 (136,800)
MDBs' PPCR Focal Points and technical staff from central departments 4.5 staff-weeks (1.5 each for WB, RDB and IFC) @\$5700	25,650 (27,000)
<i>Staff Travel</i>	
Operations staff: 15 person-trips (WB 6, RDB 6, IFC 3) for scoping mission, two joint missions and travel between joint missions @\$9600 for WB/IFC and \$5760 for RDB	120,960 (38,400)
MDB PPCR Focal Points: 1 trip @\$8320 (to ensure that each country is visited by one PPCR Focal Point during development or implementation of Phase 1)	8,320 (5600)
Total excl. contingencies	334,930 (207,800)
10% contingency	33,493 (31,170)
Total incl. contingencies	368,423 (238,970)

FIP and SREP

9. MDB support to proposed country preparation of FIP Investment Strategies and SREP Funding Plans is expected to face requirements broadly similar in nature to those for PPCR. This is expected to result in MDB staff time and travel needs closer to those for PPCR than for the CTF. Once the guidelines for development of the FIP Investment Strategies and the SREP Funding Plans, as well as for the role of the MDBs in supporting this process, are completed, it will be possible to make detailed estimates of the MDBs' costs.

10. In the meantime, and for purposes of the CIF FY10 Budget submission, it is proposed that the MDBs' estimated costs of supporting countries in developing FIP Investment Strategies and SREP Funding Plans be set at the level of PPCR, i.e. \$368,000 per strategy/plan and be subject to review and revision as appropriate by the end of December, 2009.

**Table 4 – Estimation of Additional SCF Funds Required for FY10
MDB Support to Country Programming**

	\$
SCF FY09 budget envelop for support to country programming of SCF funds	1,194,850
Initiated in FY09: 5 PPCR @\$368,000	1,840,000
Balance transferred to FY10	(645,150)
Initiated in FY10: 15 (6 PPCR, 6 FIP and 3 SREP) @\$368,000	5,520,000
Additional funds requested for FY10	6,165,150