# Climate Investment Funds

Joint CTF-SCF/TFC.18/3
December 9, 2017

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Washington D.C.
Friday, December 15, 2017

# Scenarios and estimates of CIF administrative costs for 5 years

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## Executive summary

1. After 10 years of operation, the USD 8.3 billion Climate Investment Funds (CIF) are evolving from business development to implementation, with a diverse portfolio of over 300 projects to manage. In consideration of the maturing portfolio, the Joint Trust Fund Committee of the Clean Technology Fund (CTF) and Strategic Climate Fund (SCF) held in June 2017, requested the CIF Administrative Unit, working with the Trustee and the multilateral development banks (MDBs), to submit implementation scenarios and forecasts of CIF administrative costs for the next five years. The joint meeting requested that these forecasts should also include an analysis of various modalities to conduct CIF meetings, including frequency of Committee meetings and pilot countries meetings. This analysis outlines the components of the CIF budget comprised of administrative services, country programming, learning and knowledge exchange, and special initiatives. In projecting the budget of the CIF, two policy scenarios and their associated costs were considered:

- **Scenario 1:** Maintain the status quo of CIF operations with no additional in-flow of funding for CIF programming and activities
- **Scenario 2:** Additional funding of USD 1.13 billion potentially received to fund the implementation of 19 investment plans (IP) and strategic programs for climate resilience (SPCRs) that have been or would be approved without funding.

2. A summary of five-year costs trends and comparison of costs for the categories of the CIF budget are as follows:

- **Administrative Services**[1]: In Scenario 1, programming (IP/SPCR and project preparation) and resource management costs reduce, while costs for knowledge management, results monitoring increase, leading to a rebalancing of costs. In Scenario 2, triggered by cost of programming USD 1.13 billion of resources, there will be a USD 3.3 million increase in the cost of administrative services.
- **Country Programming** [2]: Costs decline significantly over FY19-23 in the proposed scenarios. USD 6.54 million[3] is projected over five years to support the costs of country-led learning through south-south exchanges, knowledge management, results reporting, and stakeholder engagement.
- **Learning and Knowledge Exchange:** Pilot country meetings will continue under all scenarios. If other considerations for learning and knowledge exchange are considered, they will be funded through additional contributions.
- **Special Initiatives:** It would be critical to consider extending the Evaluation and Learning Initiative beyond its current end date of FY19 to define the scope of evaluative activities to capture lessons learned. CTF 2.0 may continue as a special initiative in the coming year. In addition, proposals for additional development of the CIF Collaboration Hub may be considered.

[1] Fixed and variable cost for CIF Admin Unit, MDBs, and IBRD as Trustee
[2] Pilot Countries' costs to support CIF activities at the country level
[3] Costs projected for FY19-23 (this excludes FY18 costs).

- **Meetings:** Committee meetings would continue in the next five years in both scenarios to decide on future operations of the CIF, fulfil the Committees' role in monitoring the portfolio, and ensuring financial and risk oversight. Meeting costs are not significant. Annual expenses for CIF meetings are approximately USD 670,000[4].

## Highlights and key messages

3. **In the status-quo scenario, CIF costs are not expected to reduce significantly over the next five years.** Just as in the programming stage, the implementation stage comes with its own unique costs. While programming costs reduce, the costs of managing a large, complex portfolio, gender mainstreaming, risk management, extracting results, sharing and communicating knowledge garnered from the CIF portfolio are not insignificant. The CIFs' programmatic approach and the role of the MDB is beneficial and cost effective overall. This approach enhances quality and guarantees that CIF projects are fiscally, economically, socially, and environmentally sustainable. However, the CIF partnership has a role to play to maximize CIF impact, promote learning by doing, and in shaping project outcomes. Rebalancing of costs in the status quo is a primary outcome of the shift from programming to implementation.

4. **Incremental costs of servicing USD 1 billion in additional contributions to the CIF is low**. This highlights the implicit benefit of additional contributions utilizing the existing implementing architecture and governance structure of the CIF. Scenario 2 highlights the benefits accruing from adding USD 1 billion of funding to the CIF, as annual costs per USD billion of additional programming remain comparably low at an additional USD 3.3 million. This is further evidenced in the CTF, where it has been proven that larger investments balance out operating costs and guarantees higher efficiency.

5. **Meeting costs are not a significant driver of CIF budget.** The annual cost of CIF meetings is estimated to be equivalent to 3 percent of the projected average annual administrative services expenses in the baseline scenario. Meeting costs are therefore not considered a significant driver in the CIF's annual budget. Consistent with current practice, options for virtual participation are provided for those who do not wish to travel to meetings.

6. **With approximately 50 percent of CIF projects reaching completion by FY23, systematic ex-post evaluation should be considered.** The CIF Evaluation and Learning program is playing a significant role in extracting evaluative learning from the CIF portfolio. However, with many projects expected to be completed in the coming years, a program-level lens on evaluation should be considered.

[4] Including the cost of travel, contractual services, and other logistical expenses.

# I. Introduction

1. Considering the evolution of Climate Investment Funds (CIF) portfolio, the Joint meeting of the Clean Technology Fund (CTF) and Strategic Climate Fund (SCF) [5] Trust Fund Committees held in June 2017, requested the CIF Administrative Unit, working with the Trustee and the multilateral development banks (MDBs), to submit implementation scenarios and forecasts of CIF administrative costs for the next three to five years. The joint meeting requested that these forecasts should also include an analysis of various modalities to conduct CIF meetings, including frequency of Committee meetings and pilot countries meetings.

2. This paper is submitted to the CTF and SCF Committees in response to the request. It begins with a brief overview of the structure of the CIF Administrative Budget and Business Planning. It presents two scenarios for the CIF future and their implications on the work program of the CIF entities (MDBs, Trustee and the CIF Administrative Unit) that form the CIF partnership, along with contributor and recipient countries. The paper examines how evolution of the CIF portfolio translates into the trends of administrative expenses over a five-year period (FY19-FY23[6]). The paper concludes with recommendations on modalities to conduct CIF meetings in line with foreseen governance requirements.

# II. Structure of the CIF administrative budget and business planning

3. The annual CIF administrative budget is divided into four parts: Administrative Services, Country Programming, Learning and Knowledge Exchange, and Special Initiatives. The annual CIF Business Plan and Budget defines the priorities for each budget category, and outlines priority actions that drive the budget request for the year. The document also reports on the output and achievements of the previous budget year for these categories, and defines cost implications for the upcoming year.

The components of the CIF budget are as follows:

## A. Administrative Services

4. Administrative services represent the services provided by the CIF Administrative Unit, the focal point teams of the MDBs, and the Trustee to deliver on the mandate of the CIF. In FY16, a new budget framework for administrative services was introduced to capture the work program defined under these seven priority areas of action that directly link to business targets and thematic areas:

(i) Policy development, working with the Trust Fund Committees, Sub-Committees, and managing relations
(ii) Investment plan development, update, and revision
(iii) Development and approval of CIF funding of programs and projects

[5] The SCF encompasses three funding windows: Forest Investment Program (FIP), Pilot Program for Climate Resilience (PPCR), and Scaling-Up Renewable Energy Program in Low Income Countries (SREP)
[6] Fiscal Year (FY) follows the World Bank fiscal year (July 1 – June 30).

(iv) Knowledge management and communications
(v) Monitoring and evaluation; stakeholder engagement in review of investment plan implementation
(vi) Gender mainstreaming
(vii) Managing resources and risk

## B. Country Programming

5. This budget category supports activities at the country level to strengthen country coordination, and ensures the success of the programmatic approach. Although country programming budget supports similar categories as administrative services, this multi-year budget is specifically for activities led by countries and coordinated through their focal points and MDBs. These activities are defined in six broad categories summarized in Figure1.

**Figure 1: Summary of country programming categories**

| IP/SPCR Preparation | Stakeholder Review | Monitoring and Reporting | Knowledge Management | Gender | IP/SPCR Update |
|---|---|---|---|---|---|
| Support the preparation of investment plans and identify stakeholders engaged in relevant sectors | Convene multi-stakeholder forums to ensure open and frequent exchange of information with stakeholders | Develop selected country M&R showcases; Improve country-level results reporting; Analytical Results Stream | Develop knowledge products and related outputs; Facilitate south-south learning activities to promote lesson sharing among CIF countries | Enhance Gender integration in investment plan design and implementation through analysis, technical support, outreach, and dissemination | As necessary, to update investment plans and strategic programs for climate resilience to reflect evolving country needs |

## C. Learning and Knowledge Exchange

6. The Learning and Knowledge Exchange budget was expanded in FY16 to include the CIF Partnership Forum, pilot countries meetings (held every 18 months), major knowledge products with a broad focus at promoting CIF-wide knowledge, and external learning events linked to major meetings such as the COP or MDB Annual Meetings to provide greater visibility to CIF's accomplishments and lessons learned.

## D. Special Initiatives

7. Special initiatives funded in the CIF budget are identified in the Business Plan and Budget document, and are approved by the Joint CTF and SCF Trust Fund Committees. Activities identified as special initiatives have broad strategic implications for the CIF. These activities may be implemented as single year or multi-year activities.

## III. Overview of policy scenarios

8. This analysis presents two implementation scenarios for future operations of the CIF and outlines the activities and responsibilities of the partners in the governance structure of the CIF, including funding implications for each scenario. The proposed scenarios are as follows:

- ***Scenario 1 – Status quo scenario***: Under this scenario, the CIF would continue operations as planned with the funds currently available and with the existing mandate. This scenario does not account for a new in-flow of funding for CIF programming and activities. It represents the base-case scenario with consideration for the operational requirements of managing the current SCF and CTF portfolio[7]. This scenario contemplates reprogramming of funds potentially made available due to cancellation of projects in the pipeline.

- ***Scenario 2 - Additional funding to support unfunded SCF investment plans***: This scenario assumes that additional contributions would be received by the CIF to provide funding for the 19 investment plans (IP) and strategic programs for climate resilience (SPCRs) that have been or would be approved without funding[8]. This scenario will consider the costs associated with additional programming in addition to the status quo scenario.

## IV. Summary of assumptions

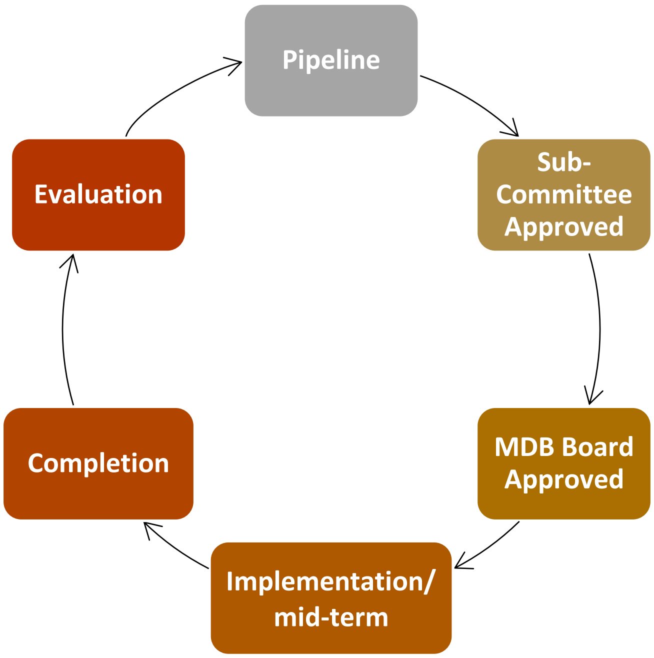
The assumptions underpinning the analysis include the following:

9. ***CIF budget as the basis of analysis:*** The analysis is grounded in the CIF budget structure. Costs for each scenario will be discussed in terms of the four categories of the CIF budget, with emphasis on administrative services as the largest portion of CIF costs.

10. ***Scenario analysis based on the evolving CIF portfolio:*** The projected trends and activities in the policy scenarios are strategically defined, based on the projected status of the portfolio over the next five years. The analysis encompasses the CTF and SCF portfolio[9]. For this analysis, a seven-year implementation period is assumed, with project mid-term at year 3-4. This seven-year period may account for delays in starting project implementation or slow uptake in private sector projects. Some projects may have a longer or shorter life span. As these scenarios are analyzed based on the CIF portfolio of over 300 projects, the stages of the CIF project cycle are illustrated in Figure 2.

[7] This analysis does not include the CTF DPSP III proposals, under discussion.
[8] This scenario will also include the SREP reserve pipeline.
[9] This analysis does not specifically include CTF 2.0 in any of the scenarios

**Figure 2: CIF project cycle**




**Pipeline**: Status of "entry" into the CIF portfolio following TFC/Sub-Committee endorsement of an investment plan and indicative funding allocation

**TFC/Sub-Committee approved**: Indicates approval by the relevant CIF Committee

**MDB Board approved**: Shows that these projects have been approved by the MDB board

**Implementation**: Indicates time during which project activities are implemented

**Completion**: Denotes the end of project implementation

**Ex-post Evaluation:** Carried out after completion of project activities

11. Assumptions for funding requirement in Scenario 2 are as follows:

- **USD 1.13 billion would be needed to plug the funding gap**
  - FIP: USD 256 million for nine unfunded IPs and Dedicated Grant Mechanism for Indigenous Peoples and Local Communities (DGM) (at USD 28.5 million per IP)
  - PPCR: USD 700 million for 10 unfunded SPCRs (at USD 70 million per SPCR[10])
  - SREP: USD 143 million to fund the SREP reserved pipeline
- **82 projects do not have indicative funding**
  - FIP: Number of projects per IP = 3 (including DGM); Unfunded IPs would have 27 projects
  - PPCR: Number of projects per SPCR = 4; Unfunded SPCRs would have 40 projects
  - Projects in SREP reserve pipeline (as of August, 2017) = 15
- **USD 38.6 million required as MDB Project Implementation Services (MPIS)[11] for 82 unfunded projects**
  - FIP average: USD 460,000 (estimated requirement = USD 12.4 million)
  - PPCR: USD 430,000 (estimated requirement = USD 17.2 million)

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[10] Range of SPCR funding is between USD 50-80 million; the middle range of this limit was used for projections

[11] Estimates based on upper limit of benchmark for SCF programs. See document: [MDB Project Implementation Services under SCF targeted programs](MDB Project Implementation Services under SCF targeted programs).

- SREP: USD 310,000 (estimated requirement = USD 4.7 million)

- **Portfolio milestones for the FIP and PPCR apply the cancellation policy timelines**
  - Sub-Committee approval within 24 months of IP approval
  - 12 months between Sub-Committee approval and MDB Board approval

- **Other considerations**
  - **Selectivity**: MDBs may apply some selectivity on the projects chosen for further development from the unfunded IPs in PPCR and FIP. This selectivity may be based on MDB and country priorities, and on considerations driven by value-for-money. These priorities may be determined by the Country Partnership Strategy, or its equivalent in other MDBs. Prioritization may also be based on funding leverage from MDBs or other sources of co-financing. Although these considerations exist and would be applied in Scenario 2, they were not included in the scenario modeling.

  - **Timing:** The milestones applied in modeling Scenario 2 are based on the FIP and PPCR pipeline management policies. Scenario analysis did not factor in possibility for exception requests and delays. This scenario also assumes that additional funding will be received in FY19.

  - **Project Preparation Grants (PPGs): USD 28.4 million would provide PPGs to the FIP and PPCR unfunded pipeline**. Irrespective of scenario, PPGs would provide a head-start to finalizing preparation of projects in endorsed IPs.
    - Average PPG for FIP: USD 280,000
    - Average PPG for PPCR: USD 210,000
    - Average PPG for SREP: USD 830,000

In line with selectivity, it is likely that not all MDBs will utilize the PPGs for projects identified in endorsed IPs without funding. Some projects may already be developed through other funding sources. In this analysis, these factors are not quantified and do not affect the estimate of PPGs required.

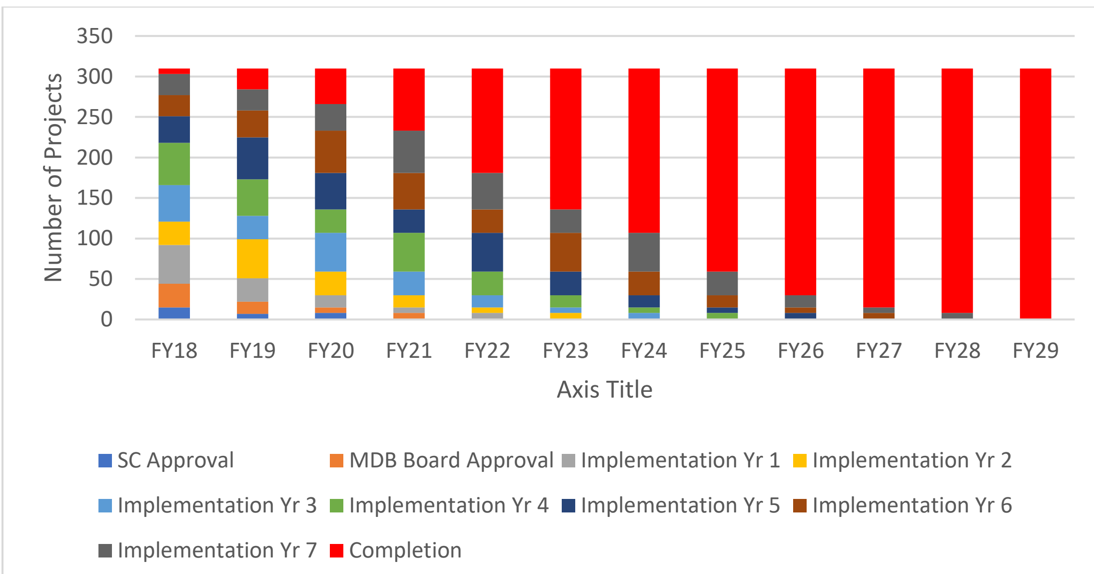
## V. Administrative Services

12. Despite the 8 percent increase in administrative services budget in FY18, the cost of administering the CIF programs remained flat in real terms. Viewed in the light of the maturing portfolio, this is reflective of the measures in place to control the operating cost of the CIF. An analysis of average administrative services costs over the past three years indicate the following split: CIF Administrative Unit at 48 percent; MDBs 36 percent; and the Trustee 16 percent. Administrative Services cost trends will be discussed in detail for each scenario.

## Scenario 1– Maintaining the status quo

13. This scenario assumes that no new contributions would be received beyond current CIF capitalization commitments. The activities defined in Scenario 1, as the base case, would remain true in all scenarios. Hence, Scenario 1 provides the foundation for the increases in scale proposed in Scenarios 2. This scenario has implications for both the CTF and SCF, as the original CTF portfolio reaches 98 percent approval rate in FY18[12]. In the SCF programs, PPCR projects would be 97 percent approved by end FY18. With the approval of pending investment plans in December 2017, FIP portfolio would be about 80 percent approved while 20 percent of the portfolio would be in the pipeline[13]. Consequently, in Scenario 1, a significant portion of the CIF portfolio would move to the "implementation phase" of the CIF project cycle, as observed in Figure 3.

**Figure 3: Scenario 1 CIF Portfolio Snapshot: Status and Projections[14]**



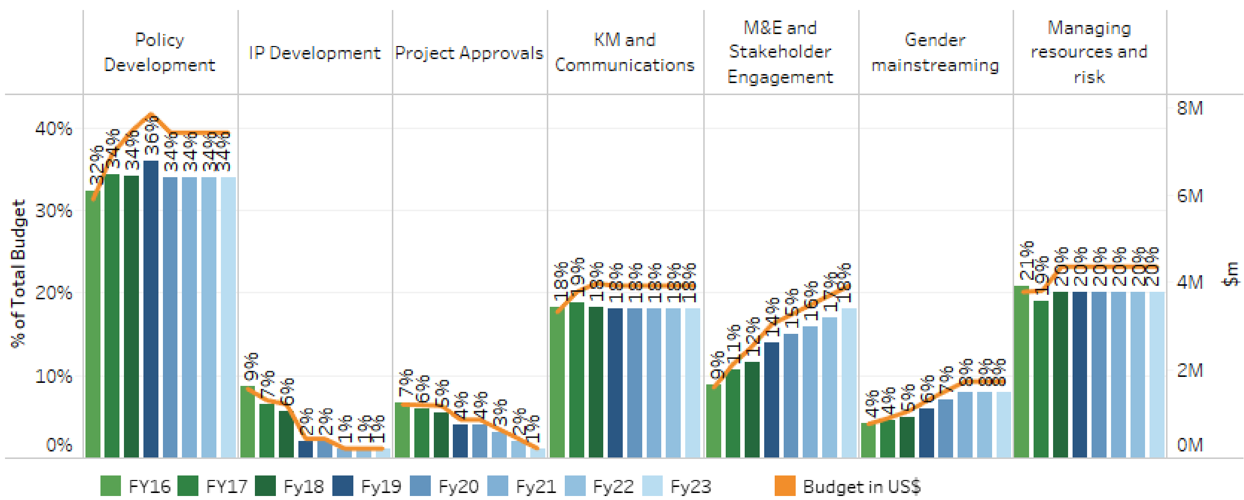

14. As shown, Sub-Committee and Trust Fund Committee approvals of CIF projects would likely end in FY20, including expected delays. Following MDB Board approval which, based on the current portfolio, is expected to end in FY21, all CIF projects would enter the implementation stage. It is important to note that activities in the implementation stage differ among public and private sector projects[15] and within the different MDBs that

12 Scenario 1 does not take the proposed CTF 1.5 (DPSP) projects into consideration.
13 "Pipeline" denotes projects added to the CIF portfolio following TFC/Sub-Committee endorsement of an investment plan when indicative funding is allocated.
14 Project Status is as of August 30, 2017, and includes projections based on project milestones
15 Private sector projects activities do not begin immediately after Committee approval. Board approval usually happens two to three years after Committee approval. In addition, implementation periods for private sector projects are

implement CIF projects. The implementation stage could also be markedly different from one country or geographical region to another. As a benefit of the CIF programmatic approach, the MDB practices and fiduciary regulations apply during this stage, which focuses primarily in implementing and supervising the projects to ensure that project resources are used for the intended purposes.

15. In Scenario 1, the trends in Administrative Services would be driven by the status of the CIF portfolio and the activities required from the MDBs, the CIF Administrative Unit, and the Trustee to manage the portfolio. In view of the conclusion of the programming stage, Scenario 1 forecasts a rebalancing of CIF costs to reflect the cost of extracting and reporting on results, stakeholder engagement, knowledge management, risk management, and gender mainstreaming. The shifts in Administrative Service are illustrated in Figure 4.

**Figure 4: Scenario 1: Administrative Services budget category as a share of total budget (FY18-23)**




16. Per Figure 4, the percentages of the total budget are presented for FY16-18 as a baseline, and projected for FY19-23. These percentages are compared with the total budget allocation for each category in the baseline years, and projected to FY23. Table 1 summarizes Scenario 1 implications on the seven categories of the Administrative Services budget. A more detailed review of the budget categories follows.

generally shorter. Despite these differences, this analysis maintains the same assumption of a seven-year period of implementation for both private and public sector projects.

**Table 1: Scenario 1: CIF Administrative Services target area shifts in activity levels**

| CIF target area | Entities involved | Shifts in activity levels |
|---|---|---|
| 1. Policy development, working with the Trust Fund Committees, Sub-Committees, and managing relations | CIF Administrative Unit<br>Trustee<br>MDBs | This target area would continue to be a significant budget driver due to the depth of activities, including tasks related to managing relations with the Committees, including meetings; supporting automation through the CIF Collaboration Hub (CCH); development of policy documents; Trustee costs for supporting policy development and relations; and staff costs for the CIF Administrative Unit, MDBs, and Trustee. |
| 2. IP development and update | MDBs<br>CIF Administrative Unit | Pending IPs and SPCRs will be approved in FY18. This budget area is projected to reduce over the next five years. In anticipation of possible restructuring of projects due to priority changes and normal adjustments during implementation, a minimal budget will be allocated to IP updates, annually from FY21-23. |
| 3. Approval of CIF projects and programs | MDBs<br>CIF Administrative Unit | Based on the current portfolio milestone data, CIF project programming would be complete by end FY20. This budget area is therefore expected to reduce over the next 5 years. The budget line item will not disappear as reprogramming costs due to project cancellations are likely in both scenarios. |
| 4. Knowledge management and communications | MDBs<br>CIF Administrative Unit | Driven by an increasing potential for knowledge sharing and communications, this budget area will remain at steady high levels until FY23. |
| 5. Monitoring and reporting; stakeholder engagement in review of investment plan implementation | MDBs<br>CIF Administrative Unit | Driven by an increasing number of projects generating results. To promote transparency and accountability, this target area will also ensure that key global stakeholders and supporters are involved in the implementation of the IPs/SPCRs. This budget area may initially increase from FY19-22 and then reduce after FY23. |
| 6. Gender mainstreaming | MDBs<br>CIF Administrative Unit | Gender activities of the CIF are projected to increase over the next five years under Scenario 1, to support the CIF Gender Action Plan and Gender Policy. Gender mainstreaming activities include global knowledge and learning activities on gender, support to investment plan preparation and implementation, and monitoring and dialogue with countries. |

| CIF target area | Entities involved | Shifts in activity levels |
|---|---|---|
| 7. Managing resources and risk | CIF Administrative Unit<br>Trustee<br>MDBs | Resource management costs will remain the same in scenario 1. Risk reporting and management will remain constant or increase slightly due to implementation and completion stage risk reporting. |

**Details of key Administrative Services budget drivers**

**i) Policy development, working with the Trust Fund Committees, Sub-Committees, and managing relations**

17. This target area has historically been the largest portion of the CIF Administrative Services budget. At USD 7.4 million, this category was 34 percent of the Administrative Services budget in FY18. This target area supports the convening of the bi-annual meetings of the CTF Trust Fund Committee and SCF Sub-Committees, which typically cost about USD 670,000[16] annually for travel, contractual services, and other related expenses. This budget area also supports the selection of committee members into the Trust Fund Committee and the SCF Sub-Committees. Strategic staffing is one area that is significantly supported by this target area. Two-thirds of this budget category comprises of fixed cost of staffing for MDBs and the CIF Administrative Unit. This is also one of the two budget categories that absorbs the cost of services provided by the Trustee.

18. In Scenario 1, costs in this target area would peak in FY19 and remain at 34 percent of total administrative services budget through FY20-23. Cost drivers in this target area are summarized below.

- *Activities that are expected to result in a budget peak in FY19 include:*

a) **Policy documents development**: It is anticipated that there would be requests from the CIF committees to prepare policy documents, particularly in view of sunset discussions scheduled for FY19.

b) **CIF @ 10 activities**: To mark the CIF's 10$^{th}$ anniversary in calendar year 2018 (FY19), this target area will bear the cost of highlighting the achievements of CIF knowledge and holding a partnership forum-style event.

c) **Stakeholder engagement:** Consistent with CIF stakeholder engagement at the governance level, it is critical to maintain constructive relationships with stakeholders at the regional and global levels. This includes providing stakeholders with accessible and inclusive means to raise issues and concerns on CIF programs and interventions and to manage such concerns. To ensure continuous and reliable engagement and support, the CIF will continue supporting the implementation of the Stakeholders Advisory Network on Climate Finance (SAN) and expand its presence in the 72 CIF countries.

[16] The CIF Travel Policy defines the criteria for sponsorship to CIF meetings. Includes MDB travel costs.

- *Other activities that are expected to contribute to the projected increase in budget from FY19-23*

d) **Automation**: With the launch of the CIF Collaboration Hub (CCH) there is a need to support annual CCH maintenance costs.

e) **Staffing costs**: In Scenario 1, the business needs of the next three to five years require the current level of staffing for both MDBs and the CIF Administrative Unit to be maintained. This is largely due to increased reporting requirement on gender, risk, stakeholder engagement, implementing evaluation and learning, and the expanded mandate on knowledge. There will be a rebalancing of skills, in favor of this cost category, due to shifting emphasis from programming to implementation.

f) **Meetings**: The frequency and modalities for conducting meetings would depend on future policy decisions. In this scenario, as with all scenarios, it is expected that meeting frequency would not change in scenario 1. Other modalities, such virtual meetings, will continue to be offered.

g) **Trustee Costs:** Trustee costs for participating in policy engagement and relations with the Committee are also included in this target area.

**ii) Knowledge management and communications**

19. Generating, disseminating, and promoting knowledge use is one of the key mandates of the CIF, and it would increase in importance as the portfolio matures and more lessons are learned. The CIF would also strengthen its role as a knowledge broker, by facilitating multi-directional knowledge exchange among the CIF pilot countries. The CIF is uniquely placed to determine the demand for knowledge through stakeholder feedback, and can mobilize supply to meet the demand.

20. The forthcoming CIF Knowledge Strategy currently under preparation will propose a new knowledge sharing platform, CIFnet. Envisioned as a vibrant community of practice, CIFnet would bring together all CIF pilot countries to share knowledge and learn from each other in ways that can measurably contribute to efficiency and effectiveness of investments. In the coming years, the CIFnet platform (both virtually and in person) would become a marketplace of ideas, innovations, conversations, and engagements.

21. As more projects come to completion (about 50 percent by FY23), there is an untapped opportunity to generate knowledge from the beneficiaries. The knowledge strategy would include translating and generating knowledge from results, and reaping the benefits of automation through the CCH. In close collaboration with the MDBs and the wider CIF community, project reporting during implementation and completion phases would ensure consistency in knowledge harvesting.

22. Supporting CIF objectives with enhanced communications: There are ample opportunities to boost communication outreach by creating at-a-glance information that would increase visibility, garner interest, and improve understanding of CIF's activities. It is critical to build a landscape around CIF projects that brings results to life and make them more meaningful to

the global audience. In keeping with the global responsibility, communicating CIF results would keep the people element as the centerpiece. Reaching beyond efficiency, the goal of communicating CIF results and knowledge would be to showcase the role of CIF interventions in changing people's lives and impacting the planet.

23. As a strategic priority, knowledge management and communications received a significant budget increase in FY18. This remains a critical part of the CIF business plan in light of the maturation of the CIF portfolio and the potential to extract and share lessons from a significant number of projects across the four CIF programs and projects in implementation and completion stage.

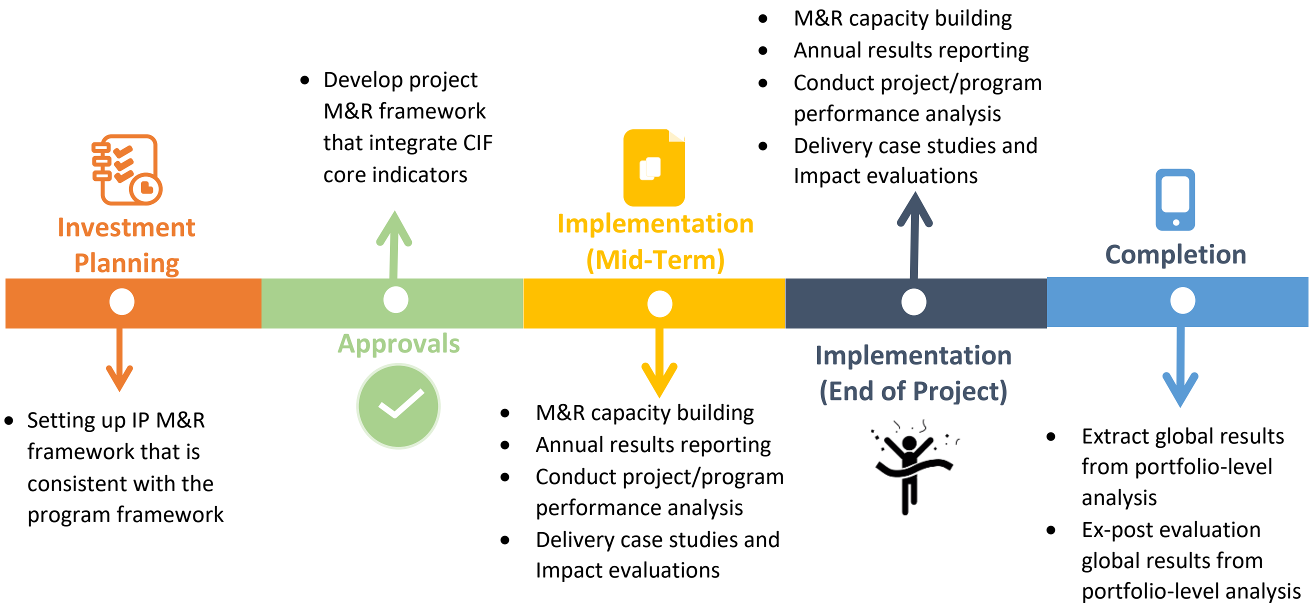
**iii) Monitoring and reporting and stakeholder engagement in review of IP implementation**

24. ***Monitoring and reporting*** (M&R) is a priority area for the CIF. The annual results reporting follows two different approaches: the FIP and PPCR use mainly country-based reporting, applying the revised M&R toolkits for their programs; and the CTF and SREP use MDB reporting. To bridge the gap of interim results, a stocktaking review was conducted in FY18 to explore how existing and available project information from MDBs could be used to provide an enhanced picture of results at the early stages of project implementation. This review informed results reporting in FY18, and would be expanded to SREP in the coming year. While country programming budget supports countries to report on CIF results using the revised toolkit, administrative services ensure budget support for MDBs and the CIF Administrative Unit in capacity building efforts.

25. Activities in FY18 provide the scope for an expanded approach to results monitoring and reporting from FY19-23, irrespective of scenario. With additional projects reporting results, the activities in this area will increase. Automation, through the CCH ensures that result reports and analytics are available to a wider range of stakeholders. Budget resources from FY19-23 will focus on broader project and program analysis, and other activities, such as delivery of case studies, to provide a broad framework to extract actionable lessons from CIF project operations at the implementation stage. Supporting the knowledge management function, results data would be analyzed at project, program, portfolio, and national level.

26. Changes in the CIF portfolio and the stages of the CIF project cycle drive monitoring, reporting, and evaluation activities as illustrated in Figure 5.

**Figure 5: Monitoring, reporting, and evaluation activities along the CIF project cycle**




27. Knowledge from the M&R process, in the form of case studies and lessons learned, would be shared widely. The M&R function would develop an analytical stream as the portfolio matures. New instruments and areas of analysis would use mid-term reports (MTRs) and completion reports prepared by the MDB task teams. These would lay the ground for varied portfolio reviews, such a thematic, regional, and policy reviews.

28. ***Stakeholder engagement in IP implementation:*** Stakeholder engagement in the CIF helps to keep the programmatic focus on track through an inclusive process. Stakeholder engagement is an integral part of the management of M&R, and it remains critical for monitoring risks and impact, ensuring country ownership, and managing grievances in the CIF programs and projects at project and country level.

29. At the project level, activities will concentrate on ensuring effective and inclusive engagement with stakeholders throughout the project life cycle. While MDBs bear the primary responsibility for these actions using the MPIS resources, the CIF Administrative Unit provides overall coordination and support using the Administrative Services budget. Activities include:

(i) Stakeholder identification and analysis based on the CIF Stakeholders Mapping Guidelines
(ii) Stakeholder engagement throughout project life cycle including ensuring engagement as quality assurance mechanism, particularly for monitoring and reporting
(iii) Disclosure of information as per the CIF Disclosure Policy
(iv) Consultation with stakeholders through multi-stakeholder fora

(v) Synthesizing and managing lessons and experience, addressing and responding to stakeholders' concerns, and continuous reporting to a wider range of stakeholders

30. To ensure country ownership and effective coordination, the CIF facilitates open and frequent exchange of information with multiple stakeholders at the country and program level. Administrative Services will support activities funded from the country programming budget in this regard.

### iv. Gender mainstreaming

31. Gender mainstreaming support under the CIF is a global effort undertaken by the CIF AU, and by MDBs together with other members of the CIF partnership, including pilot countries and observers. As the gender programming of the CIF is still in a phase of build-up, having begun only in July 2014 under Phase 1 of the Action Plan, it is expected to increase under both scenarios. Experience since July 2014 has shown an upward trend line in the demand for technical support on gender from both countries and MDBs, as the program has become more widely known.

32. Under Scenario 1, gender activities of the CIF are projected to increase over the next five years to support implementation of the CIF Gender Action Plan and Gender Policy. This includes the costs of staffing at the CIF AU, staff and consultant time on gender mainstreaming at the MDBs, as well as travel to global, country and MDB events on gender and climate where the banks leverage their participation in CIF to inform growing MDB-wide work on gender and climate. Mainstreaming activities include global knowledge and learning activities on gender; support to investment plan preparation and implementation; as well as monitoring and dialogue with countries. Other activities include large-scale analytical pieces, collaboration with other climate finance institutions such as the GCF, and enhancing coordination between CIF gender efforts and national processes. In addition, there are global and regional capacity-building efforts planned, as well as expanded dialogue with gender representatives under the observer structure.

### v. Risk management

33. As the CIF portfolio advances towards implementation in Scenario 1, it is important to continue projects assessments to report on the more significant risk exposures facing the CIF programs and subprograms. In addition to maintaining the risk dashboards which facilitate risk analytics, the risk management function will continue identifying, assessing, and monitoring the CIF's exposures to key strategic, operational, financial, and other risks, and reporting these risk management efforts to the Trust Fund Committees. The current risks monitored include implementation risk, currency risk, resource availability risk, and credit risk.

34. The risk management team will begin to proactively monitor news and media sources for events (e.g., natural disasters, corruption) potentially affecting the CIF's projects. As these events are identified, the team will reach out to the appropriate MDB contact for the potentially affected project for details of the impacts on the project, and monitor the

situation. The results of this monitoring activity would be provided in the risk dashboards and to the TFC semi-annually.

**vi. Resource management**

35. The level of service required from the Trustee to manage CIF resources is expected to remain relatively constant under all scenarios. The trustee will be required to continue to carry out its financial management, transaction, and reporting obligations, as established in the CIF governing documents and legal agreements through the FY19-23 period, and beyond. Costs are expected to remain close to current levels (approx. USD 1.5 million per year for CTF and USD 1.0 million per year for SCF). Investment management fees to cover the management of trust fund balances invested by the World Bank Treasury are expected to decline for SCF as trust fund balances are depleted between FY21-23.

36. As part of the World Bank's Trust Fund Reform Initiative, there could be changes in the methodology used to calculate Trustee budgets that may impact future trustee costs (e.g., shift to a flat-fee approach to be adopted for all Financial Intermediary Funds, similar to that currently used for the investment management of the trust fund assets). These estimates also do not include costs that may be required by the proposed CTF 2.0.

37. In addition to Trustee costs, the SCF and CTF Trust Funds incur annual costs for external audits. These flow-through costs are paid by the Trustee from trust fund resources to: i) the MDBs in their role as implementing entities to cover their costs for external audit of their CIF trust funds, and ii) the external auditors of the World Bank for the audits of the financial statements of the CTF and SCF trust funds, prepared by the Trustee. These costs are estimated to remain around FY18 levels, or approximately USD 800,000 per year.

## Scenario 2: Additional funding to support unfunded SCF investment plans

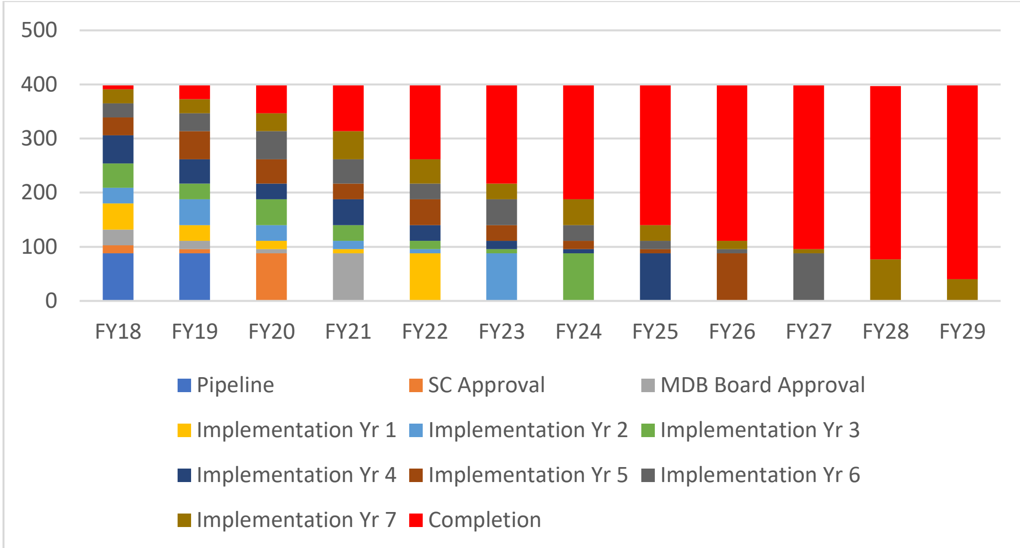
38. In May 2015, 10 PPCR countries[17] and 15 FIP countries[18] were invited to prepare Investment Plans (IPs) and SPCRs. Only Six of the 15 new FIP countries received notional allocations of USD 24 million each (grant and non-grant resources) and additional resources for the Dedicated Grant Mechanism (DGM). The 10 new PPCR countries were endorsed with no indicative funding. The Sub-Committees requested the new pilot countries to design the IPs and SPCRs to attract funding from other sources. Scenario 2 calculates administrative costs assuming that additional contributions would be received to "plug the funding gap" and to guarantee CIF funding for the 19 investment plans and SPCRs that have no funding. This scenario considers the costs associated with the additional programming in addition to the status quo scenario. Scenario 2 also includes the reserved pipeline for SREP. The following assumptions and estimates guide the analysis in this scenario.

39. Applying the assumptions that underpin Scenario 2, Figure 6 illustrates a snapshot of the CIF portfolio from FY18 to FY29.

[17] Co-Chair Summary, PPCR Sub-Committee meeting, May 14, 2105

[18] Co-Chair Summary, FIP Sub-Committee meeting, May 15, 2015

**Figure 6: Scenario 2 CIF Portfolio Snapshot: Status and Projections**[19]




40. In Scenario 2, as in Scenario 1, the trends in Administrative Services budget would be determined by portfolio status. Investment plan endorsement and update would remain low, accounting for updates or revisions that may happen in response to shifts in country and MDB priorities. Budget allocation for project approvals would increase in the initial years (FY19-21) and reduce over time. Other considerations such as gender mainstreaming and reporting on resources would maintain same levels or increase.

41. The shifts in the seven target areas of the CIF Administrative Services budget based on Scenario 2 are summarized in Table 2.

**Table 2: Scenario 2: CIF Administrative Services target area shifts in activity levels**

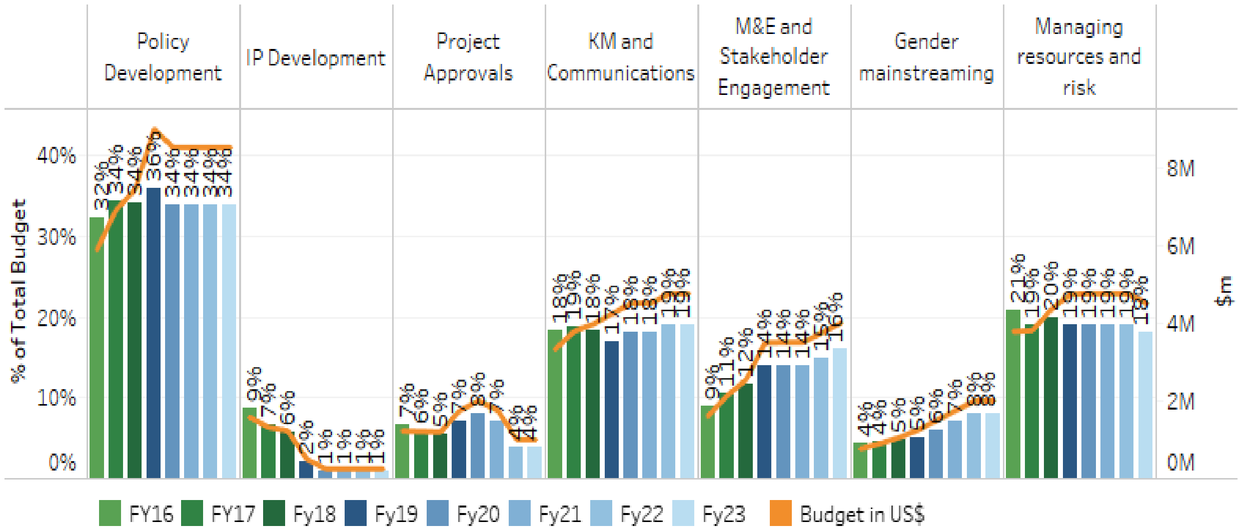
| CIF target area | Entities involved | Shifts in activity levels |
|---|---|---|
| 1. Policy development, working with the Trust Fund Committees, Sub-Committees, and managing relations | CIF Administrative Unit<br>Trustee<br>MDBs | As in Scenario 1, this target area would continue to make up a significant portion of CIF budget. With additional funding, the cost of this target area would increase due to portfolio management requirements for additional projects and remain stable from FY20. |
| 2. IP development and update | MDBs<br>CIF Administrative Unit | While MDBs focus on project development, IP preparation costs would be finalized in FY18. This budget area is projected to reduce over the next five years for both Scenarios 1 and 2. |
| 3. Approval of CIF projects and programs | MDBs<br>CIF Administrative Unit | Based on the current portfolio milestone data, SCF programming would be complete by end FY22. This budget area would be expected to peak by FY20 and |

[19] Project Status is as of August 30, 2017, and includes projections based on project milestones and projected milestones defined by the FIP and PPCR cancellation policy

| CIF target area | Entities involved | Shifts in activity levels |
|---|---|---|
| | | reduce by FY22. Costs for reprogramming may be likely if projects are cancelled by MDBs based on their policies and standards. |
| 4. Knowledge management and communications | MDBs<br>CIF Administrative Unit | Driven by an increasing number of projects generating results, this budget area would increase from FY19-23. |
| 5. Monitoring and reporting; stakeholder engagement in review of investment plan implementation | MDBs<br>CIF Administrative Unit | Budget in this target area increased in FY18. In Scenario 2, activities will focus on reporting on the existing portfolio, and preparing the new projects and programs for CIF reporting. Stakeholder engagement activities will assess the level of stakeholder interest and support for new projects and enable stakeholders' views to be considered in project design. During the phase between approval and effectiveness, activities will also serve to sustain stakeholder involvement and prepare for reporting. |
| 6. Gender mainstreaming | MDBs<br>CIF Administrative Unit | Gender activities of the CIF are projected to increase over the next five years to support the CIF Gender Action Plan and Gender Policy. This includes the costs of staffing at the CIF Administrative Unit, staff and consultant time on gender mainstreaming at the MDBs. |
| 7. Managing resources and risk | CIF Administrative Unit<br>Trustee<br>MDBs | Under Scenarios 2, Trustee's Investment Management fees may be higher, but would be expected to be more than offset by investment income earned on new contributions.<br>Risk management and reporting will increase due to implementation and completion stage risk reporting, coupled with additional risk reporting for new projects. |

42. Applying a baseline of budget allocations in FY18, a comparison was made of the projected trends of the different target areas of the Administrative Services budget (see Figure 7).

**Figure 7: Scenario 2: Change in budget allocation (FY19-23)**




**Cost efficiency of adding USD 1 billion in funding to the SCF**

43. The CIF has an established track record of efficient programming of resources. Compared to other climate finance mechanisms, the CIF has maintained historically low administrative budget of 2 percent of total funding allocation. When compared[20] to the GCF at 4 percent, and the GEF at 5 percent, this highlights the overall efficiency of programming CIF resources.

44. Scenario 2 presents the policy option of scaling up funding to the CIF. This scenario shows that the potential costs associated with an additional USD 1.13 billion in SCF funding is USD 3.3 million on average per year from FY19–23. This corresponds to a 15 percent increase from scenario 1 costs, and an efficiency ratio of 0.3.

**Table 3: Comparison of average cost of administrative services from FY19-23**

| **Administrative Services** | **Average Cost (FY19-23)** | | | |
|---|---|---|---|---|
| | **Scenario 1** | | **Scenario 2** | |
| | **CTF** | **SCF** | **CTF** | **SCF** |
| Policy Development | 2.7 | 4.7 | 2.7 | 5.7 |
| IP Development | 0.3 | 0.5 | 0.3 | 0.7 |
| Project Approvals | 0.3 | 0.6 | 0.3 | 0.9 |
| Knowledge Management and Communications | 1.6 | 2.8 | 1.6 | 3.4 |
| M&R and Stakeholder Engagement | 1.1 | 1.9 | 1.1 | 2.6 |
| Gender Mainstreaming | 0.4 | 0.6 | 0.4 | 0.9 |
| Managing Resources and Risk | 1.6 | 2.7 | 1.6 | 2.9 |
| **Annual Administrative Costs (5-year average)** | **8.1** | **13.7** | **8.1** | **17.0** |

[20] Comparison based on staff calculations using official documents of the other funds.

45. Table 3 shows that the cost of administrative services does not increase significantly if additional resources are received for further programming. This is due to the following factors:

- **Efficiency gains**: The systems and practices to deploy additional funding are already in place, and efficiency gains from the MDB approach means that an increase in funds would not necessarily translate to a significant increase in administrative costs.
- **Staffing**: The CIF Administrative Unit and MDB teams have reached staffing levels that imply that additional contributions will not significantly increase fixed costs.

46. It is therefore, financially viable and efficient to channel additional funds through the SCF to support implementation of unfunded IPs and to support frontier areas such as climate and health, migration, green cities, clean transportation, and innovative use of technology in climate investments given that CIF administrative services costs will have a minimal increase.

## VI. Country Programming

47. As IP/SPCR programming finalize in FY18 for both Scenarios 1 and 2, the focus of country programming would shift to knowledge generation, knowledge sharing, and stakeholder engagement at the country level. Funds would be used to support investment plans or SPCRs updates, M&R in FIP and PPCR, and enhanced gender mainstreaming in the 72 CIF countries. Overall, country programming costs would decline over a five-year period in Scenarios 1 and 2 due to the completion of programming. It is projected that USD 6.54 million21 will be required for the next five years in both scenarios to support the multi-year country programming activities. These activities include the following:

- **IP/SPCR development:** Support to countries towards IP development is not included in country programming projections for FY19-23 in all scenarios. In Scenario 1 and 2, IP development would have been concluded in FY18, including potential delays.

- **Stakeholder review of IPs:** Activities at the country level requires additional budget because the maturity level of the CIF projects demands more forums, stronger networks, and enhanced information exchange to keep the IPs/SPCRs programmatic focus on track. This includes:
    - Country-led consultations with stakeholders to review IP implementation progress against the CIF results framework
    - Ensuring wide stakeholder participation in country-led workshops and other reporting mechanisms that contribute to M&R reports
    - While Scenario 1 will focus on implementation stage stakeholder engagement support to countries, Scenario 2 will include some

[21] This figure excludes the projected country programming expenses for FY18.

programming activities to support the new SCF countries to integrate a strong stakeholder approach as projects identified in IPs and SPCRs are developed

- **Monitoring and reporting**: In tandem with stakeholder engagement activities in IP and SPCR implementation, countries receive support from the country programming budget to collect and analyze their program and project level results. The salient features of this country programming activity are:
  - *It is critical to the FIP and PPCR reporting process*, since it provides technical and logistical funding to host annual stakeholder workshops to support participatory approaches to M&R, and enhance country driven reporting systems. This budget category works closely with the stakeholder engagement category to ensure that multiple groups of stakeholders including CIF focal points, observers, ministries implementing CIF programs, and other related government agencies are involved in the reporting process.
  - *It emphasizes the core of the programmatic approach* and its inherent capacity building potential. In the PPCR, for instance, countries report on five national level indicators, which are highly contextualized to help countries build in climate change into their national strategies. The PPCR M&R workshops, when held jointly with stakeholder reviews of SPCRs enhance accountability, guarantees rigor and consensus in reporting, in addition to building capacity at the country level.
  - *It supports enhanced reporting frameworks in SCF countries*. As the revised M&R toolkit will be rolled out to all SCF countries, including SREP, extended support will be provided by the CIF Administrative Unit and the MDB focal point teams to SCF pilot countries. While staff costs associated with the consultation, development and roll-out of M&R frameworks are covered by administrative services, the minimal costs of logistics for these country-led workshops are funded under this budget category.

- **Knowledge management:** In addition to developing knowledge products identified by the countries, this budget category will be used to facilitate south-south exchanges and learning opportunities between countries and across CIF programs. Supported by virtual learning platforms under development, the support will include a broad set of activities identified by the countries which facilitate knowledge sharing, learning and enhanced cooperation among CIF recipient countries. This may occur through events, cross-visits, and participation in thematic learning networks to capitalize on the inherent strength and comparative advantage of the CIF. Recent activities funded under this category were the PPCR Zambia-Cambodia exchange, and the FIP Brazil-Mozambique exchange.
- **Gender mainstreaming:** In both scenarios, this category of the country programming budget will support gender mainstreaming activities undertaken in collaboration

with countries and country focal points, such as studies, regional learning events, and capacity-building support.

- **IP/SPCR update**: While changes in investment plans and SPCRs are expected in both scenarios, full updates are not expected. This budget category will remain low over the next five years.

## VII. Learning and Knowledge Exchange

48. Pilot country meetings are assumed to continue under all scenarios. The target audience for these meetings could increasingly be non-CIF actors, to share CIF knowledge more extensively. The name and format of these meetings under such a scenario could be discussed in further detail.

49. In both policy scenarios, it is estimated that the FIP, PPCR, and SREP/CTF would hold two pilot countries meetings every 18 months. A pilot country meeting historically costs approximately USD 350,000.

50. Major knowledge products are also covered under this category. Several knowledge products are currently underway. Other knowledge products of major significance beyond what can be accomplished within the administrative services and the Evaluation and Learning Special Initiative will have to be carried out through additional dedicated resources to this budget category.

## VIII. Special Initiatives

51. Phase 2 of the CIF Collaboration Hub (CCH) development may begin in FY19 as a special initiative. This second phase would be focused on financial management reporting, results, second round of approvals or changes to the CIF portfolio, and other functionalities. The budget implication for this activity would be determined in due course.

52. Depending upon the decision of the CTF Trust Fund Committee, the implementation of CTF 2.0 may continue as a special initiative. The budget implications for this activity would be considered separately and apart from this exercise.

53. As more CIF projects are completed, it is important to define the scope of evaluative activities to capture lessons learned. It is important to note that the Evaluation and Learning Initiative is currently a special three-year initiative and expected to end by FY20. Additional resources are recommended to extend the duration of the initiative for another two to three years, through approximately FY22, to capture relevant learning as the portfolio matures and a larger majority of projects are implemented. Completed projects, which in Scenario 1 are expected to account for 140 of 310 CIF projects by FY22, would provide the basis for analysis of MDB completion reports22 which could inform program level evaluations.

[22] Refers to implementation completion reports or their equivalent in the MDBs of the CIF.

## IX. Modalities for conducting CIF meetings

54. The joint meeting also requested an analysis of various modalities to conduct CIF meetings, including Committee meetings and pilot countries' meetings. CIF meetings fall under several broad categories:

**a. CIF Committee meetings**

55. In fulfilment of the governance requirements of the CIF, the meetings of the CTF Trust Fund Committee, SCF Trust Fund Committee, and SCF Sub-Committees are held bi-annually in May/June and in November/December23.

56. Committee meetings are usually held in Washington, D.C., either in person or virtually24. Occasionally, the meetings may be held in the field, co-hosted by a CIF country. Meetings held in a CIF country provides an opportunity to see CIF projects first-hand, and for closer engagement with in-country stakeholders. As a cost-saving measure, in-country Committee meetings have recently been combined with other CIF meetings such as pilot countries meetings. Consistent with the CIF travel policy, certain CIF Observers and IDA-only recipient country members receive financial support towards their participation at CIF meetings, including CIF Committee meetings.

57. An analysis of meeting costs shows that the potential cost savings from fewer meetings will not be significant. In FY18, the annual cost of committee meetings made up 3 percent of the average CIF Administrative Services budget.

**Recommendations for conducting CIF Committee meetings based on scenarios**

58. Convening committee meetings will depend on the type of decisions expected to be made at the meeting. In December 2016, for example, it was decided that the Joint meeting of the CTF/SCF Committees would not be held because there were no policy decisions to be made at this meeting. In all scenarios, the principle of necessity and consistency with CIF governance documents would be applied.

59. If the status quo is maintained, it is foreseen that Committee meetings would continue in the next five years. Meetings will be held to decide on future operations of the CIF, and fulfil the Committees' role in monitoring the portfolio and ensuring financial and risk oversight. The option for virtual participation would also be provided for those who do not wish to travel to meetings. As Scenarios 2 proposes some form of expansion of the current operations of the CIF, it would be expedient to continue the bi-annual meetings of the CIF during the next five years. It is important to note that these proposals do not consider the future operations of the CTF, as those discussions would take place separately.

[23] Each CIF Committee comprises of donors, recipient country representatives, and Observers. Membership of donors and recipient countries rotate every 18 months on a self-selection basis. The membership term for CIF Observers is two years.

[24] The document, Standard process for assigning decision making methodology, provides details of the types of decisions that are made at decision meetings, and those that could be decided via approval by mail.

**b. Pilot countries meetings:**

60. Held every 18 months, the pilot county meetings provide the opportunity for a broader group of CIF stakeholders to exchange information in a knowledge forum. The pilot countries meetings convene pilot and contributor country governments, MDBs, and other key stakeholders to enable south-south knowledge exchange and share learning based on CIF implementation. These meetings have allowed pilot countries to build relationships, discuss commons issues, and provide feedback to the CIF's governing bodies. In every scenario, it is critical consider the CIF's maturity and extend pilot countries meeting participation to CIF task teams responsible for supervising and implementing CIF projects.

**c. CIF Partnership Forum**

61. The Partnership Forum is a flagship CIF event that brings together all the stakeholder groups engaged in the CIF—governments, civil society, indigenous peoples, private sector, and others—to explore the linkages between climate change and development as they have been addressed within the context of the CIF. In reviewing the paper "Proposal on the Future of the Partnership Forum" in June 2017, the joint meeting approved a decision to discontinue holding the Partnership Forum at regular intervals, but to retain the option to convene the Partnership Forum should the Program Manager of the CIF Administrative Unit, in consultation with the co-chairs of the joint meeting, deem it strategic to do so.

62. As the CIF prepares to celebrate its 10th anniversary, it was proposed that a "partnership forum-style" event would be held in December 2018 to coincide with the regular committee meetings. In any operating scenario of the CIF, the convening of a Partnership Forum would be consistent with the referenced decision of the joint meeting.