CLIMATE INVESTMENT FUNDS

May 31, 2017

Joint Meeting of the CTF and SCF Trust Fund Committees
Washington DC
Wednesday, June 7, 2017

Comments from Switzerland

As discussed, we have the following questions (Q) and comments (C) regarding the different documents/topics:

1. FY18 CIF Business Plan and Budget
    a. (C) Paragraph 29 p.11 says "FY18 budget is lower than the FY17 approved budget by 3.5%. While technically correct this statement is misleading, since the budget for administrative services (i.e. excluding multi-year activities) is actually higher by 6.25% (or even 8.5% compared to projected utilization)!
    b. (Q) Cost coverage by investment income:
        i. To what extent are administrative costs still covered by investment income in SCF and its programs, notably SREP?
        ii. In overall CIF?
        iii. What provisions have been made to avoid a shortfall?
        iv. Are these provisions still adequate?
    c. (C) We noticed and understood from your explanation that the biggest vector of cost increase at the level of administration services is the decision of the WB to increase the rate charged for non-salary staff costs from 50% on salaries to 70%. According to your table 1 p.11, the CIF Administration Unit costs would thereby increase by1'459.7 kUSD.
        i. (Q) How much of that increase is attributable to this change of practice by the WB?
        ii. (Q) What actual costs are covered by these 50 (or 70%) overhead on salary costs?
        iii. (C/Q) Given that the non-salary costs (i.e. overheads) are indexed on the salary costs, which are themselves increasing with larger staffing and higher salaries, we see no justification in increasing the ratio of non-salary costs to salary costs just because it has not been done for a number of years. Besides, this rate (50%) already seems quite high. How does the WB justify that costs are not fully covered and what evidence was provided therefore?
        iv. (Q) To what extent is the WB authorized by the trust fund agreement to unilaterally make such a change?
        v. (C) If such a clause is not foreseen in the trust fund agreement, we recommend to reject the change as this could only be applied to a new trust fund, which the SCF and CTF are not.
        vi. (C) What measures does the CIF Administration Unit foresee if this increase cannot be avoided and the Joint Committee rejects the budget increase?
    d. (C) Although the overall ratio of program related administration cost to project funding for the CIF [2.7%] is still quite low, the corresponding ratio for the SCF [6.2%] is already substantially higher and the total program and project related administration costs [9.4%] of the SCF is starting to get substantial. Our concern is that these ratios will further increase as costs are staying at a high level whereas new funding approvals decline (i.e. project funding will reach its maximum level soon).
    e. (Q) Could these ratios also be calculated for each program? We would be interested in the SREP.
    f. (C/Q) On a general note, given the increasing maturity of the CIF portfolio, measures have to be considered to reduce administration costs. What ideas could the CIF Administration Unit bring forward to achieve such cost reductions?
2. CIF Gender Policy

    a. (Q) What are the budget implications of the additional observers in each program and the joint committee?
    b. (C) We do agree that gender (or inclusion) observers should be added but think that 3 observers (one from developed countries, one from developing countries and one from local CSO) in each program are too many observers. We would favor one observer in each program.
3. Future of Partnership Forum
    a. (C) We welcome the proposal which increases flexibility and promises some cost optimization.
    b. (C) We suggest to go even further and rethink the frequency of CIF meetings. Our proposal would be as follows:
        i. Only one full-fledged TFC and SC meeting session per year, alternately held in a CIF recipient country.
        ii. Up to one additional subcommittee meeting per year held along with a program's pilot country meeting or learning event
        iii. In the case of SREP these additional subcommittee meetings should be held in pilot countries or in Europe.
    c. (C) The 10th anniversary of CIFs in 2018 could be an occasion for a Partnership Forum.
4. Evaluation and Learning Special Initiative
    a. (Q) Are there any elements in the decision that would have implications on the overall CIF budget (not the UK financed part) and what would be these implications?
    b. (Q) What are the results of the 2nd Call for Proposals?
5. Risk report
    a. (Q) Taking into account that GBP has declined in value by almost 40% between January 1 2008 and March 31 2017, to what extent are currency risks covered by the 15% restriction the Trustee made to mitigate the risk of over-committing funds in the overall CIF but in particular also in SREP, where the risk scores for currency risk exposure and resource availability are both high?
    b. (C) Although the SREP SC agreed to an over-programming by 30% of pledged resources, it was not clear at that time that the currency risk exposure would accelerate the resource availability risk in the way it did after Brexit. To qualify the risk tolerance on resource availability of SREP as high does therefore not reflect our understanding.

We would appreciate to receive some answers to our questions ahead of the meeting.

As to the comments, we intend to raise them during the Joint meeting and have therefore listed them here so that the CIF-AU is prepared to hear them (again).

Thank you and best regards
Daniel

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