



CIF/DM.1/Inf.5
February 28, 2008

First Donors Meeting on
Climate Investment Funds
Paris, March 4-5, 2008

**PROPOSED ORGANIZATIONAL ARRANGEMENTS
FOR THE CLIMATE INVESTMENT FUNDS**

Introduction

1. As noted in the *Consultation Note on the Climate Investment Funds* (document CIF/DM.1/2) the CIF will aim to:
 - (i) provide incentives for scaled-up action and transformational change (both mitigation and adaptation) and for solutions to the climate change challenge and poverty reduction in developing countries, consistent with their low carbon growth or climate resilient development strategies;
 - (ii) promote international cooperation on climate change to support progress towards a post 2012 climate change agreement;
 - (iii) provide experience and lessons in responding to the challenge of climate change through learning-by-doing;
 - (iv) utilize the skills and capabilities of the international financial institutions to raise and deliver concessional climate financing at a significant scale to unleash the potential of the public and private sectors to achieve meaningful reductions of carbon emissions and adaptive actions;
 - (v) complement existing bilateral and multilateral financial mechanisms and seek co-financing with them as much as possible; and
 - (vi) maximize co-benefits in other areas of sustainable development, particularly in relation to sustainable management of natural resources and ecosystem services.

2. With these goals in mind, it is proposed that the CIF operate in accordance with the following principles:
 - (i) maintain an efficient business model that does not duplicate existing procedures or lengthen the project development and approval process;
 - (ii) respond effectively to country demand in both public and private sectors and facilitate rapid deployment of fund resources;
 - (iii) operate through a close partnership among key agencies;
 - (iv) separate responsibilities for resource allocation, fiduciary responsibilities and administrative functions; and
 - (v) ensure full transparency and openness in processes.

3. Based on these principles, it is proposed that the CIF be organized so as to include:
 - (i) a Trust Fund Committee for each fund;
 - (ii) a Partnership Forum;
 - (iii) a Trustee;
 - (iv) a MDB¹ Committee; and
 - (v) an Administrative Unit.

¹ For purposes of this note, MDBs include: the African Development Bank, the Asian Development Bank, the European Bank for Reconstruction and Development, the Inter-American Development Bank and the World Bank Group.

4. The roles and functions of these entities are touched upon in the Consultative Note that has been prepared for the donors meeting and are summarized in this background note. It is recognized that consultations will continue on the detailed organizational structure of the CIF, in particular with respect to the design of the Trust Fund Committees. The purpose of this note is to elaborate upon the proposed role and functions of the Trustee, the MDB Committee and the Administrative Unit within the wider context of the overall organizational structure of the CIF.

Trust Fund Committee

5. Each Trust Fund Committee will be responsible for the overall governance, strategic decisions and resource allocation of each trust fund. It is proposed that this responsibility encompass the following functions:

- (i) approving program priorities, eligibility criteria and financing modalities;
- (ii) determining country eligibility on a consensus basis;
- (iii) keeping the fund's direction and operations under review;
- (iv) approving allocation of trust fund financing for programs and projects;
- (v) approving trust fund financing for administrative budgets;
- (vi) approving MDBs' joint assessment of country strategies and approving joint MDB work programs;
- (vii) ensuring monitoring and periodic independent evaluation of performance and financial accountability of MDBs;
- (viii) approving annual reports of the fund; and
- (ix) exercising such other functions as they may deem appropriate to fulfill the purposes of the fund.

Partnership Forum

6. A Partnership Forum will be convened annually in order to provide institutions and entities concerned with the objectives of the CIF a forum to express views on the overall direction and results of the CIF and the strategies and operations of the funds. It would provide a platform for debate, advocacy and communication with a broad range of stakeholders.

Trustee

Management of funds

7. The World Bank (IBRD), through its Multilateral Trusteeship and Innovative Financing Department (MTIF) under the Concessional Finance and Global partnerships Vice Presidency (CFP), would serve as Trustee of the Funds. In this capacity, it will be responsible for the following functions:

- (i) establishing and maintaining appropriate records and accounts to identify contributions and other receipts;

- (ii) recording all funding decisions made by the Trust Fund Committees to monitor funding status of the CIF;
- (iii) making commitments to be financed out of the proceeds of the funds and transferring cash to the MDBs in accordance with the decisions of the Trust Fund Committees;
- (iv) preparing financial reports and audit coordination for each of the funds; and
- (v) investing the proceeds of the funds, including currency conversions and cash management.

8. Pending disbursement of the proceeds, IBRD will invest the Funds' resources in accordance with World Bank policies and procedures for the investment of trust funds that it administers. Income earned on each Fund will be credited to the Fund, thus increasing resources available for operations.

9. IBRD will act as financial intermediary with respect to the CIF's proceeds administered by the MDBs and, in that capacity, will have no responsibility to the Funds' contributors for the use of the proceeds of such funding over and above those responsibilities contained in the contribution agreements and agreements with MDBs. Such responsibilities will be born by the MDBs in accordance with their own fiduciary frameworks, policies, guidelines, and procedures.

Financial Reporting

10. The Trustee will be accountable to the Trust Fund Committees for the performance of its fiduciary responsibilities. The Trustee will submit regular reports to each Trust Fund Committee on the financial status of the respective fund. The Trustee will provide for an external annual audit of the accounts of the funds. The Trustee will forward to the Trust Fund Committees a copy of the annual, audited financial statements of the CIF together with the auditor's written report of the audit findings.

Execution of Legal Agreements

11. As Trustee, IBRD will execute contribution agreements with each contributor to the Strategic Climate Fund or any of the funds, which sets out the terms and conditions applied to administration and management of the contributions made to the fund. The Trustee will also enter into agreement with each of the MDBs, which sets out the terms and conditions of commitment and transfer of CIF resources to the MDBs as well as reporting requirement.

Authority to Deny Funding

12. If the Trustee has reasonable doubts as to whether the fund resources concerned are properly utilized by a MDB for the agreed purposes, the Trustee will bring the matter to the attention of the Trust Fund Committee. Upon instruction of the relevant Trust Fund Committee, the Trustee would suspend commitments and transfers of fund resources to such MDB. In addition, if the MDB is in breach of its agreement with the

Trustee, the Trustee may decide to suspend commitments and transfers of fund resources to the MDB.

Multilateral Development Banks

13. The aim of the CIF is to ensure speed and alignment with development programs by building on the structures and normal processes of the MDBs. Therefore, it is proposed that the MDBs have fair and equitable access to financing from the funds and rely on their own policies and procedures in developing and managing activities financed by the funds. The MDBs will report directly to the Trust Fund Committee on operational matters and will be invited to present their views on items under consideration by the Trust Fund Committee. The MDBs will be directly accountable to the Trust Fund Committees for (i) consistency of their proposals with the Fund's criteria and priorities, (ii) quality assurance, risk management, and portfolio performance, (iii) compliance with their respective fiduciary standards, and (iv) use of Fund resources and activities implemented by them with Fund resources.

MDB Committee

14. To facilitate collaboration, coordination and information exchange among the MDBs, a MDB Committee comprising representatives of the MDBs will be established. The MDB Committee will meet quarterly or more often if deemed necessary by the committee. The MDB Committee will have the following functions:

- (i) prior to each meeting of a Trust Fund Committee, review a provisional agenda and documentation prepared by the Administrative Unit;
- (ii) review recommendations proposed by the Administrative Unit on program criteria and priorities and the activity cycle for approval by a Trust Fund Committee;
- (iii) monitor country progress in implementing country programs and report to the Trust Fund Committee on compliance with approved policies on the use of trust fund monies;
- (iv) review a draft annual consolidated report on the CIF activities, performance, and lessons, including details of the funds' portfolio, status of implementation, funding allocations for the previous period, pipeline of projects and funding projections, costs incurred to administer the funds, and other pertinent information;
- (v) serve as a forum to exchange information and experience on joint assessments of country strategies and joint work programming;
- (vi) advise the Administrative Unit on the implementation of a comprehensive knowledge management system, results measurement system and learning program, taking into account opportunities for synergies with the activities of the MDBs; and
- (vii) perform any other functions assigned to it by the Trust Fund Committees.

Administrative Unit

15. A CIF Administrative Unit will be established to assist the work of the CIF and to support the Trust Fund Committees. The Administrative Unit will foster collaboration, communication and fair and equitable access to financing among the MDBs. The Administrative Unit will:

- (i) prepare all documentation required for review by a Trust Fund Committee, including developing an agenda for a Trust Fund Committee meeting, which will first be reviewed by the MDB Committee;
- (ii) make recommendations, in consultation with the MDB Committee, on program criteria and priorities and the activity cycle for approval by the Trust Fund Committee;
- (iii) conduct background research and analyses as requested by the Trust Fund Committee;
- (iv) advise the Trust Fund Committee of prospective projects in early stage development on the basis of joint country programs.
- (v) prepare an annual consolidated report on the funds' activities, performance, and lessons, including details of the funds' portfolio, status of implementation, funding allocations for the previous period, pipeline of projects and funding projections, costs incurred to administer the funds, and other pertinent information;
- (vi) manage a comprehensive database of the CIF activities, knowledge management system, result measurements system and learning program;
- (vii) service the meetings of the Trust Fund Committees;
- (viii) manage CIF's partnerships and external relations, including convening meetings of the MDB Committee and the Partnership Forum;
- (ix) collaborate with the Trustee to ensure that the Trustee receives all the information necessary to carry out its responsibilities; and
- (x) perform any other functions assigned to it by the Trust Fund Committees.

16. The Administrative Unit will consist of a small team based in the Sustainable Development Network of the World Bank. The Vice President for the World Bank Sustainable Development Network (SDN) will be accountable for the operations of the Administrative Unit. A Head of the Administrative Unit will be designated by the SDN Vice President, in consultation with the MDBs, to manage the day-to-day operations of the unit. The Head of the Administrative Unit will serve as the Executive Secretary of the Trust Fund Committees and the MDB Committee.

17. Staff of the Coordinating Unit will be appointed through a competitive, merit-based process. The MDB Committee will be invited to review the terms of reference for each staff position prior to the announcement of the position, will interview candidates for the each position, and will subsequently make recommendations to the World Bank's SDN Vice-President on the candidate to be appointed.