

CLIMATE INVESTMENT FUNDS

SCF/TFC.7/5
June 9, 2011

Meeting of the SCF Trust Fund Committee
Cape Town, South Africa
June 23, 201

Agenda Item 6

PROPOSAL FOR PIPELINE MANAGEMENT FOR TARGETED PROGRAMS UNDER THE SCF

Proposed Decision by SCF Trust Fund Committee

The meeting reviewed document, SCF/TFC.7/5, *Proposal for Pipeline Management for Targeted Programs under the SCF*, and approves the proposal for managing the pipelines of the three SCF targeted programs. The MDB Committee and the CIF Administrative Unit are encouraged to make every effort to maximize the efficient and effective use of SCF funds.

I. INTRODUCTION

1. Under the three targeted programs under the Strategic Climate Fund (SCF) – Forest Investment Program (FIP), Pilot Program for Climate Resilience (PPCR) and Scaling-up Renewable Energy Program in Low-Income Countries (SREP) - investment plans¹ are being prepared and endorsed and projects and programs are being prepared for approval by the respective Sub-Committees.

2. The following table presents the status of the SCF targeted programs in terms of the number of investment frameworks endorsed and in preparation as well as approved projects.

Targeted Program	Number of Pilots	Investment Framework	Number Endorsed ²	Number in Preparation	Projects approved
Forest Investment Program	8 pilot countries	Investment Plan	2	6	0
Pilot Program for Climate Resilience	9 pilot countries 2 pilot regions	Strategic Program for Climate Resilience (SPCR)	14	6	3
Scaling-up Renewable Energy program in Low-Income Countries	6 pilot countries	Investment Plan	0	6	0

3. The Sub-Committees for FIP, PPCR and SREP have agreed on principles for the allocation of resources to the selected pilots taking into account, among other things, the pledges per targeted program. The allocation of resources to pilots is expressed through a range with an upper and lower ceiling, recognizing that actual funding decisions are to be made on the basis of project and program proposals. The Sub-Committees have underscored that the quality of the proposed activities will be a significant factor in the funding to be approved when project and program proposals are submitted for approval of SCF funding.

4. As investment plans and projects and programs are currently being prepared, it is timely to define a strategy for actively managing the project and program pipeline in a manner that maximizes the efficient and effective use of available resources over time.

5. Based on the experience from managing the CTF pipeline, it is apparent that project development and expectations change over time. In some cases, modifications of the sectors or subsectors included in the original investment plans endorsed by the Sub-Committee may be proposed. Project and program development may be delayed for various reasons. Some projects or programs originally identified in an investment plan may be dropped or cancelled due to changes in country priorities, financing structure of the project, or new information that becomes

¹ Investment Plans for FIP and SREP; Strategic Programs for Climate Resilience for SPCR

² Assuming that all proposed investment plans and SPCRs for the June meetings will be endorsed.

available. There may also be unpredictability in the meeting the expected schedule of payments from contributor countries.

6. This document proposes a pipeline management strategy that will be applied to each of the targeted programs under the SCF. Section 1 outlines the pipeline management approach. Section II describes the principles that should drive the SCF pipeline management. The paper also includes the following two annexes:

- a) Template for SCF Targeted Program - Quarterly Information Requirement/Update (Annex 1); and
- b) Proposed Schedule for Pipeline Review - Quarterly Submissions and Review Cycle (Annex 2).

II. SCF PIPELINE MANAGEMENT APPROACH

7. An important objective of pipeline management is to contribute to the effectiveness and efficiency of the SCF and its targeted programs by providing predictability and confidence in the management of the funds to the Sub-Committees as well as the country teams that are responsible for preparing investment frameworks and linked programs and projects. In addition, a pipeline management system will serve as a tool in ensuring that projects and programs submitted to the Sub-Committees for approval of SCF funding do not exceed available resources in the Trust Fund. The tool also serves as a tracking platform not only for pledges but also for allocation updates and pipeline related information including analyses.

Contributions

8. Contributor countries agree with the Trustee on a schedule for providing contributions to the SCF Trust Fund in the form of promissory notes or in-cash contributions. These schedules allow the Trustee to advise the CIF Administrative Unit and the MDB Committee on the predicted availability of funds for commitment to projects and programs.

9. The Trustee has developed a Resource Availability Projection Tool to facilitate planning on when resources will be available for commitment in each of the CIF funds. This tool provides forecasts of available funds on a monthly basis and a summary of the cumulative contributions to the trust fund for the various forms of contributions (grants, and capital).

10. Projections of resource availability are based on the Trustee's discussions with contributor countries and experience and past practices in other multi-donor funds managed by the Trustee.

11. **Programs and Projects:** The pipeline of resource demands for projects and programs is developed using information provided by the MDBs on their expectations for the timing for the development of activities outlined in the endorsed investment plans. The MDBs forecast for each project or program includes indicative dates for submission to the Sub-Committee for approval of SCF funding and for Board approval by the MDBs. The pipeline will be reviewed on a

quarterly basis to take into account possible changes in activities and targeted approval dates (see Annex 2 for the Pipeline Review Cycle).

12. The pipeline management will bring together cash flow projections of inflow of contributions as provided by the Trustee and outflow of pipeline programming requirements as provided by the MDBs for each of the programs. These cash flow projections provide an analytical tool to assess the liquidity position of the SCF funds at any point of time, ensure that resources are available through the year, and smooth out the step pattern resulting from contributions being concentrated in the period of May to June of each year. It also ensures effective project and program processing by providing information to country teams that allows them to reasonably plan their work programs and schedule for approval of projects and programs.

13. The CIF Administrative Unit will coordinate the inflow of information to allow for the monitoring and tracking of pledges, allocations and distribution of funding to countries, sectors, approaches and technologies plus all other pipeline-related assessments and reviews.

14. **Pipeline Management Principles:** In proposing the pipeline management approach, the following principles and objectives have been taken into account:

- a) *Data accuracy:* Several levels of checks and balances should be established to ensure that data are accurate and reflect, to the extent possible, reasonable and realistic projections of both resource availability and pipeline needs. Each MDB is responsible for submitting accurate data in a timely manner. The CIF Administrative Unit is responsible for compiling the data into a user friendly pipeline format, confirming that the data is consistent with the endorsed investment plans, identifying any “red flags”, and facilitating resolution by the MDB Committee of any conflicting requests for resources. Emphasis should be given to providing precise data and information.
- b) *Partnership:* MDBs collaborating on the same investment plan should consult each other and inform the country before submitting data for inclusion in the pipeline management system. Requests for Sub-Committee approval of SCF funding for projects and programs should be consistent with the SCF targeted program resource allocation proposed in the endorsed investment plan, unless otherwise agreed by the MDBs and the respective government.
- c) *Collective agreement:* As the SCF and its targeted programs are a collaborative partnership among the MDBs, pipeline management will be handled through consensus-building discussions with the objective of reaching a common position within the MDB Committee. When issues arise, the MDB Committee will review the available resource and programming needs within the pipeline requirements of each MDB and agree on a “schedule of approvals” following prioritization criteria as set forth in Section II below. If, on an exceptional basis, the MDB Committee is unable to reach an agreement on a “schedule of approvals,” unresolved issues will be brought on case-by-case basis to the attention of the relevant Vice Presidents or equivalent level manager of the MDBs involved in the disagreement for advice and be submitted for resolution by the Sub-Committee if needed.

15. **Pipeline Management Process:** Although the pipeline will be kept under review on a quarterly basis (see Annex 2), it is proposed that the pipeline be managed on a fiscal year basis (a 12 month horizon) to allow country teams to better plan their work. The following process has been agreed by the MDB Committee to achieve this goal:

- a) After endorsement of an investment plan, projects and programs will be included in the pipeline. The investment plans endorsed by the Sub-Committee for the SCF targeted program provide an indicative envelope of SCF resources for funding projects and programs included in the investment plans. Managing the pipeline taking into account both the timeline for project development and the volume and timing of expected resource availability should encourage timely project and program development so that SCF resources can be programmed more efficiently and effectively. If the demand for resources is higher than what is available for commitment, the MDBs and the CIF Administrative Unit will discuss the pipeline and agree on a list of projects and programs in priority order by applying criteria discussed below.
- b) Prior to the start of the fiscal year (July – June)³, the MDB Committee, based on the projection of resources provided by the Trustee, will agree on an overall programming figure for each targeted program for the fiscal year. At mid-point in the fiscal year, a preliminary approval schedule for the first six months of the next fiscal year will be prepared.
- c) As an input to this process, the MDBs will submit a list of programs and projects expected to be submitted for funding approval during the fiscal year. (See Annex 1: Quarterly Reporting Requirements for the MDBs). The Trustee will submit a projection of resource availability for the fiscal year. The CIF Administrative Unit will bring this information together.
- d) The MDB Committee will use this information to develop a proposed approval schedule for the fiscal year for each targeted program, with an indication of programs or projects to be submitted to the respective Sub-Committees for funding approval during each quarter of the fiscal year, taking into account the criteria in Section II of this paper.
- e) The MDBs will seek to spread out submission of projects and programs to the respective Sub-Committee over the course of the year to avoid “front-loading” or “bunching” of project and program approvals. It is expected that there may be more approval activity during the last quarter of the fiscal year (April to June) due to slippage.
- f) The approval schedule will be reviewed on a quarterly basis, and revised as necessary, by the MDB Committee.
- g) The approval schedule, and any quarterly revision, will be disseminated to the respective Sub-Committee Members and the SCF Trust Fund Committee for information.

³ For planning purposes, the SCF pipeline management will follow Trustee’s fiscal year (June 30 to July 31).

III. PIPELINE MANAGEMENT CONSIDERATIONS

16. In proposing an approval schedule for the fiscal year, the MDB Committee will apply the following considerations, on a targeted program basis, if needed to reaching a consensus on the pipeline:

- a) *Project/program readiness*: Resources should only be committed for projects or programs that are ready to move forward to final approval and implementation so that SCF resources are effectively and efficiently used for on-the-ground activities. Hence, programming projections should be as realistic as possible with regard to the timing of project or program processing and should include information on the expected timeline for committing resources, including the expected date of final MDB Board approval, so that the MDB Committee can accurately predict resource needs and cash flows. Private sector programs encompassing an envelope of funding for a number of projects should be presented to the respective Sub-Committee for approval only when projects utilizing at least one third of the program's resources have been identified and are mandate-ready. Public sector projects and programs will be presented to the respected Sub-Committees for approval before appraisal and negotiations of the investment⁴.
- b) *Balance*: The pipeline management system should ensure that there is a balanced approach amongst regions and investment plans. Therefore, in agreeing upon the approval schedule, the MDB Committee should consider the funds already approved under each investment plan and, in the aggregate, for each region and should seek to achieve an equitable balance among plans and regions. In order to promote a strong partnership and collaboration among the MDBs, it is also important to strive for active engagement of all the MDB partners. The MDB Committee will strive to promote a balanced distribution of funds through each of the MDB partners.
- c) *Public sector-private sector distribution*: SCF targeted program funding is to be used to support both public and private sector activities. It is important to have a critical mass of operations of each. The distribution of activities to the public and private sector should be considered if it is necessary to prioritize the approval schedule of projects and programs in the pipeline. The distribution of available funding should reflect the proportionate allocation of resources to public sector

⁴ Despite best efforts at realistic planning, it is inevitable that there may be delays in processing of programs and projects. The MDB Committee will review any public sector program or project for which SCF funding has been approved, but which has not been submitted for MDB Board approval within 9 months of the respective Sub-Committee funding decision. For private sector programs, the MDB Committee will review any program for which SCF targeted program funding has been approved but more than a third of the funds within the program have not been submitted for Board approval within 9 months from the respective Sub-Committee funding decision. For some sector projects, the submission period might extend up to 18 months. Based on its quarterly review, the MDB Committee may decide that the approved funds be reallocated so as to provide more funding space for other faster-moving projects and programs. Should the MDB Committee decide this course of action, it will inform the respective Sub-Committee of the reallocation by mail. Any project or program for which SCF targeted program funding has been reallocated due to delays in its processing may be resubmitted to the MDB Committee for reentry into the pipeline approval schedule subject to availability of funds as soon as the delays have been resolved.

and private sector investments agreed in the country investment plans, whenever possible.

- d) *Co-financing opportunities:* Leveraging resources beyond the SCF funding is an important element of the SCF targeted program objectives. It is important to consider if potential sources of co-financing may be jeopardized should a program or project be delayed.
- e) *Criteria specific to SCF Targeted Programs:*

FIP: Addressing a diversity of drivers of deforestation and forest degradation:
Addressing a diversity of drivers of deforestation and forest degradation applied in FIP will help to strengthen the impact of the FIP as a mechanism to effectively implement REDD+. The MDB Committee should, when necessary, give priority consideration in scheduling the approval of FIP funding for programs and projects that reflect drivers of deforestation and forest degradation not yet piloted in the FIP.

PPCR: Addressing climate resiliency in a diversity of economic sectors:
Diversity in addressing impacts and future risks of climate variability and change applied in PPCR will help to strengthen the impact of the PPCR as a mechanism to address resiliency to climate change. The role of the private sector has been identified as especially important yet challenging. The MDB Committee should, when necessary, give priority consideration in scheduling the approvals to programs and projects that reflect diverse economic sectors or innovative approaches that incentivize the private sector to engage and not yet piloted in the PPCR.

SREP: Addressing energy access based on renewable energy given the challenges in low-income countries. SREP will support programs and projects that pilot new approaches to address the growing energy demands of low-income countries by promoting renewable energy. In this regard, the role of the private sector has been identified as key, yet challenging, element for scaling up renewable energy. The MDB Committee should, when necessary, give priority consideration in scheduling the approvals to programs and projects that reflect higher potential for providing energy access or innovative approaches that incentivize the private sector participation in SREP.

17. In discussing the approval schedule, the MDB Committee will screen the pipeline first for project/program readiness before assessing projects and programs against the other considerations which are all considered equally important.

IV. ADAPTIVE MEASURES TO MANAGE ANTICIPATED SLIPPAGE AND DROPPED/CANCELLED PROJECTS AND PROGRAMS

18. MDBs will report on a quarterly basis by project and program on key markers, including decision dates, status information and co-financing. As a general principle, at the time of the endorsement of investment plans by a Sub-Committee, the resources allocated to the projects and programs included in the investment plans are considered indicative, and should not be construed as entitlements to the country (ies) or region(s) involved.

19. Any previously allocated resources for projects and programs that have been dropped or cancelled may be released for programming to all countries and regions whose investment plans have been endorsed by the respective Sub-Committee. These released resources would be subject to the pipeline management criteria.

20. Similarly, if a project or program included in an investment plan is not approved by a Sub-Committee, the project or program will be removed from the pipeline, and the associated resources will be released for programming new projects and programs unless the Sub-Committee has agreed to alternative arrangements.

21. The following changes in a project or program will require resubmission to, and approval by, the Sub-Committee:

- (a) Dropping or cancelling a project or program
- (b) Shifting of funding from one project to another within an endorsed investment plan
- (c) Developing a project or program not consistent with the project or program concept in the endorsed investment plan/strategic program
- (d) Substantial changes objective and outcomes in a project or program approved by the Sub-Committee

22. Other less substantial changes will be reported on in the quarterly report on the pipeline approval schedule which will be disseminated to the appropriate Sub-Committee. Upon receipt of the quarterly report, a Sub-Committee member may request that the change be discussed at a Sub-Committee meeting. The Sub-Committee may then decide to approve the proposed changes and actions to projects and programs proposed by a government and the MDB(s) or disapprove them. In the latter case, the projects and programs targeted for modification, substitution, or other arrangement will be removed from the pipeline in accordance to the decision of the Sub-Committee, and the associated resources will be released and made available for programming new projects and programs.

Annex 1

Template for SCF Targeted Program - Quarterly MDB Information Requirement/Update

MDB:

**Preparation
Date**

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Program:

	Project 1	Project 2	Project 3	Project...
Project Title/Program Name				
Country				
SCF Project Funding				
Project Preparation Grant				
Funding Class - Loan/Grant				
Loan Term – Hard/Soft/Market				
Projected Submission Date for SC Approval				
Projected MDB Board Approval Date				
Project Class - Private/Public				
Technology (SREP)/ Economic Sector (PPCR)/ Driver of Deforestation/Forest Degradation (FIP)				
Leveraged Funds				
MDB - ADB				
AfDB				
EBRD				
IBRD				
IDB				
IFC				
Government				
Private				
Others (Pls. specify)				
1- _____				
2- _____				
3- _____				
REMARKS:				

Annex 2

Proposed Pipeline Quarterly Submission and Review Cycle

To keep track of the pipeline and to manage resources effectively, a schedule for updating information on the project and program pipeline for each of the programs is presented below. Submission of information on projects and programs should occur a month before the end of the quarter. The only exception is for the quarter ending June where submission of information will begin three weeks earlier in order to allow sufficient time to prepare information for the June meetings of the Sub-Committees.

Request for Updated Project Pipeline	Revised Pipeline Submission	Review and Consultation Period	Final Pipeline Schedule Availability
February – 4 th week	March – 2 nd week	March - 3 rd week to 4 th week	April 1 st week
May – 1 st week	May – 2 nd week	May - 3 rd week to 4 th week	June 1 st week
August – 4 th week	September – 2 nd week	September - 3 rd week to 4 th week	October 1 st week
November – 3 rd week	Nov – 4 th week	Dec – 1 st week to 2 nd week	January 1 st week
Unit Responsible			
Admin Unit	MDB	Trustee, Admin Unit, MDB	Admin Unit