

CLIMATE INVESTMENT FUNDS

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Long-term SCF Administrative Costs and Funding Options

Table of Contents

Executive Summary.....	4
1. Introduction	8
2. Background	8
2.1 Benchmarking of SCF Administrative Costs	11
2.2 Governance features of SCF on funding of administrative costs.....	11
3. Forecast of Long-Term SCF Core Administrative Costs.....	12
3.1 SCF portfolio trends and assumptions	12
4. Projection of SCF costs – FY19-28	20
4.1 Administrative services	20
4.2 Country programming budget	31
4.3 Learning and knowledge exchange.....	32
5. Potential areas for further cost reductions	32
6. Funding Options SCF	33
6.1 Change in methodology for allocating costs across SCF programs	34
6.2 Use of SCF Trust Fund capital contributions as grants to address resource shortfall	35
6.3 Forecasted reflow profile and possible use of reflows from MDBs to cover resource shortfall	37
6.3.1 10-year Trust Fund Balance and Impact on SCF programming with the use of reflows	38
6.3.3 10-year Trust Fund Balance and Impact on SCF programming without the use of reflows	41
6.4 Attribution of costs between CTF and SCF.....	43

PROPOSED DECISION

Executive Summary

1. The Climate Investment Funds' (CIF) Strategic Climate Fund (SCF) serves as an overarching framework to support three targeted programs¹ to pilot new approaches with potential for scaled-up, transformational action in the context of poverty reduction aimed at a specific climate change challenge or sectoral response. The SCF provides opportunities for 58 countries to learn by doing and achieve sustainable development through financing for climate change mitigation and adaptation programs and projects. By partnering with developing countries, the SCF provides incentives to maintain, restore, and enhance carbon-rich natural ecosystems, and maximize the co-benefits of sustainable development and is already demonstrating tangible results.
2. When compared to other multilateral climate funds in the architecture the SCF delivers on its mandate very efficiently. In fact, the SCF efficiency ratio, measured as the ratio of project related administrative costs to total approved funding the SCF is the most efficient fund when compared to the GEF 5 and 6, LDCF, SCCF, Adaptation Fund and GCF. Even when the efficiency ratio is estimated as the ratio of total corporate and project related administrative costs to total approved funding, the SCF still remains the most efficient amongst those funds. Moreover, that efficiency increases as additional funding is channeled, with USD 1 billion of additional funding implying incremental annual costs of only USD 3.3 million.
3. The Strategic Climate Fund (SCF) Trust Fund Committee at its meeting held on December 11, 2017, requested the CIF Administrative Unit, working in collaboration with the MDBs and the Trustee, to undertake an analysis of the SCF administrative costs for the foreseeable future, based on the current SCF portfolio. Two costs scenarios were explored to do that:
 - i. *Scenario 1:* CIF Administrative Unit, MDBs and the Trustee thoroughly reviewed their projected annual administrative costs to fulfill the obligations of managing effectively the current SCF portfolio;
 - ii. *Scenario 2:* a reduction of the current semi-annual reporting cycle and the convening of the semi-annual Trust Fund Committee and Sub-Committee meetings, to annual reporting and annual Committee meetings was considered.
4. To deliver on a portfolio of approximately USD 2.5 billion and 201 projects, the Multilateral Development Banks (MDBs), the CIF Administrative Unit, and IBRD as Trustee, under costs scenario 1, have collectively projected a budget of USD 103.2 million for administrative services from FY19 to FY28 when the SCF portfolio is expected to reach completion². Under scenario 2, this amount is projected to decline to USD 92.8 million. Learning and knowledge activities are projected to represent a total of USD 6.2 million. In addition, the Trustee's long-term costs for FY29-FY60 are estimated to be USD 20 million with the costs for external audits over this same period being estimated at USD 12.5 million (total of USD 32.5 million).

¹ 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)

² "Completion" refers to closing/end disbursement for public sector projects, which is 77 percent of the SCF portfolio

Summary of SCF costs – FY19-60 (USD, million)

<i>Administrative costs</i>	Option 1	Option 2
Administrative Services	103.2	92.8
Country Programming budget	3.0	3.0
Learning and Knowledge Exchange	3.2	3.2
Trustee costs (FY29 - FY60)	19.7	19.7
Audit costs (FY29-FY60)	12.8	12.8
Total	141.9	131.5

5. The SCF Trust Fund Committee at its meeting held on December 11, 2017 also requested that the current analysis include the potential to review the attribution of administrative costs among the SCF programmes and between the SCF and CTF as well as the potential to use capital contributions and/or reflows to fund the long-term administrative costs of the SCF.
6. Paragraph 6.2 of the Standard Provisions of the SCF Contribution Agreements specify that Administrative Costs shall be applied first, against the investment income, and if that is insufficient, against each SCF program on a pro rata basis calculated based on the cash balance in each SCF Program. In preparing the SCF financial status reports in September 2017, a portfolio based approach was adopted that linked the allocation of administrative costs to the cash balance in each program based on anticipated cash transfers to MDBs each year, by program, until FY23. For the 5-year timeframe reviewed in the SCF financial status reports in September 2017, the share of administrative costs apportioned to the three SCF programs was calculated as PPCR: 4 percent; FIP: 77 percent; SREP: 19 percent.
7. Given that the methodology for apportioning administrative costs between the three SCF programs has a powerful influence on the ultimate resource availability within each program and the flexibility offered by the Standard Provisions of the SCF Contribution Agreements to use the pro rata share at any given time and apply it, not only to the relevant year in which the administrative cost allocation decision is made, but also to determining the allocations in subsequent years, an alternative approach has been considered in this analysis, namely, to keep the pro-rata share as of end of December 2017 static, and use this fixed percentage to allocate administrative cost in the long-term. The share of administrative costs apportioned to the three SCF programs using this approach was calculated as PPCR: 41 percent; FIP: 22 percent; SREP: 37 percent.
8. The next important element of the analysis was to estimate the extent to which the forecasted investment income would be able to fund administrative costs. The estimated investment income of approximately USD 24.4 million (including USD 11.1 million from the current balance in the Admin Account) will be insufficient to cover projected administrative costs. A cumulative shortfall of USD 78.8 million up to end-FY28 was estimated. Additionally, the costs for Trustee and audit expenses from FY29-FY60, estimated at USD 32.5 million, take that shortfall up to FY60 to USD 111.3 million.

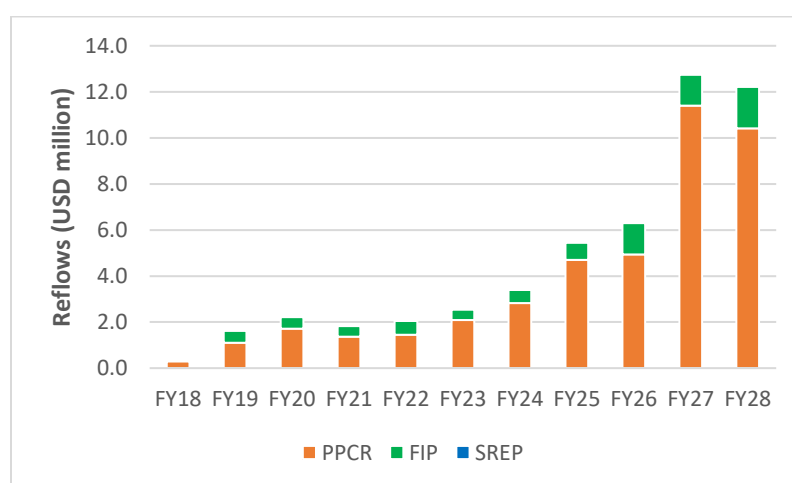
Administrative expenses and investment income allocation³ (USD, million)

		FY19	FY20	FY21	FY22	FY23	FY24	FY25	FY26	FY27	FY28	Total (FY19-28)
Projected Investment Incomes		14.0	5.6	2.5	1.2	0.8	0.3	-	-	-	-	24.4
Projected Admin Expenses		13.4	12.9	12.0	11.1	10.8	10.1	8.8	8.4	8.1	7.6	103.2
Difference between Investment income and Admin Expenses		0.6	(7.3)	(9.5)	(9.9)	(10.0)	(9.8)	(8.8)	(8.4)	(8.1)	(7.6)	(78.8)
	FIP	0.1	(1.6)	(2.1)	(2.2)	(2.2)	(2.2)	(1.9)	(1.8)	(1.8)	(1.7)	(17.3)
	PPCR	0.2	(3.0)	(3.9)	(4.1)	(4.1)	(4.0)	(3.6)	(3.5)	(3.3)	(3.2)	(32.5)
	SREP	0.2	(2.7)	(3.5)	(3.6)	(3.7)	(3.6)	(3.2)	(3.1)	(3.0)	(2.8)	(29.0)

Source: SCF Trustee Report, December 31, 2017, and reporting from MDBs and CIF Administrative Unit

9. Following a review of all contribution agreements and supplemental contribution agreements and consultation with contributors, the Trustee determined the possibility for GBP 34.8 million of the UK's capital contributions (USD 53.1 million equivalent) to be available to be used as grants. Based on the review of the agreements, these resources translate into the possibility of an additional USD 24.5 million in grants to be made available for PPCR, and USD 26.8 million for SREP.
10. An analysis of reflows from SCF loan, guarantee and equity projects was also undertaken to assess their potential to provide reflows to the Trust Fund and add to future available resources. The MDBs (as of October 2017) have received internal approvals for USD 518.7 million of SCF non-grant resources for projects (Public sector: USD 407.3 million, Private sector: USD 111.4 million). From those non-grant projects, after deducting 15% of expected credit losses, USD 454.2 million of reflows (principal repayments: USD 440.9 million, interest repayments: USD 13.3 million) are expected by FY60. According to the Standard Provisions of the SCF Contribution Agreements, Trust Fund Committee approval would be required to "recycle" reflows so that they may be used to address the funding shortfalls facing the SCF.

10-year forecast of the annual reflows (total of principal and interest) by Program



³ Allocated according to the percentages in Table 5

11. By looking at all these elements of the analysis and its potential impact on the portfolio of the different SCF programs the following conclusions were drawn:

- The use of reflows would imply no resource shortfall on the PPCR or SREP sealed pipelines and a USD 23.9 million grant shortfall in the FIP under costs scenario 1.
- If the use of reflows is not permitted by the TFC all SCF programs would face grant resources shortfalls which could impact the respective pipelines as follows: between USD 37 million to USD 39.3 million in FIP; between USD 25.4 million to USD 29.7 million in PPCR (which would mean that SREP and FIP would need to fund some of PPCR's administrative costs) and up to USD 3.8 million in SREP.

Impacts of options to support the long-term administrative costs of SCF while minimizing the impacts on the portfolio by program, FY19-FY60 (in USD million)

	FIP		PPCR		SREP	
	Cost scenario 1	Cost scenario 2	Cost scenario 1	Cost scenario 2	Cost scenario 1	Cost scenario 2
Without use of reflows	(39.3)	(37.0)	(29.7)	(25.4)	(3.8)	0.1
With use of reflows	(23.9)	(21.7)	8.4	11.5	8.8	12.6

1. Introduction

1. The Strategic Climate Fund (SCF) Trust Fund Committee at its meeting held on December 11, 2017, requested the CIF Administrative Unit, working in collaboration with the MDBs and the Trustee, to undertake an analysis exploring possible options to finance administrative expenses of the SCF, including cost reductions, where possible.
2. The SCF committee requested a full analysis of:
 - i. Potential available resources in each of the SCF programs and current pipeline for each SCF program;
 - ii. Forecasted reflow profile and possible use of reflows from MDBs for administrative expenses;
 - iii. Possible use of SCF Trust Fund capital contributions to cover administrative expenses; and
 - iv. Exploration of all other possible options for financing administrative expenses and costs reduction, where available, and attribution of administrative expenses amongst the SCF programs and between the SCF and the CTF.

2. Background

3. The Climate Investment Funds' (CIF) SCF serves as an overarching framework to support three targeted programs⁴ to pilot new approaches with potential for scaled-up, transformational action in the context of poverty reduction aimed at a specific climate change challenge or sectoral response. The SCF provides opportunities for 58 countries to learn by doing and achieve sustainable development through financing for climate change mitigation and adaptation programs and projects. By partnering with developing countries, the SCF provides incentives to maintain, restore, and enhance carbon-rich natural ecosystems, and maximize the co-benefits of sustainable development.
4. The earliest program of the SCF, the Pilot Program for Climate Resilience (PPCR), has committed 89 percent of its USD 1.2 billion funding to 73 projects⁵ in 18 countries and regional programs⁶. More than one third of these resources have been disbursed and are supporting the delivery of concrete results in these 18 developing countries. Through Strategic Programs for Climate Resilience⁷ (SPCRs), the PPCR is helping developing countries and regions to build their resilience to the impacts of climate change. Of the 73 projects in the PPCR portfolio, seven projects are under the PPCR private sector set-aside (PSSA). The final two PPCR projects have been submitted for review by the PPCR Sub-Committee.

⁴ The SCF encompasses three Programs: Forest Investment Program (FIP), Pilot Program for Climate Resilience (PPCR), and Scaling-Up Renewable Energy Program in Low Income Countries (SREP)

⁵ Calculating additional financing projects as individual projects. Total PPCR projects inclusive of additional financing is 66.

⁶ Data as of December 31, 2017. Committed indicates Sub-Committee approval.

⁷ The investment planning process of the PPCR culminates in the preparation of the Strategic Plan for Climate Resilience (SPCR).

5. A total of 33 projects have started to deliver and report results and these projects have so far supported countries to mainstream adaptation and climate resilience in development planning and sector plans, improve the capacity to make use of climate data and information for planning and decision making, develop tools and models for climate risk assessments, implement climate-smart agriculture and natural resources management approaches and integrate adaptation measures in infrastructure design, particularly in the transport, water and energy sectors. With the lessons and knowledge from maturing PPCR projects, the PPCR is poised to continue to identify additional good practices and impact stories on climate change adaptation and make this widely available, not only to PPCR countries, but to countries worldwide.
6. In 2009, the Forest Investment Program (FIP) was approved to support developing countries' efforts to reduce emissions from deforestation and forest degradation by providing scaled-up financing for readiness reforms and public and private investments. The FIP was also established with the goal of contributing to other benefits, such as poverty reduction, protection of the rights of indigenous peoples and local communities, and biodiversity conservation. The FIP has committed 61 percent of its USD 740 million funding to 34 projects in 10 countries⁸. Out of this total number of projects, 16 projects with an indicative endorsed allocation of USD 80 million are under the Dedicated Grant Mechanism for Indigenous Peoples and Local Communities (DGM), a unique and highly recognized program in the international climate finance architecture.
7. Out of the 22 projects under implementation 18 are delivering important results including an estimated reduction or avoidance of greenhouse gases (GHG) emission of 11.71 MtCO₂e, more than one million people receiving livelihoods co-benefits, and a coverage area of 31 million hectares. As the FIP portfolio continues to mature, more projects are becoming effective and starting to report on their implementation achievement as well as challenges. This creates an opportunity for knowledge sharing within and between countries, as well as transfer of lessons learned to new pilot countries.
8. To demonstrate the social, economic, and environmental viability of low carbon development pathways in the energy sector, the Scaling Up Renewable Energy in Low Income Countries Program works to create new economic opportunities and increase energy access through the production and use of renewable energy. The SREP, has committed 65 percent of its USD 760 million funding to 40 projects in 16 countries of which six are project concepts under PSSA with an indicative endorsed allocation of USD 87.3 million^[1]. The USD 760 million fund is expecting to leverage USD 2.5 billion in co-financing from other sources such as multilateral development banks^[2] (MDBs), and bilateral partners.

⁸ Data as of December 31, 2017. "Committed" indicates Sub-Committee approval

^[1] Ibid.

^[2] The CIF implementing multilateral development banks include: Asian Development Bank (ADB); African Development Bank (AfDB); European Bank for Reconstruction and Development (EBRD); Inter-American Development Bank (IDB); International Finance Corporation (IFC); and the International Bank for Reconstruction and Development (IBRD)

9. SREP has been contributing to the global energy access agenda in several ways. Through a strategic partnership with the Energy Sector Management Assistance Program (ESMAP), SREP supported the development of the Regulatory Indicators for Sustainable Energy (RISE) scores. RISE scores are organized by the three pillars of the SE4All initiative: Energy Access, Energy Efficiency, and Renewable Energy; and helps compare national policy and regulatory frameworks for sustainable energy in 111 countries, representing 96 percent of the world's population. Most importantly, RISE identifies gaps where further action is most critically needed.
10. Mini-grids hold great promise for potentially 40% of the world's poor, living in villages that are typically too remote to be feasibly reached via grid extension in the near term. Mini-grids make up a significant part of the SREP portfolio with more than USD 200 million allocated to mini-grid projects in 14 countries. Another ESMAP-SREP partnership provides capacity building to operationalize mini-grids for timely access to electricity. Through three workshop-study tours organized since mid-2016 until end 2017, over 250 officials and representatives SREP recipient countries had the opportunity to dig deeper into the economic, financial, technical, policy, regulatory, institutional, and social aspects of clean energy mini-grids.
11. Another special initiative supported by SREP, the Multi-Tier Access Framework (MTF), measures progress of 11 SREP countries toward reaching the goal of universal access to modern energy services. SREP countries with the largest access deficits were selected to participate in the MTF surveys to establish a baseline for the SE4ALL universal access to energy goal. Several countries, as Kenya, Rwanda and Cambodia have already completed data collection and analysis, to be used in planning and policy development.

2.1 Benchmarking of SCF Administrative Costs

12. Historically the SCF implementing entity efficiency ratio, measured in similar ways as other international climate funds in the architecture⁹, has been 5 percent, making it the most efficient fund of that universe of funds (see table 1 below). If the efficiency ratio were to be adjusted to include the total corporate and project related administrative costs for delivering the program¹⁰, the SCF at 7 percent would still remain the more efficient fund in that architecture. In addition, as noted in the December 2017 analysis of implementation scenarios and forecasts of SCF administrative costs, efficiency increases as additional funding is channeled to developing countries through SCF as a funding vehicle. This analysis showed that USD 1 billion of additional funding implied incremental annual costs of only USD 3.3 million.

Table 1: Benchmarking SCF MDB costs¹¹

CIF – Strategic Climate Fund*	5%
Global Environment Fund 5 and 6	9.5%
Least Developed Countries Fund**	8.8%
Special Climate Change Fund	8.8%
Adaptation Fund	7.3%
Green Climate Fund	8.5%

* MDB average - FY08-FY18

** Implemented by the GEF

2.2 Governance features of SCF on funding of administrative costs

13. The SCF Governance Framework Document establishes in its clause 52 that the CIF Administrative Unit, the MDBs and the Trustee will submit to the SCF Trust Fund Committee its administrative cost estimates and other activities agreed to be provided for the upcoming fiscal year on an annual basis, for approval. Upon approval, the Trustee may transfer such amounts to the MDBs and CIF ADMINISTRATIVE UNIT from the applicable Trust Fund resources; provided that the amounts of compensation will be subject to an end of year adjustment based on actual costs incurred.
14. Clauses 56 and 53 of the SCF Governance Framework Document recognize the intent during the design phase of the CIF of having the SCF contribute to the international climate goals in an interim basis until a new effective financial architecture would be in place; and indicate that when a decision to cease making allocations of funding would be made, prior to the termination of the SCF Trust Fund, each the CIF Administrative Unit, the MDBs and the Trustee could submit to the SCF Trust Fund Committee (TFC), for approval, an estimate of costs for the administrative services and other activities to be provided until the termination of the SCF Trust Fund.

9 Project related administrative costs as a ratio of total program/projects approved funding.

10 This includes historical admin costs for MDBs, CIF Administrative Unit, and Trustee, Country Programming Budget, Special Initiatives, CIF learning and knowledge exchanges, and MDB Project Implementation Services, from inception to FY18.

11 Source: WRI – The Future of the Funds, 2017 (pgs. 72-77)

15. In the specific case of the Trustee, as articulated in clause 57 of the SCF Governance Framework Document, it was envisaged, in accordance with the Contribution Agreements, that the Trustee would continue to administer the Trust Fund after the cessation of allocation by the TFC in order to provide continued financial reporting and receive in the Trust Fund any reflows of funds from outstanding SCF financing.
16. These design features seem to indicate the expectation that the approval of a proposal for recovery of costs for the administrative services and other activities to be provided until the termination of the SCF Trust Fund would be made while the SCF Trust Fund would still have significant trust fund balances such that it could support the full and effective delivery of the SCF by funding the necessary administrative services.
17. Given the low interest rate environment since the establishment of the SCF post 2008 financial crisis and the reliance on contribution payments in the form of Promissory Notes which do not earn investment income until they are encashed, the SCF has also earned lower than expected investment income and has not been able to fully cover administrative costs with its investment income. With the gradual decline in cash balances in the Trust Fund as funds are depleted and transferred out to MDBs for projects, resulting in a declining balance available to invest, investment income will also not be able to service administrative costs in the foreseeable future (see Table 7).
18. In this context it is critical that the SCF TFC makes a decision on how to fund the administrative services required to effectively deliver the current level of funding and programming under the SCF before the remaining balances in the Trust Fund are fully committed. In order to facilitate such a decision, the CIF Administrative Unit, in collaboration with the MDBs and the Trustee has estimated administrative costs until the current expected termination date of the Trust Fund in 2060 and elaborated on funding options, presented for consideration below.

3. Forecast of Long-Term SCF Core Administrative Costs

3.1 SCF portfolio trends and assumptions

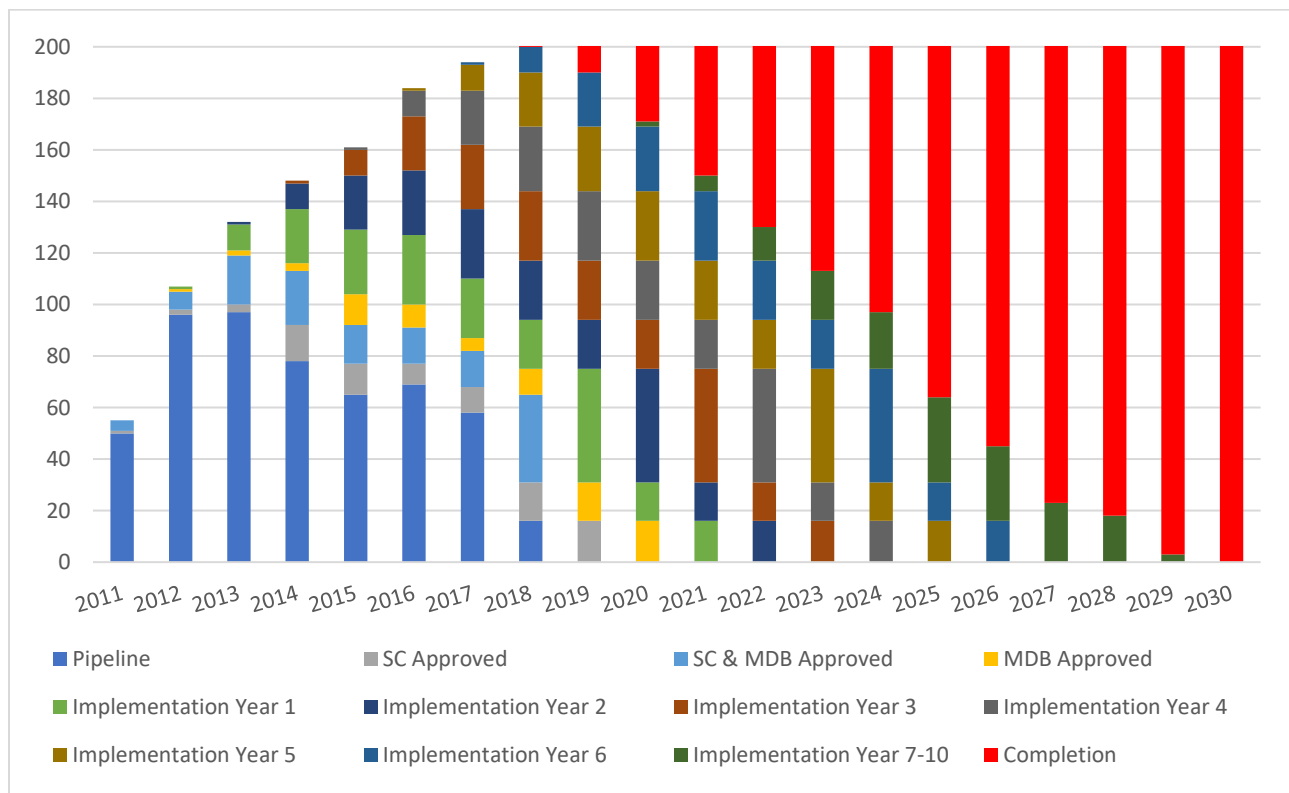
19. A two-pronged approach was adopted to undertake this analysis of long-term SCF administrative resource needs and how to fund them: (a) an analysis of forecasted costs for the next ten years (FY19-28)¹² to support the services provided by the CIF Administrative Unit, MDBs and Trustee¹³ as well as the forecasted costs for the Trustee to provide its services from FY20 to FY60, and (b) a review of legal modalities to allow various options to fund administrative costs, and their impact on the SCF portfolio. While the primary focus will be on administrative services as the largest portion of the CIF budget, the analysis also provides estimates of country programming budget, and the forecasted cost of convening pilot country meetings.

¹² Fiscal Year (FY) refers to the Trustee fiscal year (July 1 to June 30).

¹³ This analysis covers projected SCF expenses until all obligations related to the current project portfolio and pipeline have been delivered in full by CIF Administrative Unit, MDBs and Trustee and assuming that there are no new donor contributions.

20. Over the last eight years, the SCF portfolio has grown to 201 projects¹⁴ with 86 percent of projects in implementation. The analysis assumes an implementation period of 6 years for public sector projects and 10 years for private sector projects. While completion in public sector project means end of disbursement or legal closing, private sector projects adopt a different approach. Completion in that case means end of repayment from private sector partners, which may extend beyond the disbursement period. Figure 1 defines the “pipeline” as projects awaiting Sub-Committee approval and provides a graphic presentation of the portfolio until completion of implementation, envisaged by FY30.
21. As observed below, 5 percent of the SCF portfolio (11 projects), will be completed in FY19. The completion rate by FY23 increases to 44 percent, and 91 percent by FY28. These are important metrics, as they provide a basis for contemplating the activities required to manage the SCF portfolio during the FY19-28 period. It is also important to note that SCF portfolio is estimated to reach its mid-point between FY20-21. This mid-point is the period when the entire SCF portfolio will be mid-way through implementation, and preparing mid-term reviews, or other equivalent analysis.

Figure 1: Implementation timeline of the SCF portfolio



¹⁴ This analysis does not include the 12 FIP and PPCR Investment Plans that do not have indicative funding. SREP Investment Plans that will not have indicative funding are not included.

22. As the current SCF portfolio moves increasingly towards implementation, investment planning and project preparatory activities of that portfolio will decline, and will eventually be concluded by FY21. In the implementation stage, activities related to monitoring and reporting progress on results for over 200 projects, as well as generating and communicating knowledge, are considerable. The efforts related to gender mainstreaming, risk management, governance, and engagement of the wide range of stakeholders in the programmatic process of implementing investment plans are equally significant. FY18-28 represent the years where the current SCF implementation activities come to a peak, as the portfolio moves gradually towards completion. These are the years where the ambitious targets set by the SCF will be monitored for achievement and recalibrated where necessary.
23. The following section describes the expected outputs, deliverables, and activities required to fulfil the mandate of the SCF.

1. Monitoring and reporting

24. The goal of the CIF's monitoring and reporting (M&R) system is to generate, aggregate, synthesize, analyze, and report data across countries and programs to demonstrate results. It is critical for tracking programmatic performance, ensuring accountability, and improving ongoing decision-making through learning. The M&R systems in the SCF are distinct from the MDBs' project-level results reporting frameworks, which report output and outcome data through individual sets of project-specific indicators.
25. The SREP annual results monitoring and reporting is undertaken by MDBs in collaboration with SREP country focal points and project management units. Once the projects are underway, MDBs are responsible for liaising with task teams to obtain results and completing the SREP M&R tables for each project with the updated values on an annual basis. The CIF Administration Unit is responsible for data collection, compilation, and analysis, and preparation of the SREP Operations and Results Report.
26. The FIP and PPCR follow a slightly different approach. Since 2012, both the CIF Administrative Unit and MDBs have supported PPCR and FIP countries to develop participatory, country-led M&R systems. The purpose of these M&R systems is to track progress towards climate resilience and sustainable forestry at the national level, as well as to monitor, report, and learn from the implementation of the multiple PPCR and FIP activities taking place through pilot countries' projects and programs.
27. These systems capture an aggregate level of results for PPCR and FIP activities at the country, regional, and fund levels. Beyond aggregation, the design of the PPCR and FIP M&R system is rooted in the desire to maintain the inclusive, programmatic thrust of the SPCRs and FIP investment plans throughout the implementation of the projects and programs that fall under their umbrella.

28. The PPCR and FIP M&R systems also serve a unique stakeholder engagement function through the hallmark annual scoring workshops that are carried out as a core component of the systems. Once per year, each country invites government institutions from national, sub-national, and local levels, and representatives from civil society, indigenous groups, academia, and the private sector to come together to discuss progress made on the implementation of the SPCR or FIP investment plan, share lessons learned, and identify feasible solutions to the challenges encountered.
29. Unlike traditional M&E systems, which rely on internal data feedback loops between project implementers and project managers/donors, the PPCR and FIP M&R systems are embedded in multi-dimensional knowledge and policy contexts that encourage the collective production and usage of M&R data by a broad group of stakeholders inside, across, and outside government. For example, among the 14 PPCR pilot countries that were surveyed in 2017, an overwhelming 13 countries stated that they had used their M&R system for capacity-building, 12 countries for learning, nine countries for knowledge generation, and nine countries for decision-making¹⁵. Many countries also leverage the scoring workshops as a platform to inform national policy discussions, produce independent reports, and promote accountability amongst peers.
30. Efforts have begun to adopt a similarly robust approach in SREP. The stock-taking exercise currently underway in SREP, seeks to enhance the effectiveness, utility, and relevance of the monitoring and reporting system for SREP. The toolkit underscores the fact that significant progress on the core indicators occurs near or at project/program completion. This generates an interim data gap throughout the implementation of SREP. The toolkit recommends actions that address this and other difficulties to improve results reporting in SREP.
31. Core tasks in M&R include: (a) programmatic level participatory stakeholder annual result reporting, supported by annual interim results reporting, which provides progress on interim programmatic results, (b) programmatic M&R capacity building at country level, which is especially important in year 1-2 of project starting up as it sets up the participatory stakeholder M&R systems, (c) project level results reporting, and (d) analytical work on MTRs and ICRs, e.g., country level program evaluations (at mid-term and end).
32. Assuming no additional funding to the SCF, the role of M&R will follow the curve of the current SCF portfolio and therefore increase over the next eight years as compared to the baseline year of FY18. It is important to note that the reporting cycle has an almost two-year lag, which means that in 2018, results for 2016 will be reported. In general, results reporting is moving from a descriptive to an analytical approach as the implementation across the SCF portfolios progresses.

¹⁵ Stocktaking Review of the PPCR Monitoring and Reporting System, June 2017, pg. 11

II. Stakeholder engagement

33. Stakeholder engagement in the CIF has been recognized as a model to other climate finance organizations by different evaluation reports including the various Transparency International Climate Funds Assessment reports. The CIF has successfully initiated and managed new and strategic initiatives that would accelerate the momentum of the CIF and have long-lasting and strategic impacts in the landscape of climate finance at large. The stakeholder engagement activities in the SCF are focused at governance, country and project levels.
34. Governance-level stakeholder engagement focuses on maintaining constructive relationships with stakeholders at the global and regional levels. This includes providing stakeholders with accessible and inclusive means to engage with the relevant communities of stakeholders prior and after the CIF governing bodies, raise issues and concerns at those meetings and maintain a full engagement in the governance structure. Some of the key services provided in this context include a help-desk service to CIF observers, as well as organizing global and regional key stakeholder events to support sharing of lessons, coordination, and for promoting transparency and accountability.
35. With the launch of the Stakeholder Advisory Network (SAN) in Marrakesh at the 2016 United Nations Climate Change Conference (COP 22), the SCF has a united front to coordinate the work of non-state actors at the country, regional, and global levels and ensure climate governance is inclusive, participatory, transparent, and accountable at all levels of climate decision-making. As a convener, the SCF supports the establishment of an independent community of non-state actors. There are no equivalent networks that would specifically address climate finance across all funds. The SAN network-of-networks is the first of its kind to connect the dots across funds and identify and promote best practice specific to stakeholder engagement in climate finance.
36. The global level stakeholder engagement also includes the CIF continued support for the implementation of the Stakeholders Advisory Network on Climate Finance (SAN)¹⁶ in particular, the establishment of national chapters of the SAN in CIF countries to ensure continuous and reliable engagement and support as well as efficient and effective use of resources to meet the needs of those most vulnerable to climate change.
37. Country-level stakeholder engagement is required to safeguard the programmatic nature of the CIF, public ownership of investment plans and programmatic results. Stakeholder engagement activities at the country level are managed and coordinated by the CIF Administrative Unit in collaboration with the MDBs. This also includes directly managing activities focused at ensuring participatory monitoring and quality assurance result reporting in M&R.
38. Project-level stakeholder engagement is required throughout the project life cycle including in the project closing phase. The CIF Administrative Unit, in collaboration with MDB focal point teams, provide overall coordination and support for activities, such as stakeholder identification and analysis and assessment of stakeholder interest to ensure that stakeholders' views are considered in project implementation. For SCF countries, project-level stakeholder engagement continues and is coordinated in country by the country focal point.

¹⁶ The SAN serves as a united front to coordinate the work of non-state actors at the country, regional, and global level and ensure climate governance is inclusive, participatory, transparent, and accountable at all levels of climate decision-making.

III. Evaluation, Knowledge management and Learning

39. With a maturing SCF portfolio, there is increased potential to generate, share and promote utilization of knowledge and lessons. The MDBs and the CIF Administrative Unit will use various methods and approaches to capture knowledge and develop operationally relevant and demand-driven knowledge products. These include technical sector or thematic knowledge products, case studies and results reports, strategic positioning papers, evaluation and learning reports and briefs, videos, and e-learning courses.
40. The Evaluation and Learning (E&L) Special Initiative which was operationalized in FY17, is an important mechanism for generating and capturing knowledge and lessons learned. It allows the CIF and its partners to commission and undertake important evidence-based learning on key themes that can significantly improve programming and investment decisions for the CIF and other actors. The SCF, comprising the largest of the CIF portfolio, provides opportunities to capture relevant learning, particularly as the portfolio mature.
41. The MDBs and the CIF Administrative Unit also focus on disseminating and sharing CIF knowledge, and promote its utilization by translating key products into bite-sized practical learning for countries and the climate financing community at large. There is also increasing opportunities to share results and beneficiary stories. The evidence-based learning and knowledge generated from the E&L Initiative will be widely shared at key climate finance events, briefings and dissemination workshops.
42. 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. CIFnet¹⁷ which is under development will also be a key feature of knowledge management in the future. It's envisaged as an online platform that will facilitate a CIF-wide community of practice bringing together pilot countries and key stakeholders to share knowledge and learn from each other beyond the pilot country meetings and learning events. It will foster greater knowledge sharing, group problem-solving, ready access to assistance, peer support across the network, spur innovation and improve engagement.
43. Over the next 10 years, the SCF knowledge management will focus on leveraging the CIF network for knowledge exchange and joint learning, regional dialogues, including South-South, within and across MDBs, and with external partners, all of which will make up a significant budget driver in the projected period. The CIF will also proactively engage key think tanks, networks, experts and initiatives in the SCF areas of work to leverage their expertise and share our knowledge and lessons.

¹⁷ CIFnet is a knowledge management initiative of the CIF, under development. It is an online Community of Practice that will bring together the CIF community to share knowledge and learn from each other. The platform will have program focused spaces for facilitated thematic discussions. The CIFnet will be operational by the end of FY18.

44. As more CIF projects are completed, it is important to define the scope of evaluative activities to capture lessons learned. It is also important to note that the E&L Initiative is currently a special initiative and expected to end by FY20, and as such it is recommended to extend the initiative for a further two years to capture lessons as additional projects are implemented. Completed projects are expected to account for half of the SCF portfolio by FY24. The evaluative function would provide the basis for analysis of MDB completion reports which could inform program level evaluations¹⁸.

IV. Gender mainstreaming

45. The CIF is committed to gender mainstreaming and enhancement of gender-equality outcomes across its programming and operations. Since 2014, the CIF has been implementing the CIF Gender Action Plan¹⁹, and its successor, the CIF Gender Action Plan – Phase 2²⁰, to advance enhanced gender outcomes across the CIF portfolio via knowledge generation, technical support, and program learning, in support of a gender-transformative goal of women's improved asset position, voice and livelihood status through access to benefits from CIF-funded investments.
46. While gender mainstreaming and safeguard provisions continue at the project level, led by MDBs, a deepened effort on gender-transformative support by the CIF partnership is underway. It aims at providing technical support and learning on gender for CIF investment plans and projects and generating new sector-specific knowledge and tools on gender for application to CIF programs. The Phase 2 Gender Action Plan includes more systematic efforts to institutionally embed gender monitoring and learning, while extending sector-specific technical assistance to countries and MDBs upon request.
47. Approval of the CIF Gender Policy in January 2018 formally mandated support for gender-inclusive country ownership processes, women's participation and representation of their interests in CIF governance mechanisms, and an enhanced focus on technical support, processes, and outcomes using a gender-transformative lens.
48. Implementing these policy requirements and enhancements will necessitate adequate staff resources for the program and an attention to capacity-building, monitoring of impact, and more gender-inclusive stakeholder engagement. This is tied also to objectives of the Phase 2 Gender Action Plan to deepen gender-responsive M&R processes; maintain external engagement and global dialogue on gender and climate; strengthen learning and lessons-sharing; and extend the analytical, evaluative, and technical support elements of CIF's gender agenda, as implemented by CIF ADMINISTRATIVE UNIT and MDBs in particular. Roll-out of the policy and its socialization, particularly through FY22-23, will necessitate a slight budget increase under the gender heading, before the gender allocation gradually decreases in subsequent years of the planning period leading to deeper cuts by FY26-28.

¹⁸ It is important to note that costs associated with the extension of the E&L special initiative were not included in the forecasts presented in this document.

¹⁹ CIF Gender Action Plan - CTF-SCF/TFC.12/7

²⁰ CIF Gender Action Plan, Phase 2 - CTF-SCF/TFC.16/Rev.1

49. The CIF Administrative Unit and MDBs work jointly on the above functional areas, with the CIF Administrative Unit to date supporting more directly the learning, knowledge and monitoring agendas, while MDBs work more directly with country and MDB teams on preparation and implementation of investment plans and projects. The above notwithstanding, both the CIF Administrative Unit and MDBs also contribute in part to other functional areas and these contributions are expected to deepen on both sides as the Gender program matures. Both the CIF Administrative Unit, MDBs have dedicated gender mainstreaming budgets, which are used for both fixed and variable cost items necessary for delivery of the programs.

V. Risk management

50. In addition to maintaining the risk dashboards, which facilitate risk analytics, the risk management function will continue identifying, assessing, monitoring the SCF's exposures to key strategic, operational, financial, and other risks, and reporting these risk management efforts to the SCF Trust Fund Committee and Sub-Committees.
51. The risk management function has evolved in line with the maturation of the SCF. This evolution will continue to focus efforts on additional key risk exposures that are relevant to each SCF program's stage of development. Presently, the assessment and reporting on resource availability risk, as well as the currency risk associated with the unencashed promissory notes have been the key areas of focus of SCF risk reporting. These risks are assessed via the Pipeline Management Policy for each SCF program, as well as the current efforts to address the funding of the SCF's future administrative costs. As the outstanding promissory notes are encashed, these areas should become less relevant.
52. Now that all programs have entered the project implementation stage, assessing and reporting project-level implementation risk is essential to ensure that the SCF Trust Fund Committee and Sub-Committees are kept informed of threats to project implementation. This reporting also serves as an early warning system to alert the governing bodies of reputational implementation risks, to allow them to monitor efforts aimed at resolving issues, when they arise. The need to monitor and report on these exposures will persist for an extensive period into the future.
53. Additionally, the risk management team is implementing a fraud and corruption risk management framework to establish protocols with the MDBs for sharing the necessary information to monitoring this risk. As instances of fraud are identified, the team will liaise with the corresponding MDB contact for the potentially affected project to assess the likely impacts on the project, and to monitor the situation. The results of this monitoring activity would be provided in the risk dashboards and to the SCF Sub-Committees semi-annually. In a scenario where the reporting timelines to the Sub-Committee change, the frequency of reporting may change, but the activities associated with collecting risk related information, and the role of risk reporting for both MDBs and CIF Administrative Unit will not decrease until the SCF portfolio is fully completed.

54. Current credit risk assessment, monitoring, and reporting efforts have been limited to the CTF, as the only CIF program to receive loan contributions. However, if the SCF proceeds to allow the use of reflows to address its resource availability issues, credit risk will need to be assessed, monitored, and reported for the SCF as well.

VI. Governance and portfolio management

55. The governance and portfolio management function related to the SCF includes all activities involved in supporting the SCF Sub-Committees, convening Committee meetings, selection and orientation of Sub-Committee members and observers, CIF Administrative Unit support towards approval of SCF projects and programs, collaborating towards the development and update of CIF policies, decision making as part of the MDB Committees, collaboration towards developing systems and using technology to achieve efficiency in SCF operations, and undertaking any analysis requested by the SCF Trust Fund Committee or Sub-Committees.
56. Costs related to governance and portfolio management will not change significantly if the status quo is maintained. However, if meeting and reporting frequency is reduced, lowering costs would be associated with fewer requirements for portfolio reporting and fewer Committee meetings.
57. The benefits of automation will be evident over time in this category of administrative services. It is expected that the CIF Collaboration Hub²¹ will be expanded to automate results reporting, allow for restructuring, other “second-level” approvals or changes to the existing SCF portfolio, and other upgrades such as automation of the annexes included in the Financial Procedures Agreements.

4. Projection of SCF costs – FY19-28²²

58. Delivering on the mandate of the SCF, as outlined above, requires resources. This section provides a summary of the projected costs to achieve the current mandate of the SCF. Based on the CIF budget structure, these costs are projected for administrative services, country programming budget, and learning and knowledge exchange.

4.1 Administrative services

59. 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 SCF. These costs represent the largest portion of the CIF’s annual administrative budget (95 percent of the approved FY18 budget) with the majority of costs being fixed costs (on a short-term perspective) to fund staffing levels. To enhance clarity, administrative costs can be viewed through the lens of these four broad perspectives:

²¹ The CIF Collaboration Hub is an online platform for CIF approval by mail, portfolio monitoring, risk management and other functions. Its first phase was launched in December 2017.

²² Costs presented in this section are nominal and, therefore, not adjusted for inflation.

- **Programming costs:** To support the CIF programmatic approach, these costs relate to preparation, quality review, endorsement, implementation, and monitoring of investment plans. Programming costs are incurred at the investment plan preparation and endorsement stages, but they also continue during investment plan implementation to ensure that MDBs and the CIF Administrative Unit support country based, participatory monitoring and reporting, stakeholder engagement, knowledge management, and gender mainstreaming.
- **Project-cycle related costs:** These include costs for project identification, preparation, approval, implementation, and completion. While these are primarily covered by the MDB Project Implementation Services (MPIS)²³, certain aspects concerning monitoring, reporting, knowledge management, risk reporting, and gender mainstreaming are in the purview of the MDB focal point team and the CIF Administrative Unit.
- **Corporate activities:** MDBs, IBRD as Trustee, and the CIF Administrative Unit play a critical role in ensuring the implementation of decisions of the Trust Fund Committee and Sub-Committees, preparation of and participation in MDB Committees, contributing to CIF learning, and promoting CIF approaches, and supporting quality control of CIF-funded activities.
- **Trustee:** There are costs relating to financial management, investment management, legal services, accounting services, and reporting provided by IBRD as Trustee to the CIF.
- **Audits:** The MDBs and Trustee all prepare audited financial statements for the respective trust funds established by the MDBs and Trustee respectively.

60. Future administrative services costs of the SCF were analyzed based on two possible operating scenarios:

61. **Scenario 1:** As a baseline, this option considers what costs would be necessary to manage the current SCF portfolio. While constantly seeking efficiencies, which are included in this scenario, it essentially maintains the status quo of current SCF operations, and defines the true cost of managing the portfolio of over 200 projects. In this scenario, costs for supporting policy and governance of the CIF, knowledge management, monitoring and reporting, stakeholder engagement, gender mainstreaming, and risk management will not reduce significantly between FY19 and FY22. These costs will, however, reduce over time and will follow the trajectory of the SCF portfolio. Resources related to monitoring and evaluation, and the crucial pieces of knowledge will continue until FY28.
62. **Scenario 2:** This policy option considers the estimated SCF portion of the cost savings associated with one reporting cycle and one set of Trust Fund Committee and Sub-Committee meetings per year. If considered, this option will reflect cost-savings beginning in FY20 in view of previously approved schedule for the discussions on the sunset of the CIF. Savings under this scenario will result from reduced support to policy development and governance issues.

²³ MPIS under targeted SCF programs – sources of funding and implementation arrangements

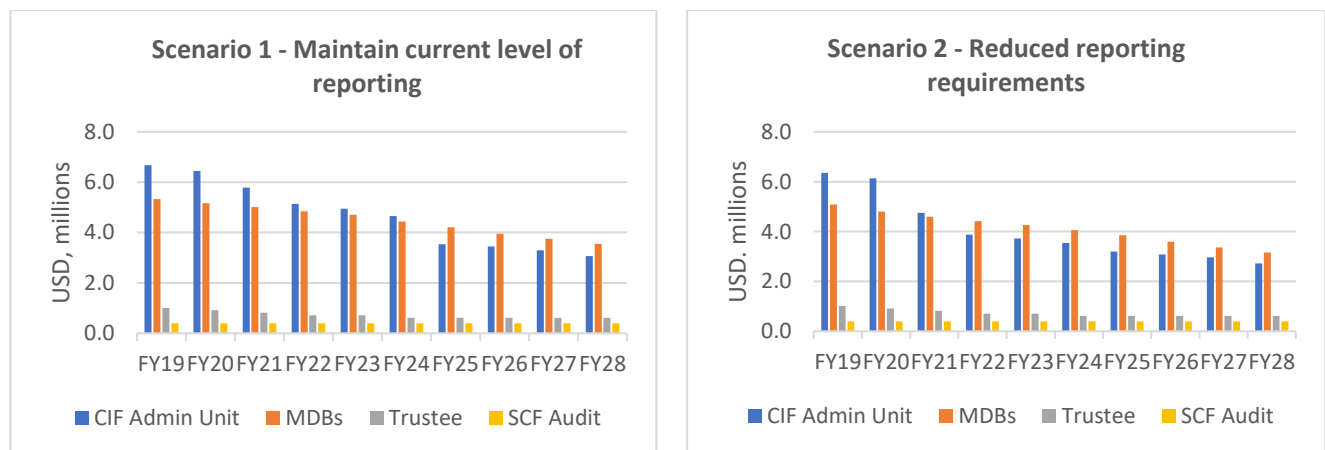
63. For each of the scenarios foreseen in this analysis, a summary of the SCF costs from FY19 to FY28 are indicated in Table 2. After full portfolio completion, it is not expected that further SCF costs will be required for the CIF Administrative Unit and the MDBs. Trustee and audit expenses will continue until FY60 when the last SCF reflows are expected based on the portfolio of projects currently under implementation. Trustee and audit costs from FY29 to FY60 are estimated to be USD 32.5 million.

Table 2: Summary of SCF costs – FY19-60 (USD, million)

<i>Administrative costs</i>	Option 1	Option 2
Administrative Services	103.2	92.8
Country Programming budget	3.0	3.0
Learning and Knowledge Exchange	3.2	3.2
Trustee costs (FY29 - FY60)	19.7	19.7
Audit costs (FY29-FY60)	12.8	12.8
Total	141.9	131.5

64. As noted above, projected costs for the Trustee are expected to be largely the same under scenarios 1 and 2 as the Trustee is required to maintain the same minimum level of service as funds decline over time. Overall costs for the SCF are shown in Figure 2.

Figure 2: Overview of SCF administrative services



4.1.1 The CIF Administrative Unit

65. The CIF Administrative Unit plays a critical role in ensuring the servicing of the governance structure of the SCF, policy development and strategic engagement around the programs, the enhancement and delivery of the programmatic approach, and the coordination of country and MDB reporting across MDB programs. The CIF Administrative Unit, which functions as a secretariat, has 36 staff members comprised of senior level, mid-level, and support staff. As per its original design, the CIF Administrative Unit adopts a light-touch approach to the provision of program services, relying significantly on the MDBs' own systems, procedures, and policies.

66. Having said that, over time, and in response to the results of the 2014 CIF Evaluation²⁴, the CIF Administrative Unit has taken on additional responsibilities to meet the requirements of the governing bodies and to ensure adequate delivery and oversight of the diverse portfolio that makes up the SCF, while maintaining its original light touch approach. Some of these additional responsibilities fall in the areas of gender mainstreaming, risk management, program level M&R, knowledge management, and stakeholder engagement.
67. In the implementation stage of the SCF portfolio, the CIF Administrative Unit provides overall coordination of the SCF programs, in collaboration with the MDB focal point teams. In fulfilling the M&R responsibilities of the SCF portfolio, the CIF Administrative Unit leads the process of defining M&R policy and providing capacity building to SCF countries. It also requests, obtains, and collates results data from MDBs and recipient countries, and prepares the annual results reports. It prepares the SCF semi-annual reports, which provide updates on implementation progress of the SCF portfolio.
68. The SCF stakeholder universe includes countries, civil society organizations (CSOs), indigenous peoples, private sector entities, MDBS, the United Nations and UN agencies, GEF, UNFCCC, Adaptation Fund, bilateral development agencies, and scientific and technical experts. The CIF Administrative Unit maintains constructive relationships with stakeholders at the regional and global level provides overall coordination and support for activities such as stakeholder identification and analysis and ensuring their views are taken into account in overall CIF governance and project implementation. The CIF Administrative Unit also coordinates the process of selecting SCF observers, defines the policy framework for their participation in SCF governance and decision making and supports their engagement in the governance structure as explained in a previous section of this report. The CIF Administrative unit also supports the implementation of the SAN to ensure that the broader stakeholders are connected and involved beyond their formal observer status for enhancing transparency, accountability, responsibility and participation related to SCF programs.
69. The wide range of knowledge management, learning, and evaluation that is required for the SCF is led by the CIF Administrative Unit. In addition, sharing this knowledge, through a communications platform is a function of the CIF Administrative Unit. Design and maintenance of the CIF website, and sharing SCF updates and news across partners, are the purview of the CIF Administrative Unit. The CIF Administrative Unit also leads efforts to deliver on the E&L Special Initiative.
70. In the area of gender mainstreaming, the CIF Administrative Unit's role is to spearhead implementation of the Phase 2 Gender Action Plan and the CIF gender policy, and report on its progress to the Joint Trust Fund Committee. Such implementation includes a specific learning and knowledge focus, both internally with CIF partners through regular knowledge events and development of online resources, and externally with other stakeholders in gender and climate finance. In addition, the CIF Administrative Unit provides gender support in the preparation and update of investment plans, and during project approval.

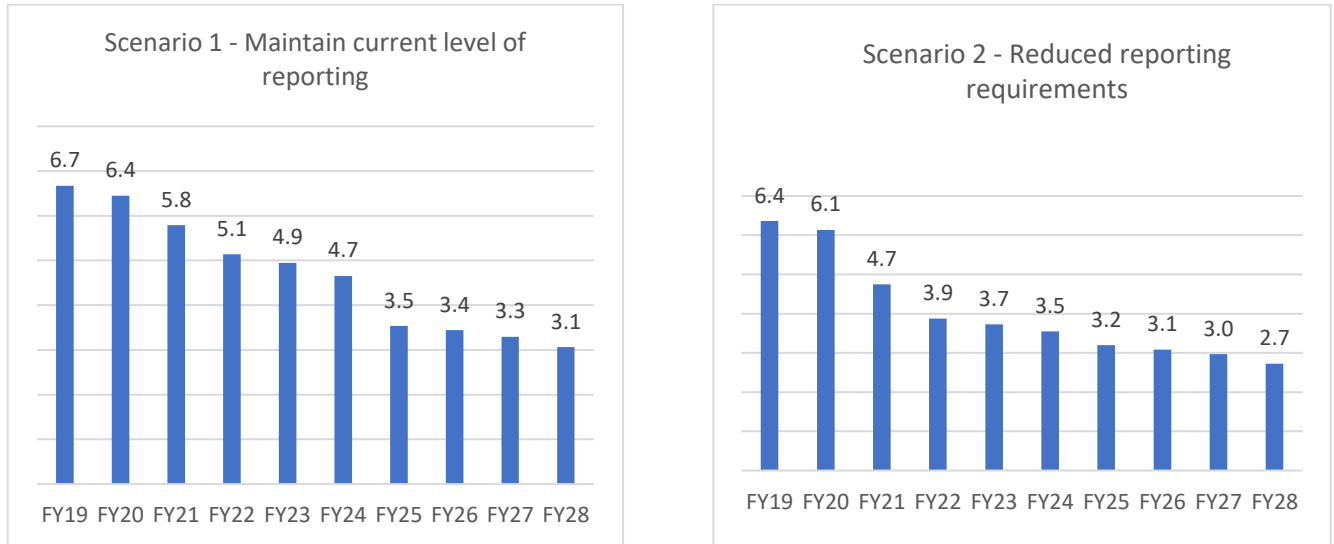
²⁴ Independent evaluation of the Climate Investment Funds, 2014.

71. The CIF Administrative Unit also has financial management and portfolio management functions which it carries out in close coordination with the Trustee. While MDB project teams regularly monitor project-specific risks and report them to the CIF Administrative Unit for reporting to the Committees, the CIF Administrative Unit monitors a wide spectrum of risks in relation to the SCF portfolio and recommends actions to mitigate these risks.
72. The CIF Administrative Unit supports the governance structure of the SCF, by coordinating the selection of SCF Sub-Committee members, organizing and convening committee meetings, and managing relations. It also leads program level strategic work and in collaboration with the MDBs and Trustee, the CIF Administrative Unit prepares policy documents and carries out other pieces of analysis requested by the SCF Trust Fund Committees or Sub-Committees. In support of the SCF governance, the CIF Administrative Unit works with other supporting services to design and update portfolio, data, and information management systems and platforms.

4.1.1a CIF Administrative Unit cost projections

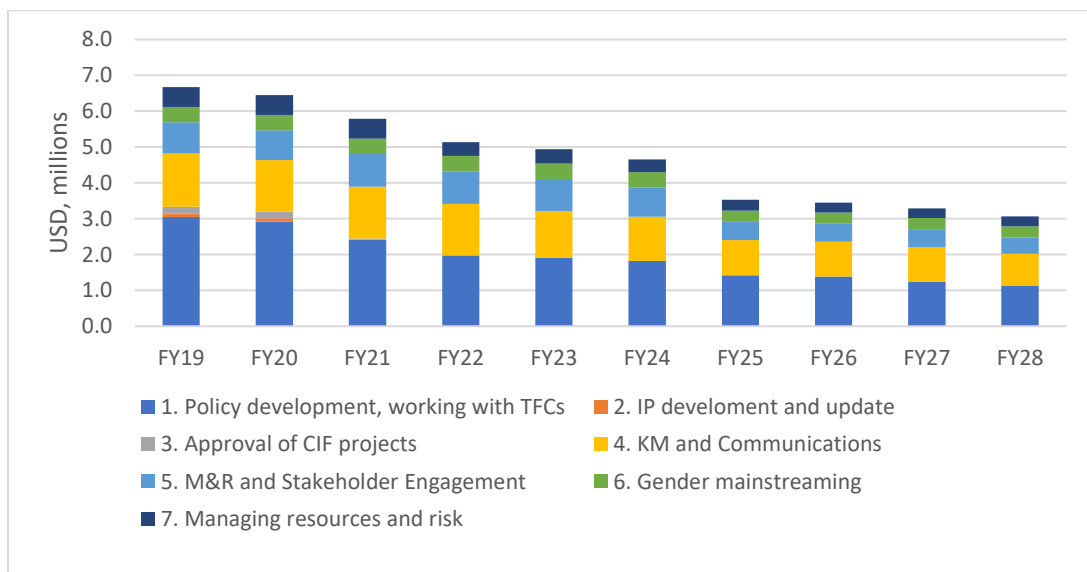
73. To meet these and other aspects that constitute the mandate of the CIF Administrative Unit, USD 47 million will be required over a 10-year period to deliver on the current mandate, with no change in reporting requirements. The following considerations apply:
- When compared with the approved FY18 budget, the projected budget shows a 55 percent reduction by FY28.
 - If Scenario 2 is considered, and the reporting function is adjusted to an annual, instead of a semi-annual cycle, projected costs from FY19-28 will be lower, at USD 40 million, representing a 60 percent reduction compared to the FY18 budget.
 - The annual breakdown of costs is presented in Figure 3. It is important to note that CIF Administrative Unit costs are not foreseen beyond FY28 to deliver on the current mandate. Additional details of cost projections can be found in Annex 1.
74. A breakdown of CIF Administrative Unit projected costs under the two scenarios, until FY28 are provided in Figure 3. Figure 4 highlights the portion of CIF Administrative Unit costs that are dedicated to the target areas of the services provided in scenario 1. As shown, the majority of costs are in target area 1 (policy development) and target area 4 (knowledge management and communications), which cover the cost of program coordination, relations with the committees, external communications, and knowledge management. Scenario 2 costs for these areas are lower, driven by reduced frequency of meetings and lower program coordination costs.

Figure 3: Breakdown of CIF Administrative Unit costs



75. Owing to discussions and decisions related to the future of the SCF expected for FY19 and FY20 and expenses related to CIF@10 activities in FY19, reductions are not foreseen in CIF Administrative Unit costs until FY21 to deliver on its current mandate. As the majority of CIF Administrative Unit costs are staff costs, it is foreseen that contractual obligations could begin to lapse in FY21, and that the CIF Administrative Unit costs could reduce significantly thereafter.

Figure 4: CIF Administrative Unit costs by target area, FY19-28 (scenario 1)



76. **Staff costs:** The majority of CIF Administrative Unit's costs (approximately 67 percent) are fixed costs for funding staff, while one-third of costs are variable (consultants, travel, and contractual services to support SCF Committee meetings and other activities). A review of the SCF portfolio drives the staffing needs of the CIF Administrative Unit from FY19-FY28. Between FY23 and FY28, in Scenario 1, CIF Administrative Unit staff could be reduced by around half.
77. The split of costs between the CTF and SCF is rigorously determined based on the responsibility carried out by functions. For example, while 100 percent of the staff time for the SCF Senior Program Coordinators and Program Officers is charged to the SCF, staff working on cross-cutting functions such as gender and private sector development, split their time between the CTF and SCF based on the work program foreseen to be delivered.
78. If the SCF Trust Fund Committee selects the option to have fewer meetings and less reporting (Scenario 2), the CIF Administrative Unit costs could reduce further over time. The USD 7 million reduced budget will result from cost savings from meeting organization, a reduction of staffing costs over time, as functions specific to portfolio management and reporting will be undertaken by consultants in the later years.
79. **Variable costs:** Even though the cost of consultants and staff travel are historically low in the CIF Administrative Unit, further cost-saving measures such as limiting travel costs by organizing multiple events in one location, will continue to be pursued.

4.1.2 Multilateral development banks

80. The MDBs are a central partner in the CIF business model. As the largest development organizations in the world, the MDBs offer grants and highly concessional financing as well as extensive technical knowledge and experience in project design and implementation. The MDBs disburse SCF resources to support effective and flexible implementation of country-led programs and investments. In the SCF, MDB involvement helps mitigate risks and encourages other actors to participate, thereby facilitating the mobilization of co-financing and harmonization of policy support.
81. The MDBs' designated focal point teams coordinate the process of obtaining project results and updates, by playing a liaison role with the over 200 individual task teams of the SCF. They interpret SCF guidelines and requirements to the task teams, they keep abreast of project progress, and they communicate risk related information to the CIF Administrative Unit. Lead MDBs also play a role in ensuring that the participatory approach that led to the preparation of investment plans continues even during project implementation. They participate in the M&R process for country-based reporting in the PPCR and FIP. The SREP MDB focal point teams collect and collate M&R information from task teams as input into the SCF annual results reporting and interim reporting. MDBs focal point teams also provide the portfolio information that forms the basis of the semi-annual reports of the SCF programs.

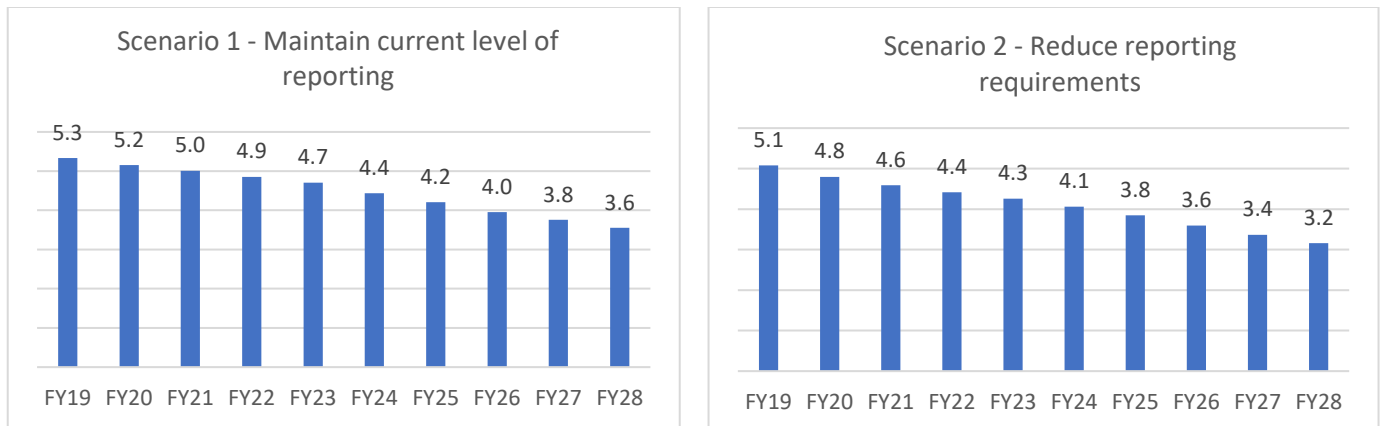
82. The MDB Committees facilitate collaboration, coordination, and information exchange among the MDBs. This part of the governance structure of the SCF ensures that MDBs participate in the preparation and technical review of policy documents. It is also the forum where MDBs agree on portfolio management issues, prioritization, and use of available resources to speed up programming of SCF resources.
83. In the coming years, knowledge management is a driver for SCF costs specific to the MDBs. As the SCF program matures, opportunities for in-depth knowledge and learning increases. From cross-MDB knowledge and learning, country to country knowledge opportunities, to knowledge pieces with global impact, the MDBs plan to engage more fructuously in generating and sharing SCF knowledge.
84. The CIF MDB gender working groups, comprised of MDB representatives, play the dual role of supporting MDB operations staff directly on the SCF gender agenda, including through clarification of CIF's requirements on gender and of fostering partnership with countries on the gender and climate agenda in relation to SCF programming. The gender role of the focal point teams includes liaising with countries and MDB staff in the co-creation with CIF Administrative Unit of knowledge and learning on gender gleaned from implementation of the SCF portfolio.
85. The programmatic approach is the foundation upon which the SCF was founded. The MDBs play a central role in supporting SCF countries to prepare their investment plans for endorsement by the relevant SCF Sub-Committee. It is important to note that the preparation and endorsement of investment plans and SPCRs does not indicate a cessation of engagement by the MDBs with the countries. In the PPCR, for example, the implementation of investment plan preparation grants (IPPGs) extends beyond the SPCR's endorsement. This is because the duration and scope of the technical work and capacity building that support implementation of the SPCRs is still ongoing. For the ten PPCR countries endorsed without funding by the PPCR Sub-Committee, the lead MDB CIF focal points continue to provide oversight and technical supervision to these ongoing capacity building and/or technical assessments.
86. In addition, while the costs associated with seeking funding from other sources are mostly borne by the countries, or by MDB teams working with them, there are still costs associated with maintaining relationships forged by focal points and of providing information or technical advice to these countries when requested.

4.1.2b MDB cost projections

87. To maintain the current level of service from MDB teams, and to meet the requirements for monitoring and reporting, engagement with the committees, knowledge management, and other corporate administrative services, MDBs collectively estimate that USD 45 million will be required to meet their obligations to the SCF portfolio. This represents a total reduction of 45 percent in FY28 compared to FY18 levels. If the option of less reporting and fewer meetings is considered, the costs will reduce to USD 41 million from FY19 – FY28 (see Figure 5), or a total reduction of 51 percent by FY28. Details of MDB costs are provided in Annex 1.

88. Project preparation and supervision costs (MPIS) for the SCF are proposed according to recommended limits defined in the benchmarks for the SCF MPIS²⁵. While project preparation and implementation costs are covered by the MPIS, the administrative services budget is utilized by the MDB focal point teams to cover the program, project, and corporate services provided by the MDBs to the SCF.

Figure 5: Annual MDB projected costs

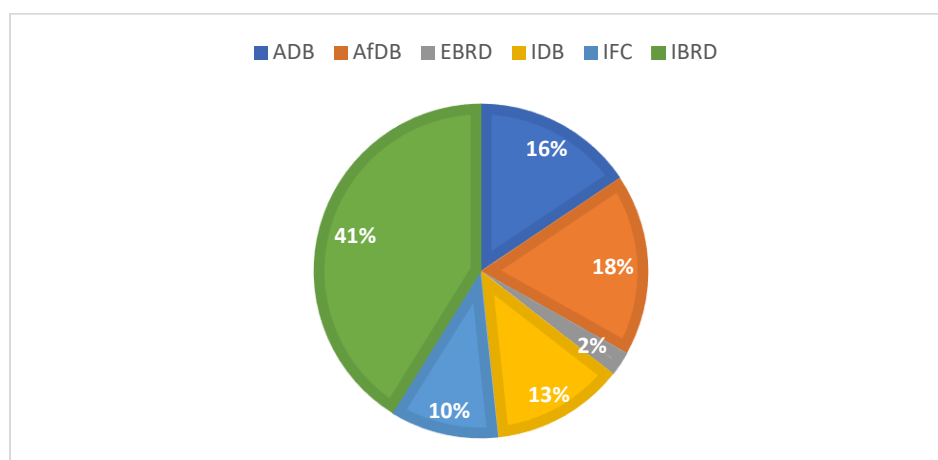


89. The share of MDB budget remains consistent in each cost scenario. With 43 percent of the SCF portfolio, translating to 86 projects, IBRD has the highest share of projected SCF costs with 41 percent of the projected budget as observed in Figure 6. The share of budget resources across MDBs largely remain consistent with historical precedents. Additional information is provided in Annex 1.

90. It is also pertinent to note that despite the faster disbursement that characterize private sector projects, supervision continues until the lapse of the financial term of the project to monitor for results and repayments. This implies that for the few private sector projects in the SCF portfolio, administrative costs may be required beyond FY28.

²⁵ MPIS under targeted SCF programs – sources of funding and implementation arrangements

Figure 6: MDB share of projected budget



4.1.3 IBRD as Trustee – Cost projections

91. The World Bank estimates the costs of providing Trustee services to the SCF based on current legal and fiduciary obligations, and the expected completion of new commitments by the Trust Fund Committee²⁶. Generally, there are minimum requirements for reporting, due diligence, and other activities related to maintaining an active trust fund at the World Bank, especially one with the features and complexity of the SCF. As long as the SCF remains operational, costs will be incurred. Additionally, as part of the World Bank’s Trust Fund Reform initiative, there may be changes in the methodology used to calculate Trustee projected budgets (e.g., shift to a flat-fee approach to be adopted for all Financial Intermediary Funds) that could impact these estimates. The estimates are expected to be largely the same under Scenario 1 and Scenario 2 as the Trustee does not travel to TFC meetings, and additional staff time required for meetings is minimal relative to the services provided on a regular basis over the course of the year.

²⁶ Note there are delays between TFC approval and commencement of financial activities by the MDBs

4.3.1a Details/description of planned activities in FY19-28

92. **Financial and program management, legal and accounting services:** During FY19–FY23, the Trustee will carry out its financial management, transaction and reporting obligations, as established in the CIF governing documents and legal agreements. The level of effort and staff time required to prepare and issue financial status reports for the SCF and CTF for use by the Trust Fund Committees and CIF Administrative Unit and other reports used by the CIF Administrative Unit are expected to remain at current levels. The Trustee is required to continue with the current frequency of reconciliations of financial information with the CIF Administrative Unit and MDBs, and with provision of additional financial information required by the CIF Administrative Unit and contributors directly, as needed. The Trust Fund Committee has also requested the Trustee to enhance financial management and reporting; this increased level of effort is already factored into these estimates. It is expected that a new Trustee activity will be required from FY18-28: creation and maintenance of a cash flow models to track and report expected MDB reflows. From FY24-28, it is expected that all cash transfers will have been made for the SREP and PPCR; however, such transactions would continue for the FIP. Legal cost estimates would be higher depending on the timing and scope of any changes to the SCF governance arrangements and/or agreements. See Tables 3 and 4.
93. **Investment management:** Investment management fees cover the management of trust fund balances invested by the World Bank Treasury and are calculated based on a flat fee of 3.5 basis points against the average, annual balance of the portfolio. For the purpose of these estimates, the projected average portfolio size for the SCF trust fund for FY19 – FY23 is USD 1.25 billion. The investment management fee would therefore be approx. USD 0.45 million for SCF annually, albeit the SCF amount would be expected to decrease as cash transfers to MDBs deplete available trust fund balances in later years. It is important to note that these estimates do not include potential reflows from MDBs, which would increase fund balances and the corresponding fees.
94. **External audit costs:** These are not Trustee costs, but rather amounts transferred to MDBs and paid to external auditors. 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, so an estimate of USD 400,000 per year for FY19–FY23 and FY24-28 is retained. In the event, however, that it may be determined that Special Purpose Financial Statements, separately audited, are not required from the MDBs and Trustee for the SCF Trust Fund, it may be possible to reduce or eliminate these costs. This would also result in a reduction in expected Accounting and Reporting costs incurred by the Trustee.

Table 3: Estimated Trustee costs for FY19 – FY23 (in USD)

Trustee Component Service	FY18	FY19	FY20	FY21	FY22	FY23
SCF						
Financial and Program Management	465,000	474,000	483,000	493,000	493,000	493,000
Investment Management	440,000	328,125	218,750	109,375	-	-
Accounting and Reporting	180,000	184,000	188,000	192,000	192,000	192,000
Legal Services	24,000	24,000	24,000	24,000	24,000	24,000
Total Costs	1,109,000	1,010,125	913,750	818,375	709,000	709,000
<i>Change y/y</i>	<i>4.13%</i>	<i>-8.92%</i>	<i>-9.54%</i>	<i>-10.44%</i>	<i>-13.36%</i>	<i>0.00%</i>

Table 4: Estimated Trustee costs for FY24 – FY28 (in USD)

Trustee Component Service	FY24	FY25	FY26	FY27	FY28
SCF					
Financial and Program Management	493,000	493,000	493,000	493,000	493,000
Investment Management	-	-	-	-	-
Accounting and Reporting	100,000	100,000	100,000	100,000	100,000
Legal Services	24,000	24,000	24,000	24,000	24,000
Total Costs	617,000	617,000	617,000	617,000	617,000
<i>Change y/y</i>	<i>-12.98%</i>	<i>0.00%</i>	<i>0.00%</i>	<i>0.00%</i>	<i>0.00%</i>

4.2 Country programming budget

95. Country programming budget was added to the CIF budget structure in FY08 for the primary purpose of supporting the programming of resources to pilot countries, and preparation of Investment Plans. The sub-categories for country programming were expanded over time to support to knowledge generation, knowledge sharing, and stakeholder engagement at the country level.

96. Following the provision of MDB Investment Plan preparation budget for the remaining SREP Investment Plans²⁷, it is proposed that country programming budget be merged with the Learning and Knowledge Exchange expense category. This would more appropriately reflect the current use of these resources to support recipient countries in meeting their M&R, gender mainstreaming, and the annual IP stakeholder review requirements. These funds will be requested by the countries, through the MDBs, based on criteria to be defined in the updated guidelines to be included in the FY19 business plan and budget. This will lead to simplification of the CIF budget structure, and will reduce the foreseen expenses for these activities from the USD 7.7 million²⁸ initially envisaged, to approximately USD 3.0 million.

4.3 Learning and knowledge exchange

97. This category of the CIF budget supports the convening of the pilot countries meetings, which are projected to continue unless otherwise advised by the SCF Trust Fund Committees or Sub-Committees. The meetings will continue to be held every 18 months as defined in the SCF Governance Document until FY25²⁹. As knowledge remains an important element in the implementation of the SCF, pilot countries meeting will be supplemented with other virtual and in person learning forums, including through the CIFnet. At the cost of USD 350,000 per pilot country meeting, it is projected that USD 3.2 million will be needed until FY26 to cover the costs of convening pilot countries meetings.

5. Potential areas for further cost reductions

98. The SCF TFC may also wish to consider additional reductions and trade-offs. Areas where such cost reductions could be obtained and potential trade-offs are presented below:
- **Monitoring and reporting:** Little or no M&R capacity building, with a decline in quality or complete stop of participatory stakeholder results reporting. Services to be affected if this is considered include: interim results reporting, project mid-term and completion report analysis, country level program evaluations, and CIF level analytical work to assess or evaluate the SCF portfolio. This budget category is projected to cost USD 15.6 million in the base case scenario, with no change in reporting frequency.
 - **Gender mainstreaming:** Fewer knowledge management pieces, including large studies, as well as reducing the number of gender learning events organized. This target area is projected to cost USD 6.8 million until FY28.
 - **Knowledge management:** Little or no knowledge products and analytical pieces. Pilot countries meetings reduced to once every five years and combined across FIP and PPCR. No CIF learning events. Limited exchange of knowledge across and within the CIF programs. The CIF will no longer be a "learning laboratory for scaled-up climate finance." The annual average costs for SCF knowledge management is USD 2.5 million.

²⁷ MDBs receive USD388,000 to support SREP countries in preparing their Investment Plans. These amounts have not been provided to MDBs to support the preparation of three SREP IPs.

²⁸ Report on Financial Status of the SCF. December, 2017.

²⁹ The SCF Governance Document indicate that pilot countries meetings should hold once every 18 months. However, as multiple avenues to convene pilot countries together will be explored in the coming years, a three-year period is proposed. This may necessitate a revision of the governance documents.

- **Stakeholder engagement:** Longer term for the current observers, reduce the number of stakeholder events, fewer knowledge products, reduced in-country stakeholder consultations, less accessible and inclusive means to raise issues and concerns on the implementation of CIF programs at the country, regional, and global level. This function represents costs over the next 10 years of USD 3 million.

6. Funding Options SCF

99. Having analyzed the cost projections for the SCF programs based on the portfolio trends, this section of the report delves into an analysis of options to fund the long-term administrative costs required to deliver effectively the current SCF program. The SCF Trust Fund Committee requested the CIF Administrative Unit, MDBs, and Trustee to undertake a full analysis of options including:

- Change in methodology for allocating costs across SCF programs;
- Use of SCF Trust Fund capital contributions as grants to cover administrative expenses;
- Forecasted reflow profile and use of reflows to cover administrative expenses; and
- Attribution of costs between CTF and SCF

100. The Trustee undertook a legal analysis of these options, details of which are provided in Annex 2 of this report. This section of the analysis is closely linked to the current pipeline for each of the SCF programs, and the potential resources available to fund this pipeline based on the analysis of the above options.

101. It should be noted that the estimates, as well as the impacts of the options considered in the paper, are somewhat sensitive to the conservative assumptions used to estimate the following factors:

- Reflows:** These were estimated based on repayment schedules provided by the MDBs. If the magnitude and speed of the projected reflows is lower than assumed in the paper, resource availability would be negatively affected.
- Expected Credit Losses:** These were estimated using the expected losses associated with the external ratings of the public-sector entities, and based on MDB estimates of expected losses for private sector entities. If these exceed the assumed 15%, resource availability would be negatively affected.
- GBP-denominated Promissory Notes:** If the value of the GBP declines relative to the USD prior to the encashment of these notes, resource availability would be negatively affected.
- Projected Investment Income:** This was projected based on an assumed 0.9% annual return, and contingent on the rate at which funds are transferred to the MDBs. If the investment income which is realized is less than what is projected, resource availability would be negatively affected (modestly).
- Projected Administrative Expenses:** If these are higher than projected, resource availability would be negatively affected.

102. It would therefore be prudent to consider a possibility that the SCF's available resources, under this analysis, may turn out to be lower by up to 10% of the SCF's current Funding Available for Trustee Commitments (USD 44.2 million).³⁰

6.1 Change in methodology for allocating costs across SCF programs

103. Paragraph 6.2 of the Standard Provisions of the SCF Contribution Agreements specify that Administrative Costs shall be applied first, against the investment income, and if that is insufficient, against each SCF program on a pro rata basis calculated based on the cash balance in each SCF Program. Details of the analysis prepared in this regard is included in Annex 2.
104. In preparing the SCF financial status reports in September 2017, a portfolio based approach was adopted that links the allocation of administrative costs to the cash balance in each program based on anticipated cash transfers to MDBs each year, by program, until FY23. With this methodology, the FIP was expected to be the only program with a cash balance in FY22 and FY23. As a result, by FY22, the FIP would be required to fund all SCF administrative expenses for as long as it remains the only program with an outstanding cash balance³¹ thereby impacting the FIP disproportionately. For the 5-year timeframe reviewed in the SCF financial status reports in September 2017, the share of administrative costs apportioned to the three SCF programs was calculated as PPCR: 4 percent; FIP: 77 percent; SREP: 19 percent.
105. As noted from this pro rata calculation, there is an unfavorable effect on the programs that either started their operations later or are slower to disburse, and therefore have a larger cash balance. For example, PPCR, one of the early programs to be established and become operational, would bear according to those calculations and approach only 4 percent of the uncovered administrative costs up to FY23 because PPCR's cash balance was minimal relative to SCF's total cash balance, whereas FIP, with a larger cash balance, would bear 77 percent of those administrative costs. Should the pro rata share remain the same for future years, the FIP will continue to bear the greatest share of administrative costs which would affect future FIP grant programming. Therefore, to maximize programming potential and avoid an undue burden on any program, an alternative approach has been considered, while still complying with the provisions of existing SCF Contribution Agreements.

6.1.1 An alternative approach

106. The methodology for apportioning administrative costs between the three SCF programs has a powerful influence on the ultimate resource availability within each program. Paragraph 6.2 of the Standard Provisions, states that administrative costs for each SCF program are allocated on a pro rata basis calculated based on the cash balance of funds in each program sub-account but offers flexibility to use the pro rata share at any given time and apply it, not only to the relevant year in which the administrative cost allocation decision is made, but also to determining the allocations in subsequent years.

³⁰ 10% x USD 442.1 million (Funding Available for Trustee Commitments) = USD 44.2 million.

³¹ SCF Trustee Report, December 2017

107. An alternative approach that has been considered in this analysis is to keep the pro-rata share as of December 2017 static, and use this fixed percentage to allocate administrative cost. It follows that such a multi-year approach would not require an amendment of the SCF Contribution Agreements nor of the SCF Governance Framework, whereas moving away from a methodology based on cash balances would require amendments to all SCF Contribution Agreements (see detailed legal analysis in Annex 2).
108. The SCF's administrative expenses can be allocated to each program based on a snap-shot of the cash balance of each sub-account as of December 31, 2017, as shown in Table 5. This ratio has not only been used for fiscal year 2018, but also for the subsequent years up to, and including FY28. This approach may be adjusted as needed in the future, based on discussions concerning the sunset of the SCF. The impacts of this administrative expense (and investment income) allocation approach on the SCF's programs' fund balances are incorporated into the options discussed in the remainder of the paper.

Table 5: Cash Balance and Pro Rata Share as of December 31, 2017

	Cash Balance	Pro rata Share (USD million)
FIP	218.0	22%
PPCR	410.4	41%
SREP	365.1	37%
SCF total	993.5	100%

6.2 Use of SCF Trust Fund capital contributions as grants to address resource shortfall

109. Following a review of all Contribution Agreements/amendments and supplemental Contribution Agreements, and consultations with contributors (see Annex 2), the Trustee determined that GBP 34.8 million of the UK's capital contributions (USD eq. 53.1 million as of December 31, 2017) could be available to be used as grants. Of this amount, USD eq. 24.5 million of PPCR's capital contributions could be made available as grant, and USD eq. 26.8 million of SREP's capital contributions could be made available as grant. Table 6 below shows the impacts of including these amounts in each program's fund balance³² and unrestricted fund balance³³, as reported by the Trustee. Fund balances are funds available after commitments such as project costs, and administrative expenses.

³² Fund balance consists of Total Cumulative Funding Received, less Net Cumulative Funding Commitments (for projects, MPIS, admin budget, and country programming budget, less cancelled commitments)

³³ Fund balance minus currency risk reserves.

Table 6: Trust Fund Balance as of December 31, 2017

	Funding Available for Trustee Commitment*	Currency Risk Reserves	<i>Fund Balance**</i>
SCF	442.1	74.3	516.4
Grant	213.6	9.9	223.5
Capital	228.5	64.4	292.9
FIP	197.1	36.4	233.5
Grant	83.5	9.9	93.4
Capital	113.6	26.5	140.1
PPCR	41.4	2.0	43.4
Grant	26.9	-	26.9
Capital	14.6	2.0	16.6
SREP	191.5	35.9	227.4
Grant	91.2	-	91.2
Capital	100.3	35.9	136.2
Admin Account	11.1	-	11.1
Grant	11.1	-	11.1
Capital	-	-	-
E&L Account	0.9	-	0.9
Grant	0.9	-	0.9
Capital	-	-	-

*After adjustment of UK Capital-Grant transfer

**Including Currency Risk Reserves

Source: SCF Trustee Report, December 31, 2017

110. In calculating the updated SCF Trust Fund and Program Fund balances as of December 31, 2017, the ratios outlined in Table 5 were used for allocating administrative costs between the SCF programs (PPCR: 41 percent, FIP: 22 percent, and SREP: 37 percent). The administrative expenses and investment income for the FIP, PPCR, and SREP were allocated using the same pro-rata share. The inclusion and exclusion of currency reserves as available for programming are also considered.
111. Starting from the Trust Fund and Program Fund Balances as of December 31, 2017, the forecasted Trust Fund Balance from January 1, 2018 to June 30, 2028 is derived by adding the end fiscal year Trust Fund Balance to the anticipated investment income and deducting the anticipated administrative expenses and expected project commitments by fiscal year. In addition, should it be agreed that reflows could be used, then the Trust Fund balances will be adjusted accordingly.

6.2.1 Allocation of projected admin expenses until FY28

112. As indicated above, the pro rata share based on the cash balances as of December 31, 2017 were used to allocate administrative expenses and investment income to each SCF program. Cost projections for scenario 1 (see Section 4 above) were applied in projecting available resources for programming.

113. Table 7 presents: i) forecasted 10-year administrative expenses as compiled by the CIF Administrative Unit, ii) SCF estimated future investment income as estimated by the Trustee, and iii) the resulting potential funding gap, based on a scenario where major operational changes are not foreseen (i.e. Scenario 1).

Table 7: Administrative expenses and investment income allocation³⁴ (USD, million)

		FY19	FY20	FY21	FY22	FY23	FY24	FY25	FY26	FY27	FY28	Total (FY19-28)
Projected Investment Incomes		14.0	5.6	2.5	1.2	0.8	0.3	-	-	-	-	24.4
Projected Admin Expenses		13.4	12.9	12.0	11.1	10.8	10.1	8.8	8.4	8.1	7.6	103.2
		0.6	(7.3)	(9.5)	(9.9)	(10.0)	(9.8)	(8.8)	(8.4)	(8.1)	(7.6)	(78.8)
Difference between Investment income and Admin Expenses	FIP	0.1	(1.6)	(2.1)	(2.2)	(2.2)	(2.2)	(1.9)	(1.8)	(1.8)	(1.7)	(17.3)
	PPCR	0.2	(3.0)	(3.9)	(4.1)	(4.1)	(4.0)	(3.6)	(3.5)	(3.3)	(3.2)	(32.5)
	SREP	0.2	(2.7)	(3.5)	(3.6)	(3.7)	(3.6)	(3.2)	(3.1)	(3.0)	(2.8)	(29.0)

Source: SCF Trustee Report, December 31, 2017, and reporting from MDBs and CIF Administrative Unit

114. Table 7 shows that the estimated investment income of approximately USD 24.4 million (including USD 11.1 million from the current balance in Admin Account) will be insufficient to cover projected administrative expenses. A cumulative shortfall of USD 78.8 million up to end-FY28 is estimated. Additionally, the costs for Trustee and audit expenses from FY29-FY60, are estimated at USD 32.5 million, for a total estimated shortfall up to FY60 of USD 111.3 million.

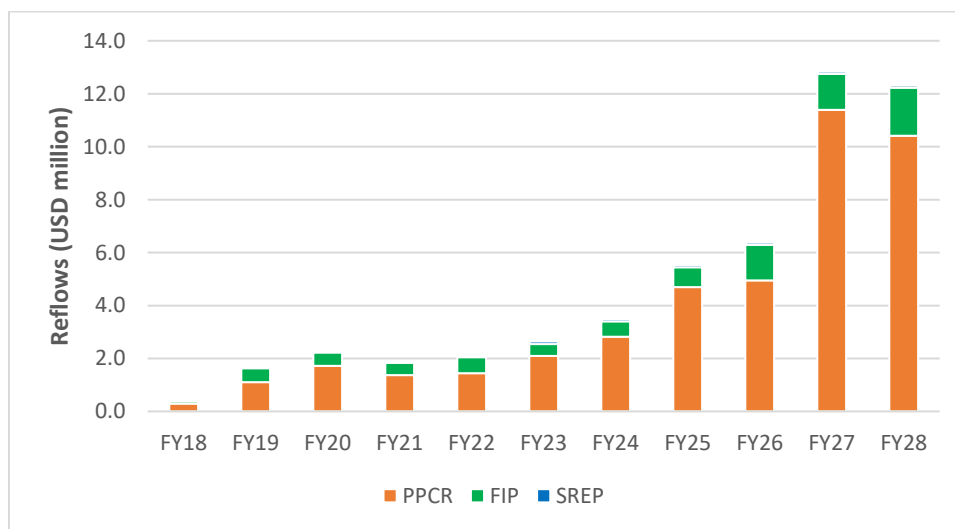
6.3 Forecasted reflow profile and possible use of reflows from MDBs to cover resource shortfall

115. Reflows are any payments of principal, interest, fees or any other reflow of funds from SCF loans or other financial products other than grants, which are due to be returned to the Trust Fund by the MDBs, pursuant to the Financial Procedures Agreement. Reflows do not include any return of funds from SCF grants or administrative costs, including cancelled or unused funds, or any investment income earned on SCF resources held by any MDB. According to the Standard Provisions of the SCF Contribution Agreements, Trust Fund Committee approval would be required to “recycle” reflows so that they may be used to address the funding shortfalls facing the SCF (see Trustee analysis in Annex 2).

³⁴ Allocated according to the percentages in Table 5

116. An analysis of reflows from SCF loan, guarantee and equity projects was undertaken to assess their potential to provide reflows to the Trust Fund and add to future available resources. The MDBs (as of October 2017) have received internal approvals for USD 518.7 million of SCF non-grant resources for projects (Public sector: USD 407.3 million, Private sector: USD 111.4 million). From those non-grant projects, after deducting 15% of expected credit losses, USD 454.2 million of reflows (principal repayments: USD 440.9 million, interest repayments: USD 13.3 million) are expected by FY60.
117. Figure 7 shows the expected annual reflows (principal and interest) by Program. Expected reflows during FY18-28 are relatively small mostly due to the long grace period (10-year) and maturity (40-year) of the public-sector SCF loans, while the expected reflows from some public-sector projects approved before FY15 and some private sector projects would pick up from FY25. PPCR accounts for approximately 80 percent of the reflows expected during this period. For FIP, reflows will reach a level that is sufficient to cover the shortfall between each year's expected investment income and administrative expenses by FY28. For PPCR reflows will reach this level by FY24.

Figure 7: 10-year forecast of the annual reflows (total of principal and interest) by Program

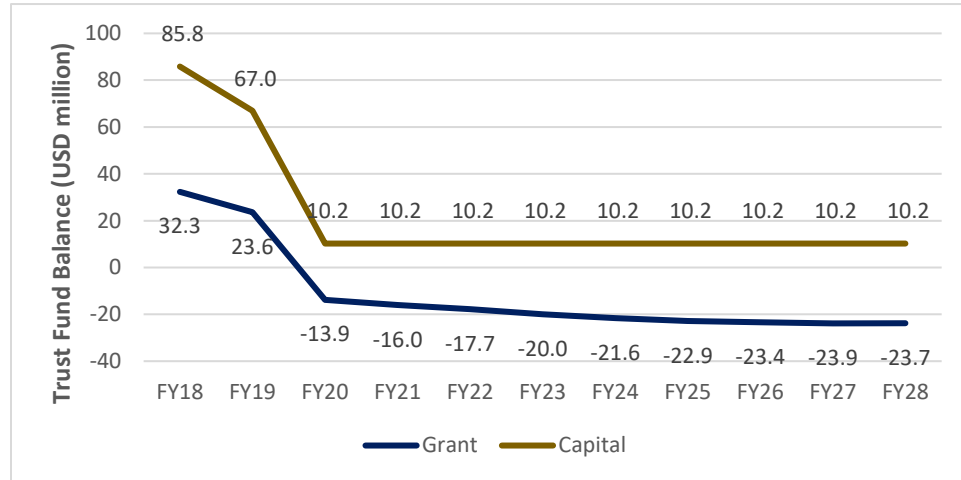


6.3.1 10-year Trust Fund Balance and Impact on SCF programming with the use of reflows

118. Annual estimated trust fund balances, with reflows included, until FY28 are illustrated below. The graphs presented as Figure 8 below assume that the SCF pipeline will be approved in the initial years (i.e. next 2-3 years). The PPCR and SREP pipeline would be fully serviced by FY20, and the FIP pipeline is scheduled to complete by FY20, but may extend to FY21 with delays. It should be noted that for SREP the analysis includes only the sealed pipeline; there is also a reserve pipeline of projects under endorsed investment plans that will request more than USD 50 million of grant resources. The forecasts of Trust Fund balances presented below include available resources from investment income, in addition to the reflows, after costs have been considered.

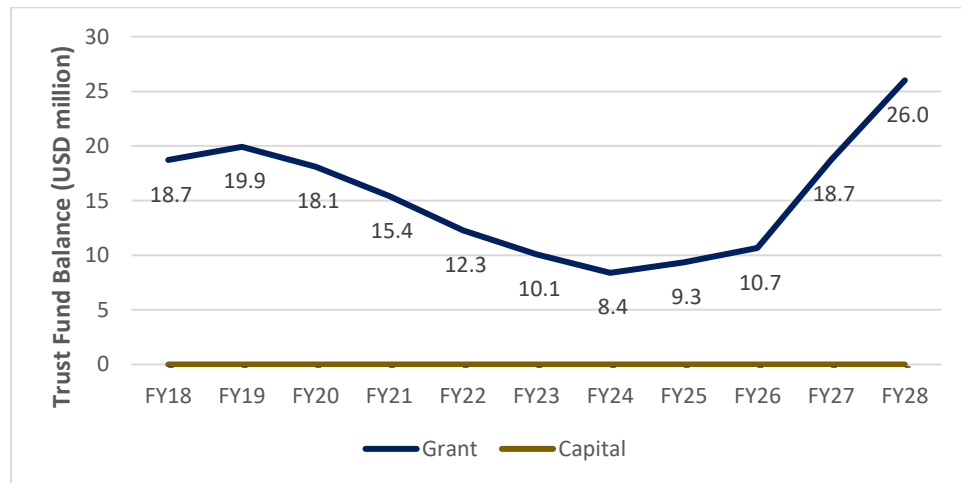
Figure 8: Forecast of annual Trust Fund Balance (Cost scenario 1 + reflows as grant)

[FIP]



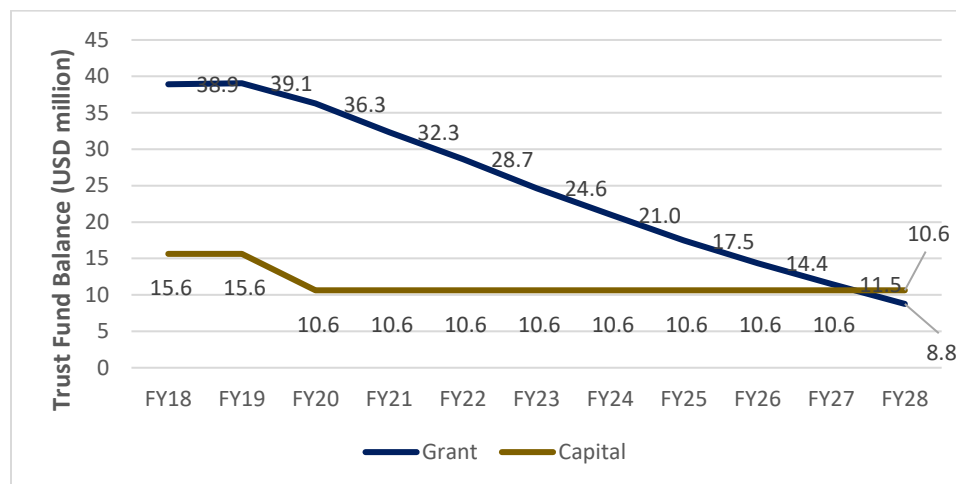
119. FIP's grant resources would initially reduce significantly after approval of projects scheduled for Sub-Committee review from FY18-FY20. Subsequently, after FY20, these resources would gradually decline due to the shortfall between each year's expected investment income and administrative expenses.

[PPCR]



120. Following Sub-Committee approval of projects in FY18, PPCR's grant resources would decline due to the shortfall between each year's expected investment income and administrative expenses until FY24.

[SREP]



121. SREP's grant resources will decline following the approval of projects in the sealed pipeline scheduled for submission during FY18-FY20. Grant resources will then gradually decline due to the shortfall between each year's expected investment income and administrative expenses.

6.3.2 Impact on SCF programming with the use of reflows

122. Table 8 shows the resource surplus/(shortfall) faced by each program, if reflows are used to cover administrative costs. The expected administrative costs for Trustee and audit costs between FY29-60 (USD 32.5 million) would be fully covered by reflows accrued during this period. In analyzing the shortfall, projects requesting non-grant funding are not considered, as these projects would not be affected by the potential shortfall of grant resources.

Table 8: Resource surplus/(shortfall) with use of reflows

	Grant			Capital
		Minimum level during FY19-28	impact from FY29-60 admin costs	
FIP	(23.9)	(23.9)	-	10.2
PPCR	8.4	8.4	-	-
SREP	8.8	8.8	-	10.6
SCF total	(6.7)	(6.7)	-	20.9

- For FIP, in FY20 out of 12 projects for a total grant resource requirement of USD 36.1 million, USD 12.2 million will be available for programming, USD 23.9 million will remain unfunded.
- For PPCR there would no longer be a shortfall in grant funding; therefore, there will be no impact on programming.

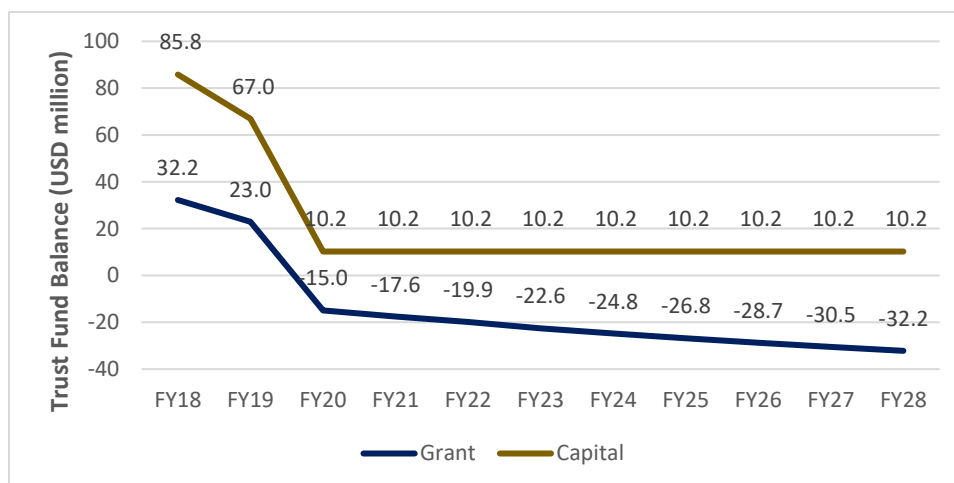
- For SREP there would no longer be a shortfall in grant funding for the sealed pipeline; therefore, there will be no impact on programming for the sealed pipeline, although there will continue to be a shortfall to fund projects in the reserve pipeline.

6.3.3 10-year Trust Fund Balance and Impact on SCF programming without the use of reflows

123. In the absence of reflow availability the available grant funding will be insufficient to cover future project commitments for all three programs (FIP, PPCR and SREP). Figures 9 shows the forecasted annual trust fund balances, by program, without the use of reflows, for cost scenario 1.

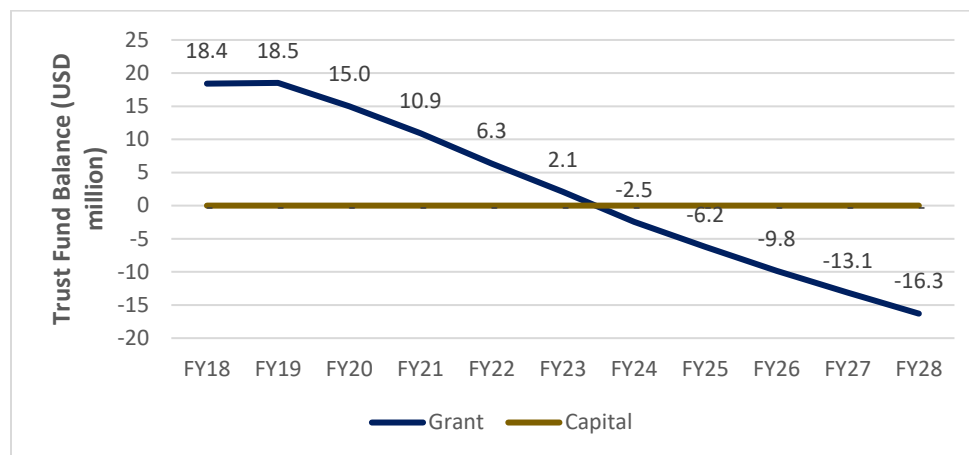
Figure 9: Forecast of annual Trust Fund Balance (Cost scenario 1, without reflows)

[FIP]



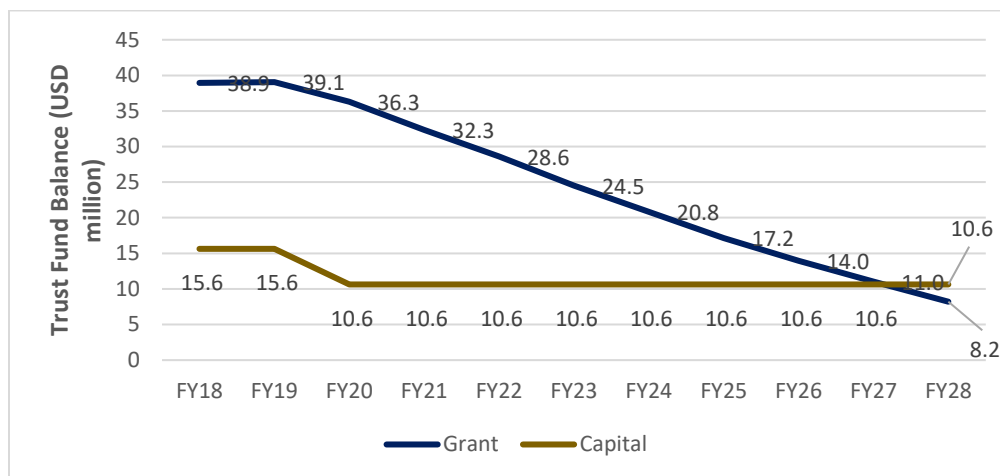
Note: FIP's grant resources would decline drastically after the Sub-Committee endorsement of projects during FY18-FY20, and then would gradually decline due to the shortfall between each year's expected investment income and administrative expenses.

[PPCR]



Note: After its project commitments in FY18, PPCR's grant resources would decline due to the shortfall between each year's expected investment income and administrative expenses.

[SREP]



Note: After its project commitments in FY18-FY20, SREP's grant resources would decline due to the shortfall between each year's expected investment income and administrative expenses.

6.3.4 Impact on SCF programming without the use of reflows

124. Table 9 shows the resource surplus/(shortfall) each program would face if reflows are not used to fund administrative costs. It should be noted that there will be costs associated with the Trustee and to cover the annual Audits between FY29-FY60, allocated on a pro rata basis, which will further impact the Trust Fund Balance of each program.

Table 9: Resource surplus/(shortfall) without use of reflows

	Grant	Minimum level during FY19-28	impact from FY29-60 admin costs	Capital
FIP	(39.3)	(32.2)	(7.1)	10.2
PPCR	(29.7)	(16.3)	(13.4)	-
SREP	(3.8)	8.2	(12.0)	10.6
SCF total	(72.8)	(40.3)	(32.5)	20.9

125. It is important to note that this analysis does not include projects requesting non-grant funding. These projects can be funded due to availability of non-grant resources. A complete list of pending projects in the SCF portfolio, and their timelines are provided in Annex 3 (for SREP only the sealed pipeline).

- In the FIP, the USD 39.3 million grant shortfall would impact the program as follows:
 - i. In FY19, three projects for a total grant resource requirement of USD 8.8 million would be impacted as the available grant funding for programming purposes would be USD 5.6 million, which would leave USD 3.2 million unfunded; and
 - ii. In FY20, all 12 projects for a total grant resource requirement of USD 36.1 million would be impacted as no grant funding would be available for programming.
- In the PPCR, the USD 29.5 million grant shortfall will impact the program as follows:
 - i. In FY18, the final two projects to be circulated to the Sub-Committee for approval, for a total grant resource requirement of USD 29.5 million would be impacted.
 - ii. This also implies that FIP and SREP would have to finance PPCR administrative costs.
- For SREP, in FY18, there are 17 projects in the sealed pipeline for a total grant resource requirement of USD 50.82 million. USD 47.0 million would be available for programming, while USD 3.8 million would remain unfunded.

6.4 Attribution of costs between CTF and SCF

126. An analysis of shared services and resources (staff and consultant time) between CTF and SCF shows an equitable attribution of costs according to the nature of the services rendered. Any further attribution beyond what is required to manage the portfolio will require legal action by the contributors. For the CIF Administrative Unit and MDB teams that work exclusively on SCF, the attribution is natural. However, for shared services such as gender, risk, monitoring and reporting, stakeholder engagement, and governance, the percentage of services charged to the SCF adequately represent the share of services provided to implement both Trust Funds.

127. In summary, as the SCF and the CTF are two distinct funds governed by two different sets of governance documents and legal agreements to move funds from the CTF to SCF, a contributor to the CTF who is eligible to withdraw its pro rata share (i.e. capital and grant contributors) would first need to withdraw its pro rata share and contribute such withdrawn amount to the SCF. However, the grant and capital contributors' right to withdraw their shares is not unconditional, in light of the rights of the loan contributors and obligations of the Trustee under the CTF (see Annex 2).

6.5 Summary of options to support the long-term administrative costs of SCF while minimizing the impacts on the portfolio and also the changes to the legal agreements

128. The following options have been considered to fund the long-term administrative costs of effectively implementing the SCF sub-programs while minimizing the impacts on the portfolio and also the changes to the legal agreements: a) a new approach for the allocation of administrative costs across SCF programs; b) cost saving measures; c) use of capital resources as grant; and d) use of reflows as grant resources to cover administrative expenses.

- a) Use of reflows as grant resources: With this option there would be no resource shortfall impacting programming on the PPCR pipeline or the SREP sealed pipelines. However, there would be a USD 23.9 million grant shortfall in the FIP. Under Scenario 2 of the long-term administrative costs forecast the administrative costs during FY19-FY28 would be reduced vis-à-vis Scenario 1 by USD 10.4 million, from USD 103.2 million to USD 92.8 million. The SCF level cost savings of USD 10.4 million could be allocated to each program based on its pro-rata share resulting in a USD 2.3 million cost saving for the FIP, bringing the grant shortfall for programming to USD 21.7 million.
- b) No use of reflows as grant resources: all SCF programs would face grant resources shortfalls which could impact the respective pipelines as follows: between USD 37 million to USD 39.3 million in FIP; between USD 25.4 million to USD 29.7 million in PPCR (which would mean that SREP and FIP would need to fund some of PPCR's administrative costs) and up to USD 3.8 million in SREP.

129. Table 10 provides the summary of options support the long-term administrative costs of SCF while minimizing the impacts on the portfolio by program.

Table 10: Impacts of options to support the long-term administrative costs of SCF while minimizing the impacts on the portfolio by program, FY19-FY60 (in USD million)

	FIP		PPCR		SREP	
	Cost scenario 1	Cost scenario 2	Cost scenario 1	Cost scenario 2	Cost scenario 1	Cost scenario 2
Without use of reflows	(39.3)	(37.0)	(29.7)	(25.4)	(3.8)	0.1
With use of reflows	(23.9)	(21.7)	8.4	11.5	8.8	12.6

Annex 1: Details of projected administrative costs

Table A: Cost scenario 1: Projected MDB Costs (USD '000)

	FY19	FY20	FY21	FY22	FY23	FY24	FY25	FY26	FY27	FY28	Total
1. Policy development, working with the Trust Fund Committees, sub-committees, and managing relations	1,091	1,083	1,067	1,028	1,013	969	902	769	726	673	9,321
2. Investment plan development, update and revision	578	336	232	196	158	131	87	67	53	49	1,887
3. Development and approval of CIF funding of programs and projects	628	425	350	310	275	232	137	113	99	85	2,653
4. Knowledge management and communications	1,219	1,347	1,378	1,357	1,344	1,316	1,318	1,361	1,350	1,304	13,294
5. Monitoring and evaluation; stakeholder engagement in review of IP implementation	793	897	915	908	906	845	867	843	741	718	8,433
6. Gender mainstreaming	296	332	333	332	322	296	289	268	257	224	2,948
7. Managing resources and risk	726	736	730	718	691	645	605	536	530	498	6,415
Total	5,332	5,157	5,005	4,851	4,709	4,434	4,204	3,958	3,755	3,550	44,953

Table B: Cost Scenario 2: Projected MDB Costs (USD '000)

	FY19	FY20	FY21	FY22	FY23	FY24	FY25	FY26	FY27	FY28	Total
1. Policy development, working with the Trust Fund Committees, sub-committees, and managing relations	943	907	886	842	827	798	743	637	592	537	7,714
2. Investment plan development, update and revision	579	326	218	175	134	107	90	56	38	36	1,758
3. Development and approval of CIF funding of programs and projects	588	376	304	267	233	194	180	177	137	114	2,571
4. Knowledge management and communications	1,196	1,302	1,315	1,287	1,269	1,270	1,223	1,222	1,166	1,088	12,337
5. Monitoring and evaluation; stakeholder engagement in review of IP implementation	765	864	867	851	840	793	761	733	706	684	7,864
6. Gender mainstreaming	288	315	313	311	304	280	272	253	237	223	2,797
7. Managing resources and risk	718	705	689	680	648	616	580	512	490	476	6,115
Total	5,077	4,797	4,592	4,414	4,255	4,058	3,848	3,591	3,367	3,158	41,156

Details of MDB Projected budgets

Table C: Scenario 1 (USD '000)

	FY18	FY19	FY20	FY21	FY22	FY23	FY24	FY25	FY26	FY27	FY28	Total projected
ADB	839	813	788	763	738	713	688	662	637	612	587	7,002
AfDB	858	860	856	856	821	803	785	768	742	721	690	7,901
EBRD	133	133	133	123	123	105	105	88	88	88	88	1,073
IDB	745	736	735	734	715	704	539	496	416	367	308	5,750
IFC	487	541	524	507	493	479	464	450	437	427	419	4,731
IBRD	2,321	2,248	2,120	2,020	1,960	1,905	1,852	1,740	1,638	1,543	1,466	18,495
TOTAL	5,383	5,331	5,156	5,003	4,850	4,709	4,433	4,204	3,958	3,758	3,558	44,952

Table D: Scenario 2 (USD '000)

	FY18	FY19	FY20	FY21	FY22	FY23	FY24	FY25	FY26	FY27	FY28	Total projected
ADB	839	788	754	720	687	653	620	586	553	519	486	6,366
AfDB	858	860	856	822	779	761	747	734	717	691	669	7,634
EBRD	133	115	115	105	105	87	87	72	72	72	72	900
IDB	745	663	637	636	619	610	534	495	408	354	294	5,251
IFC	487	541	459	441	423	407	390	375	360	345	331	4,073
IBRD	2,321	2,111	1,975	1,868	1,801	1,738	1,680	1,587	1,482	1,386	1,306	16,933
TOTAL	5,383	5,077	4,797	4,592	4,414	4,255	4,058	3,848	3,591	3,367	3,158	41,156

CIF ADMINISTRATIVE UNIT Proposed budget, by target area

Table E: Scenario 1 – CIF ADMINISTRATIVE UNIT Projections (USD '000)

	FY19	FY20	FY21	FY22	FY23	FY24	FY25	FY26	FY27	FY28
1. Policy development, working with the Trust Fund Committees, sub-committees, and managing relations	3,049	2,919	2,412	1,976	1,917	1,824	1,420	1,385	1,231	1,135
2. Investment plan development, update and revision	93	93	0	0	0	0	0	0	0	0
3. Development and approval of CIF funding of programs and projects	189	189	35	0	0	0	0	0	0	0
4. Knowledge management and communications	1,488	1,438	1,447	1,434	1,299	1,236	984	974	974	887
5. Monitoring and evaluation; stakeholder engagement in review of IP implementation	872	827	912	912	897	809	511	504	504	457
6. Gender mainstreaming	429	429	429	429	429	429	307	307	307	307
7. Managing resources and risk	551	551	555	387	403	355	309	276	276	276
Total	6,672	6,446	5,789	5,138	4,944	4,653	3,533	3,446	3,292	3,063

Table F: Scenario 2 – CIF ADMINISTRATIVE UNIT Projections (USD '000)

	FY19	FY20	FY21	FY22	FY23	FY24	FY25	FY26	FY27	FY28
1. Policy development, working with the Trust Fund Committees, sub-committees, and managing relations	2,887	2,834	1,793	1,598	1,510	1,451	1,312	1,237	1,123	1,026
2. Investment plan development, update and revision	93	56	0	0	0	0	0	0	0	0
3. Development and approval of CIF funding of programs and projects	246	229	93	0	0	0	0	0	0	0
4. Knowledge management and communications	1,352	1,285	1,287	1,000	961	923	896	888	888	799
5. Monitoring and evaluation; stakeholder engagement in review of IP implementation	777	727	792	527	488	438	379	379	379	330
6. Gender mainstreaming	458	458	458	458	458	458	337	337	337	337
7. Managing resources and risk	547	547	324	295	311	273	271	238	238	232
Total	6,359	6,135	4,747	3,877	3,729	3,544	3,195	3,079	2,965	2,724

Table G: Country Programming Budget by program

	FY19	FY20	FY21	FY22	FY23	FY24	FY25	FY26	FY27	FY28	Total (FY19-28)
FIP	0.20	0.20	0.20	0.14	0.14	0.08	0.08	0.08	-	-	1.12
PPCR	0.15	0.15	0.15	0.15	0.15	0.13	0.13	0.13	-	-	1.14
SREP	0.09	0.09	0.09	0.09	0.09	0.09	0.09	0.09	-	-	0.72
TOTAL	0.44	0.44	0.44	0.38	0.38	0.30	0.30	0.30	-	-	2.98

Table H: Pilot Country Meeting Budget by program

	FY19	FY20	FY21	FY22	FY23	FY24	FY25	FY26	FY27	FY28	Total (FY19-28)
FIP	0.35	-	0.35	-	0.35	-	-	-	-	-	1.05
PPCR	-	0.35	-	0.35	-	0.35	-	-	-	-	1.05
SREP	-	-	0.35	-	0.35	-	0.35	-	-	-	1.05
TOTAL	0.35	0.35	0.70	0.35	0.70	0.35	0.35	-	-	-	3.15

Annex 2: CIFs – Strategic Climate Fund Resource Availability

Trustee Note on Legal and Financial Issues.

Legal Issues Related to Contribution Agreements

1. What would be necessary to enable the use of SCF reflows for SCF Admin Expenses?

- 1.1 Summary: Approval by the SCF Trust Fund Committee is required to use SCF reflows.³⁵
- 1.2 Analysis: Pursuant to paragraph 6 of the Standard Provisions in the SCF Contribution Agreements, the Trustee is authorized to commit, transfer and/or use the Trust Fund resources for any purpose approved, and in the amount allocated, by the SCF Trust Fund Committee in accordance with the terms of the SCF Governance Framework and the SCF Contribution Agreements. Commitments for administrative costs are first applied against investment income earned and second against all the sub-accounts for all the programs under the SCF on a pro rata basis, which is calculated based on the cash balance of funds in each sub-account.
- 1.3 While the Contribution Agreements do not include a definition of “Program Account”, the Standard Provisions states that a Program Account is established for the program concerned (paragraph 6.2) and that the Trust Fund will have only three types of accounts, namely: (i) a Program Sub-Account for each Program; (ii) the Provisional Sub-Account; and (iii) the Investment Income Sub-Account (paragraph 2.2). Therefore, one can make an inference that “Program Account”, though not defined, is used interchangeably with “Program Sub-Account” or “relevant Sub-Account”.
- 1.4 Accordingly, the provisions in the Contribution Agreements mentioned thus far indicate that reflows will go back to the relevant Program Sub-Account, be credited to increase the fund balance of the relevant sub-account, and can be used to cover administrative costs in accordance with paragraph 6 and 7 of the Standard Provisions.
- 1.5 However, paragraph 6 of the Standard Provisions require commitment of funds by the Trustee for any purpose approved by the SCF Committee to be in accordance with the terms of not only the Contribution Agreements, but also the SCF Governance Framework. The CIF (Climate Investment Funds) being established as an interim measure designed for MDBs to assist in filling immediate financing gaps while UNFCCC deliberates on a future financial architecture and funding strategy for climate change (See paragraph 6 of the SCF Governance Framework among others), it was not anticipated that reflows would be “recycled” in any way. For this reason, approval by the Trust Fund Committee would be required to “recycle” reflows.

2. What would be entailed to enable CTF to provide funding for SCF Admin Expenses?

- 2.1 Summary: An amendment of the CTF Contribution Agreements is required for the grant and capital contributors to the CTF to withdraw their pro rata shares despite insufficient assets in the fund to manage all outstanding obligations under all loans, and provide such withdrawn funds to the SCF to be used for SCF administrative costs.

³⁵ The draft decision to be adopted by the SCF Trust Fund Committee to resolve this issue may read as follows:
“The SCF Trust Fund Committee, having reviewed document SCF/TFC.____/____, _____ takes note of the potential lack of resources for administrative costs around year _____. The SCF Trust Fund Committee, having recognized the importance of ensuring the continuous administrative services by the CIF Administrative Unit, MDBs, and the Trustee, agrees to use SCF reflows to cover the potential lack of resources for administrative costs.”

- 2.2 Analysis: The SCF and the CTF are two distinct funds governed by two different sets of the governance documents as well as the legal agreements. Therefore, to move funds from the CTF to SCF, a contributor to the CTF who is eligible to withdraw its pro rata share (i.e. capital and grant contributors) would first need to withdraw its pro rata share and contribute such withdrawn amount to the SCF. However, the grant and capital contributors' right to withdraw their shares is not unconditional. The Trustee can only consent to the withdrawal provided that at the time of such withdrawal, the Trustee is satisfied that there will remain sufficient assets to manage all outstanding obligations under all loan Contribution Agreements (see paragraph 13 of the Standard Provisions in the CTF Contribution Agreements). An amendment of all CTF Contribution Agreements would therefore be required to overcome this constraint.

3. What would be necessary to enable a more "equitable" allocation methodology of Admin Expenses among the SCF Programs?

- 3.1 Summary: Moving away from a methodology based on fund balances would require amendments to all SCF Contribution Agreements.
- 3.2 Analysis: Pursuant to paragraph 6.1 of the Standard Provisions in the SCF Contribution Agreements, the SCF Trust Fund Committee has the authority to make allocation decisions for any purpose and in any amount, subject to availability of funds, in accordance with the terms of the SCF Governance Framework and the SCF Contribution Agreements. Paragraph 6.2 of the Standard Provisions states explicitly that administrative costs for each SCF program is allocated based on a pro rata basis calculated based on the cash balance of funds in each sub-account.
- 3.3 Provided that a pro rata share is calculated based on the cash balance of funds in each sub-account, paragraph 6.2 of the Standard Provisions allows flexibility to use the pro rata share at any given time and apply it not only to the relevant year in which the allocation decision is made, but also for the purpose of determining the allocation in subsequent years. Therefore, any such multi-year approach would not require an amendment of the SCF Contribution Agreements or of the SCF Governance Framework. It is important to note, however, that the allocation of administrative costs among the SCF Programs would still be subject to an end of year adjustment based on actual costs incurred.
- 3.4 Determining a practical new methodology to allocate administrative costs among the SCF programs in and of itself is not a legal issue per, however any new methodology that were to deviate from the cash balance approach would require an amendment of the Standard Provisions, requiring approval of all contributors.
- 3.5 Since administrative costs for the past fiscal years have already been incurred and recovered, any decision by the SCF Trust Fund Committee on the compensation of administrative costs pursuant to a multi-year approach or a new methodology would only apply going forward.

4. Identify, under the current Contribution Agreements, the amount of capital contributions which may be used as grants to cover SCF Admin Expenses among the SCF Programs.

- 4.1 Summary: USD 51.3 million may be available for use for financing grants.
- 4.2 Analysis: The Standard Provisions in the Contribution Agreements state that capital contributions may be used for any purposes, except that no more than 10% of the contribution may be used for financing grants.

- 4.3 Following a review of all Contribution Agreements and supplemental Contribution Agreements and consultation with contributors, the Trustee has calculated the amount of capital contributions that can be used to finance grants – and that may be available to finance administrative costs as up to USD 51.3 million, per Table 1, below, based on exchange rate assumptions stated, and assuming the encashment of outstanding Promissory Notes.

Table 1: Potential Capital contributions available for use as Grants

SCF - 10% or 100% use of Capital for Grants specified in the Contribution Agreements -Refer to Sheet "UK Agreement details"										
			Amounts in GBP				Amounts in USD			
Program	Agreement/Supplemental Agreement Signed Date	Letter from UK date - Instructing to allocate to individual programs	UK Capital contribution - may be used for Grants	UK Cash Payments & PN encashments	Promissory Notes unencashed (only UK has PNs outstanding)	UK Contribution amounts- transfer from Capital to Grants	Allocated from Capital to Grants in USD eq.	Uncommitted Fund Balance after transferring UK contributions from capital to grants	Unencashed Promissory note under Capital (December 31, 2017)	
PPCR	26-Mar-09	10-May-11	225.0	225.0	0.0	15.0	24.5	16.6	13.2	
SREP	21-Mar-12		25.0		25.0	2.5	3.4	136.2	239.5	
SREP	17-Dec-12		8.5		8.5	0.9	1.1			
SREP100% Grant	14-Dec-11 & 24-Jan-12 & 24-Mar-12	17-Dec-12	16.5		16.5	16.5	22.3			
Total			275.0	225.0	33.5	34.8	51.3			

^{/1} The UK allocated GBP 15 million (USDeq. 24.5 million based on exchange rate on May 10, 2011) from PPCR Capital contribution to Grant contribution.

^{2/} The Promissory Notes (GBP 19.84 million) received for capital are transferred to grants as per terms in contribution agreements. These promissory notes are valued as of December 31, 2017 exchange rate. GBP exchange rate as of December 31, 2017: 1.351

5. *Trustee Estimate of Potential Reflows from MDBs from FY18-FY60*³⁶

- 5.1 Summary: Reflows up to FY 2060 are estimated at USD 293 million for PPCR, USD 79 million for FIP, and USD 82 million for SREP.
- 5.2 Analysis: The Trustee has reviewed information received from the MDBs to determine amounts that may be returned to the SCF Trust Fund and - conditional upon the legal agreements discussed in Section A herein - may be available for further allocation by the Trust Fund Committee. These amounts are detailed in Table 2 below, showing amounts estimated until FY60. A program-by-program analysis is required as reflows from one program may not be used to finance activities under another program.
- 5.3 Assumptions used for the estimates:
- i. Estimated reflows are based on information in Annex H (from FPAs) reported by MDBs to the Trustee. Where information was not readily available or required confirmation or update, the Trustee followed up with the MDBs.
 - ii. Only disbursed loans are included in the annual cash flows, as these are the only loans for which MDBs have provided the projected cash flows.
 - iii. For approved loans but not disbursed by MDBs, it is assumed funds will be returned by MDBs to the Trustee at maturity (FY 60).
 - iv. The expected reflows for equity, guarantees, and contingent recovery grants were estimated using a conservative approach that funds will be reflowed after the close of each respective project.
 - v. Cash flows are discounted using expected credit loss estimate of 15% (as provided by the CIF ADMINISTRATIVE UNIT Risk Management Officer).
 - vi. For equity, in consultation with MDBs the Trustee has taken a conservative approach, assuming that only 75% of the notional amount will be received at maturity.

³⁶ FY denotes IBRD fiscal year July 1 to June 30

Table 2: Estimated annual reflows for FY18 – FY28 by Program (in USD millions)

Year	PPCR	FIP	SREP	Total
FY18	0.30	0.08	0.00	0.38
FY19	1.10	0.52	0.00	1.62
FY20	1.72	0.49	0.00	2.21
FY21	1.37	0.46	0.00	1.83
FY22	1.45	0.60	0.04	2.09
FY23	2.09	0.46	0.09	2.63
FY24	2.82	0.58	0.09	3.48
FY25	4.70	0.75	0.09	5.53
FY26	4.94	1.35	0.09	6.38
FY27	11.40	1.35	0.09	12.83
FY28	10.42	1.81	0.09	12.31
FY29	4.98	2.01	0.09	7.08
FY30	4.99	3.92	0.09	9.00
FY31	5.00	3.68	0.08	8.76
FY32	5.52	2.95	0.13	8.59
FY33	6.30	1.72	0.17	8.19
FY34	6.98	1.80	0.17	8.95
FY35	8.33	1.80	0.17	10.30
FY36	8.23	2.34	0.17	10.74
FY37	8.27	2.34	0.17	10.78
FY38	8.26	2.56	0.17	10.98
FY39	8.24	2.55	0.17	10.96
FY40	8.23	2.55	0.17	10.95
FY41	8.23	2.54	0.17	10.93
FY42	8.22	2.54	0.17	10.92
FY43	8.21	2.54	0.16	10.91
FY44	8.20	2.53	0.16	10.90
FY45	8.19	2.53	0.16	10.89
FY46	8.19	2.53	0.16	10.88
FY47	8.18	2.52	0.16	10.87
FY48	8.17	2.52	0.16	10.85
FY49	8.16	2.52	0.16	10.84
FY50	8.16	2.51	0.16	10.83
FY51	8.05	2.47	0.16	10.68
FY52	7.03	2.18	0.07	9.29
FY53	5.52	1.73	0.00	7.25
FY54	4.02	1.56	0.00	5.58
FY55	0.56	1.56	0.00	2.12
FY56	0.12	0.45	0.00	0.57
FY57	0.00	0.45	0.00	0.45
FY58	0.00	0.00	0.00	0.00
FY59	0.00	0.00	0.00	0.00
FY60	60.35	4.30	78.17	142.82
Total	293.22	78.63	82.31	454.16

Chart 1: PPCR Estimated Annual Reflows:

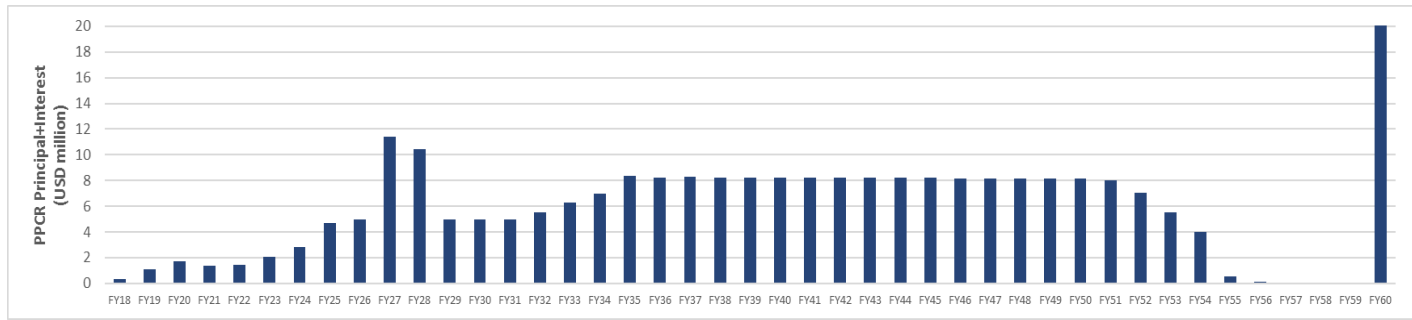


Chart 2: FIP Estimated Annual Reflows:

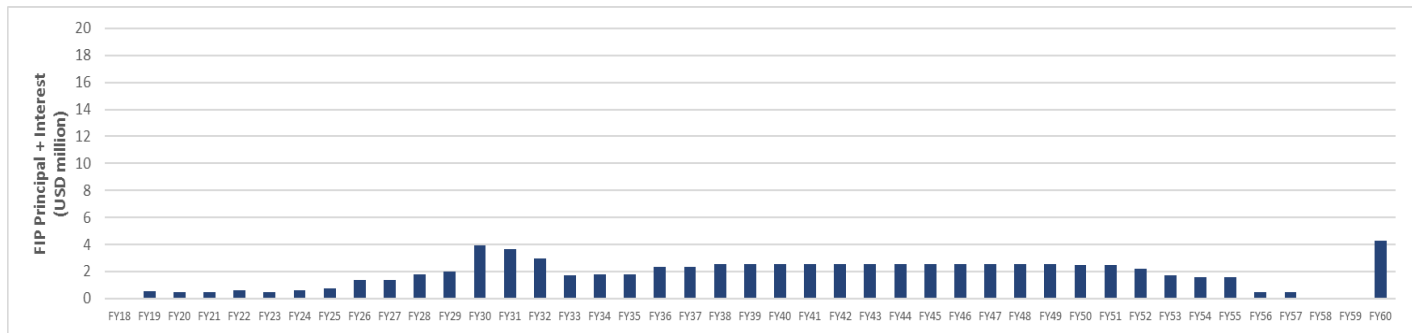
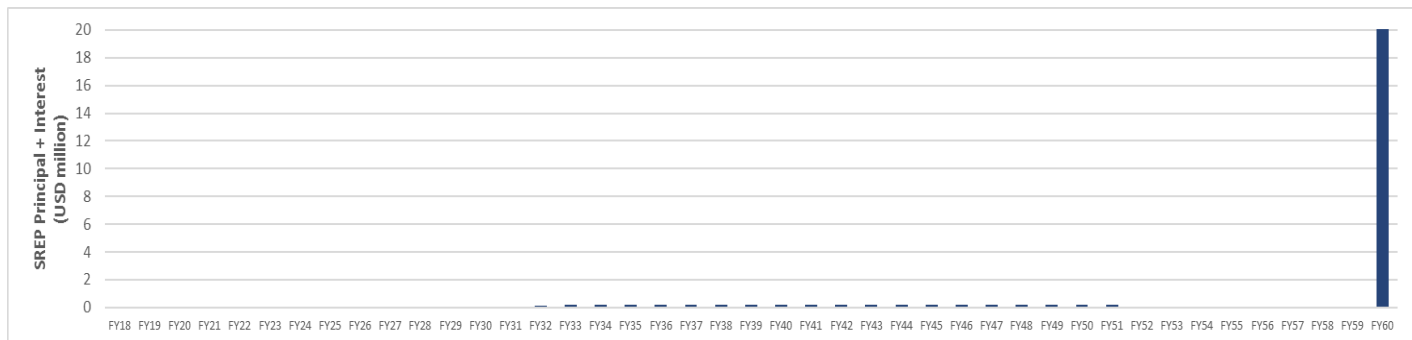


Chart 3: SREP Estimated Annual Reflows:



Annex 3: Details of SCF portfolio

Expected reflows by program

Principal + Interest reflows

(USD million)

	FY18	FY19	FY20	FY21	FY22	FY23	FY24	FY25	FY26	FY27	FY28	Total (FY18-28)
PPCR	0.3	1.1	1.7	1.4	1.4	2.1	2.8	4.7	4.9	11.4	10.4	42.3
FIP	0.1	0.5	0.5	0.5	0.6	0.5	0.6	0.7	1.4	1.3	1.8	8.4
SREP	-	-	-	-	0.0	0.1	0.1	0.1	0.1	0.1	0.1	0.6
Total	0.4	1.6	2.2	1.8	2.1	2.6	3.5	5.5	6.4	12.8	12.3	51.3

Principal reflows

(USD million)

	FY18	FY19	FY20	FY21	FY22	FY23	FY24	FY25	FY26	FY27	FY28	Total (FY19-28)
PPCR	0.3	1.0	1.4	1.1	1.1	1.8	2.5	4.2	4.5	10.9	10.0	38.7
FIP	-	0.4	0.4	0.4	0.5	0.4	0.4	0.6	1.1	1.1	1.6	6.9
SREP	-	-	-	-	0.0	0.1	0.1	0.1	0.1	0.1	0.1	0.5
Total	0.3	1.4	1.8	1.4	1.7	2.2	3.0	4.9	5.7	12.2	11.6	46.2

Interest reflows

(USD million)

	FY18	FY19	FY20	FY21	FY22	FY23	FY24	FY25	FY26	FY27	FY28	Total (FY19-28)
PPCR	0.0	0.1	0.3	0.3	0.3	0.3	0.3	0.5	0.5	0.5	0.4	3.6
FIP	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.2	0.2	0.2	0.2	1.5
SREP	-	-	-	-	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total	0.1	0.3	0.5	0.4	0.4	0.4	0.5	0.6	0.7	0.7	0.7	5.1

PPCR projects for future approval

PROJECT ID	SPCR/ PSSA	COUNTRY	PROJECT TITLE	MDB	Grant	Non-Grant	MPIS	Total Endorsed Funding	Expected Submission Date
XPCRNE075A	SPCR	Niger	Niger Community Action Project for Climate Resilience Project	IBRD	-	9.60	0.06	9.66	Mar-18
XPCRZM074A	SPCR	Zambia	Private Sector Support to Climate Resilience in Zambia	IBRD	1.10	13.50	0.22	14.82	Mar-18
			TOTAL		1.10	23.10	0.28	24.48	

FIP projects for future approval

PROJECT ID	IP/ PSSA/ DGM	COUNTRY	PROJECT TITLE	MDB	Grant	Non-Grant	MPIS	Total Endorsed Funding	Expected Submission Date
XFIPBR027A	IP	Brazil	Integrated Landscape Management in the Cerrado Biome	IBRD	25.00	-	0.35	25.35	Nov-17
PFIPGH018A	IP	Ghana	Additional Financing - Enhancing Natural Forest and Agroforest Landscape Project	IBRD	12.89	7.00	0.77	20.67	Nov-17
PFIPID021A	IP	Indonesia	Indonesia Forest Bond	IFC	1.85	32.50	1.00	35.35	Nov-17
XFIPPE023A	IP	Peru	Integrated Land management in Atalaya, Ucayali Region	IBRD	5.80	6.40	0.40	12.60	Nov-17
XFIPCI030A	IP	Cote d'Ivoire	Forest Cover Recovery and Resilience Improvement Project in the Center of Cote D'Ivoire	AfDB	2.64	6.36	0.23	9.23	Apr-18
XFIPDG211A	DGM	Cote d'Ivoire	DGM for Indigenous Peoples and Local Communities	IBRD	4.50	-	0.78	5.28	Jun-18
XFIPDG216A	DGM	Global Component	DGM for Indigenous Peoples and Local Communities	IBRD	3.00	-	0.78	3.78	Jun-18
XFIPGT035A	IP	Guatemala	Access to Funding (private and public)	IDB	0.50	2.00	0.20	2.70	Mar-18
XFIPGT033A	IP	Guatemala	Sustainable Forest Management	IDB	1.25	8.45	0.30	10.00	Oct-18
XFIPDG213A	DGM	Guatemala	DGM for Indigenous Peoples and Local Communities	IBRD	4.50	-	0.78	5.28	Jun-19
XFIPGT034A	IP	Guatemala	Strengthening governance and livelihood diversification	IBRD	1.40	10.40	0.60	12.40	Jun-19

PROJECT ID	IP/ PSSA/ DGM	COUNTRY	PROJECT TITLE	MDB	Grant	Non- Grant	MPIS	Total Endorsed Funding	Expected Submission Date
XFIPDG210A	DGM	Congo	DGM for Indigenous Peoples and Local Communities	IBRD	4.50	-	0.78	5.28	Dec-19
XFIPDGXXXA	IP	Congo	Agroforestry project in degraded and non-forest areas in North Congo	AFDB	4.00	12.00	0.64	16.64	Dec-19
XFIPDGXXXA	IP	Congo	Community and fuelwood agroforestry in the departments of Pool and Plateaux	AFDB	2.00	6.00	0.64	8.64	Dec-19
XFIPDG212A	DGM	Ecuador	DGM for Indigenous Peoples and Local Communities	IBRD	4.50	-	0.78	5.28	Dec-19
XFIPDGXXXA	IP	Ecuador	Forest landscapes managed in a sustainable manner	IBRD	1.58	10.43	0.64	12.64	Dec-19
XFIPDGXXXA	IP	Ecuador	Sustainable management of agricultural lands	IBRD	1.58	10.43	0.64	12.64	Dec-19
XFIPDG215A	DGM	Nepal	DGM for Indigenous Peoples and Local Communities	IBRD	4.50	-	0.78	5.28	Dec-19
XFIPDGXXXA	IP	Nepal	Sustainable forest management through CBFM	IBRD	1.22	3.58	0.50	5.30	Dec-19
XFIPDGXXXA	IP	Nepal	Forest management for a forest-based economy	IBRD	1.22	3.58	0.50	5.30	Dec-19
XFIPDGXXXA	IP	Nepal	Private land forest development	IBRD	1.22	3.58	0.50	5.30	Dec-19
XFIPDGXXXA	IP	Nepal	Enhanced environmental services through nature-based tourism	IBRD	1.22	3.58	0.50	5.30	Dec-19
XFIPDGXXXA	IP	Nepal	Watershed management through innovative technologies	IBRD	1.22	3.58	0.50	5.30	Dec-19
			TOTAL		92.08	129.86	13.57	235.51	

*already submitted in November 2017

SREP projects for future approval (Sealed pipeline)

PROJECT ID	IP/ PSSA	COUNTRY	PROJECT TITLE	MDB	Grant	Non-Grant	MPIS Balance	Total Endorsed Funding	Expected Submission Date
SEALED PIPELINE									
XSRESB037A	IP	Solomon Islands	Renewable Energy Access Project	IBRD	7.05	-	0.26	7.31	Mar-18
			PPGs for remaining SREP countries that have not submitted their IPs		8.50			8.50	Mar-18
PSREHN080A	IP	Honduras	Strengthening the RE Policy and Regulatory Framework (FOMPIER) – Phase 2	IDB	0.83			0.83	Feb-18
XSREAM035A	IP	Armenia	Development of Utility-Scale Solar PV	IBRD	-	26.00	0.44	26.44	Feb-18
XSREML017A	IP	Mali	Development of Micro/Mini Hydroelectricity for Rural Electrification in mali(PDM-Hydro)	AFDB	8.70	-	0.35	9.05	Feb-18
PSREKH077A	IP	Cambodia	National Park Program	ADB	3.00	11.00	0.28	14.28	Mar-18
XSREMNO55A	IP	Mongolia	Upscaling Rural Renewable Energy	ADB	14.60	-	0.21	14.81	Mar-18
PSREET005B	IP	Ethiopia	Clean Energy SMEs Capacity Building and Investment Facility	IFC	-	2.00		2.00	Mar-18
PSREKH079A	IP	Cambodia	Private Sector Solar Development - Utility Scale/Parks	ADB		5.00	0.14	5.14	Mar-18
PSREHN009A	IP	Honduras	Grid-Connected RE Development Support(ADERC)-Transmission	IDB		5.00		5.00	Apr-18
PSREHTXXA	IP	Haiti	Off-Grid Electricity	IFC	0.50	-		0.50	May-18
PSREHT049A	IP	Haiti	Off-Grid Electricity Services for productive, Social and Household Uses Project	IFC	-	7.00	0.44	7.44	May-18
PSREBD062A	IP	Bangladesh	Grid Connected Renewables: Investment in Utility-scale solar, wind and rooftop solar (including technical assistance)	IFC	0.50	15.00		15.50	Jun-18

PROJECT ID	IP/ PSSA	COUNTRY	PROJECT TITLE	MDB	Grant	Non-Grant	MPIS Balance	Total Endorsed Funding	Expected Submission Date
PSREGH046A	IP	Ghana	Utility-scale Solar PV/Wind Power Generation	IFC	-	10.00	0.45	10.45	Jun-18
PSREKE503A	PSSA	Kenya	Kopere Solar Park	AfDB	-	11.60	0.18	11.78	Jun-18
PSREKE601A	PSSA	Kenya	Olkaria IV Geothermal Power Plant	AFDB		20.00		20.00	Jun-18
PSREHTXXXA	IP	Lesotho	Distributed RE Solutions	IBRD	4.00	8.00	0.40	12.40	Jun-18
PSREHTXXXA	IP	Lesotho	On-Grid RE Technologies	AFDB		5.00		5.00	Jun-20
			TOTAL		47.68	125.60	3.14	176.42	