

# CLIMATE INVESTMENT FUNDS

SCF/TFC.IS.2/2  
November 14, 2019

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Intersessional Meeting of the SCF Trust Fund Committee  
Washington D.C.  
Wednesday, November 20, 2019

## **ADDITIONAL SCENARIOS FOR SCF ADMINISTRATIVE COSTS**

## **Proposed Decision**

The SCF Trust Fund Committee having reviewed document SCF/TFC.IS.2/2, *Additional Scenarios for SCF Administrative Costs*, appreciates the analysis conducted by the CIF Administrative Unit, in collaboration with the MDBs and Trustee, to identify further cost-saving opportunities within the SCF, and welcomes the report.

The SCF Trust Fund Committee approves:

The Principle of calculating MDB administrative costs under the SCF, as presented in the document SCF/TFC.IS.2/2, *Additional Scenarios for SCF Administrative Costs* under Scenario 3: *Fixed budget + costs per project - hybrid approach*, beginning in FY21.

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## 1 Introduction

1. At its intersessional meeting held on March 8, 2018, the Strategic Climate Fund (SCF) Trust Fund Committee requested the CIF Administrative Unit, working in collaboration with the multilateral development banks (MDBs) and the Trustee:  
*“...to undertake further analysis building on the scenarios already presented and identify new scenarios for implementing further cost-saving measures to be presented at the June meeting for consideration and decision, including more information on the attribution of administrative expenses between SCF and CTF and any impact the proposed cost-saving measures will have on the current standards of operation of the SCF program.”*
2. The CIF Administrative Unit, MDBs, and Trustee undertook a review of SCF costs to produce this paper. It builds upon, and should be read in conjunction with, documents presented to the SCF Trust Fund Committee in December 2017 (document Joint CTF-SCF.18/3, [Scenarios and estimates of CIF administrative costs](#), and in March 2018 (document SCF/TFC.IS.1/2, [Long-term SCF Administrative Costs and Funding Options](#)). These documents presented the following SCF administrative cost scenarios:
  - **Baseline scenario:** As a baseline, SCF costs would remain constant at FY18 levels, foreseeing that implementation scenarios for future years would remain similar to the approved FY18 budget.
  - **Scenario 1:** Scenario 1, presented in March 2018, considered the costs necessary to manage the SCF portfolio. With a reduction in costs of about 32 percent from the baseline, this scenario maintained the minimum budget required to deliver on the current SCF operations and defined the full cost of appropriately managing the SCF portfolio of about 200 projects. This scenario was adopted by the CIF Administrative Unit, MDBs, and Trustee, with the cost-savings reflected in the FY19 Business Plan and Budget.
  - **Scenario 2:** This scenario, also presented in March 2018 considered the option, for reducing the current semi-annual reporting cycle to annual and convening the semi-annual SCF Trust Fund Committee and Sub-Committee meetings annually. This option yielded approximately a 40 percent reduction in costs until FY28, compared to the baseline.
3. Subsequent to the above scenarios, the CIF Administrative Unit, MDBs, and Trustee further analyzed all administrative costs associated with the three SCF Programs (FIP, PPCR, and SREP) in an effort to identify additional cost-savings to understand impacts, if any, on SCF operations, and to provide information on the attribution of costs between CTF and SCF.
4. The analysis and assumptions derived herein do not anticipate any fundamental changes to SCF. Should SCF programs change in any substantive ways, including additional contribution or programming, the projection of administrative costs would have to be reviewed at that time. In addition, this analysis assumes that there will be no additional policies or reporting requirements adopted for SCF. Future requests and requirements

from the SCF Trust Fund Committee that extend beyond normal business would have specific budget implications.

## 2 Overview of SCF Costs

5. The SCF serves as an overarching framework to support three targeted programs<sup>1</sup> 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 administrative costs<sup>2</sup> comprise expenses related to administrative services provided by the CIF Administrative Unit, MDBs, and Trustee; country programming budget; learning and knowledge exchanges; and audit costs. This paper focuses primarily on administrative services as the largest portion of CIF costs—about 90 percent on average from FY16 to FY19— however, it also includes options to reduce costs in the multi-year categories of the SCF administrative budget.
6. When compared to other multilateral climate funds in the climate finance architecture, the SCF delivers on its mandate very efficiently. At 5 percent, the SCF efficiency ratio, measured as the ratio of project related administrative costs to total approved funding the SCF remains 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 compared to total approved funding, the SCF still remains the most efficient amongst those funds at 7 percent. 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<sup>3</sup>.
7. The [SCF Governance Framework](#) provides an overview of the roles and responsibilities of the CIF Administrative Unit, MDBs, and Trustee. The administrative services provided by these three parties are linked to seven target areas:
  - Policy development, working with the Trust Fund Committees, Sub-Committees, and managing relations
  - Investment plan preparation and updates
  - Development and approval of CIF funding of programs and projects
  - Knowledge management and communications
  - Monitoring and evaluation and stakeholder engagement in review of investment plan implementation
  - Gender mainstreaming
  - Managing resources and risk

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<sup>1</sup> 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)

<sup>2</sup> These projections exclude special initiatives, which are determined and approved annually by the SCF Trust Fund Committee on a case-by-case basis

<sup>3</sup> [Long-Term SCF Administrative Costs and Funding Options - SCF/TFC.IS.1/2 \(February 2018\)](#)

### 3 Recap of previously presented scenarios for MDB Costs

8. In March 2018, a thorough and detailed analysis was undertaken to arrive at the bare-minimum costs needed to continue to effectively and efficiently manage the SCF portfolio while still responding to the needs of the governance structure of the SCF. The scenarios presented in March 2018 provided the budget levels that did not adversely impact the ability of the CIF Administrative Unit, MDBs, or Trustee to deliver on the SCF work program.
9. SCF programs have a small focal point team within each MDB that coordinates SCF financing within their organizations and provides guidance to task team leaders in implementing SCF projects and programs. The focal point teams work closely with the Trustee and the CIF Administrative Unit to achieve the following:
  - **Support investment plan preparation**, quality review, endorsement, and monitoring during implementation to ensure participatory monitoring and reporting, stakeholder engagement, knowledge management, and gender mainstreaming at investment plan-level
  - **Overall coordination and advisory support** to the SCF at investment plan/SPCR-level to leverage best practices across the SCF programs
  - **Support the project and program approval** process by responding to enquiries from Committee members, scheduling bilateral meetings with donors as necessary, and responding to questions and comments from Committee members
  - **Mid-term review and reporting** on projects to track underperforming projects, and advise teams on restructuring and other changes to approved projects
  - **Conduct financial reporting** to the Trustee based on the requirements of the Financial Procedures Agreements (FPAs)
  - **Participate in the governance of the SCF** through MDB Committee meetings and decision-making, preparation and review of policy documents, and participation in SCF events
  - **Manage communications** on the MDB portfolio on social media and other internal and external mass media channels
  - **Support knowledge management and analytics** across SCF in terms of publications, seminars, fora, community of practices, regular dissemination of best practices/lessons learned across the portfolio
  - **Monitor and report on SCF risks** and overall risk management of the SCF portfolio
  - **Engage across MDB institutions** to promote SCF and CIF in general to leverage partnerships and additional funding to existing SCF programs
  - **Provide advisory support** to non-funded SCF countries in completing analytical studies and assessments related to investment plans/SPCRs to support efforts to seek funding through other sources outside the SCF

- **Identify synergies and complementarities between climate funds** including the Green Climate Fund (GCF), Global Environment Facility (GEF), Adaptation Fund (AF), and exploring possibilities for upscaling SCF investments
10. Cost-saving scenarios considered in March 2018 for the administrative costs of the MDBs are as follows.

### 3.1 Baseline scenario

11. The baseline scenario proposed a flat budget for MDBs using the FY18 approved budget levels. This scenario considered full cost recovery for MDB costs related to managing SCF and assumed that services provided to SCF by the MDBs, CIF Administrative Unit, and Trustee would not differ from year to year until FY28. In this baseline scenario, the reduction of projects was balanced by an increase in activities related to knowledge management, reporting, and other cross-cutting thematic areas. It was projected that from FY20 to FY28, USD 48.4 million would be needed to cover MDB administrative costs and support of focal point teams to deliver on their responsibilities.

#### 3.1.1 Scenario 1: Delivering the current SCF portfolio

12. In March 2018, MDBs provided projections for SCF costs, which represented a significant reduction in the core administrative budget until FY28. These projections included the minimum level of resources needed to deliver on the SCF portfolio during the critical stages of implementation and completion, as well as endorsement of the final investment plans under SCF programs in FY19<sup>4</sup>. It should be noted that these projections already included an annual reduction until FY28 of 3 to 5 percent in MDB fixed (staffing costs) and other variable costs, which translated to a total budget reduction of 45 percent in FY28 compared to FY18 baseline levels.
13. A thorough analysis was undertaken to determine the minimum level of resources needed to continue to effectively manage the SCF portfolio while still responding to the request of the governance structure of the CIF. As presented to the SCF Trust Fund Committee during its intersessional meeting in March 2018, Scenario 1 allows the MDBs to continue to adequately deliver on their work programs without major adverse impacts.
14. Table 1 provides an overview of MDB projections until FY28, when final SCF budgets are expected to be provided, and shows **USD 8.8 million in savings**<sup>5</sup> compared to the baseline scenario.

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<sup>4</sup> All SPCRs and investment plans for PPCR and FIP have been endorsed in FY18. Additional investment plans are expected to be endorsed in FY19 for SREP.

<sup>5</sup> As the FY19 Business Plan and Budget has been approved, the FY19 numbers have been excluded from the analysis for this document.

**Table 1: Scenario 1 - Projected SCF costs from FY20 toFY28 (USD millions)**

	2020	2021	2022	2023	2024	2025	2026	2027	2028	Total	Baseline
<b>ADB</b>	0.79	0.76	0.74	0.71	0.69	0.66	0.64	0.61	0.59	<b>6.19</b>	<b>7.55</b>
<b>AfDB</b>	0.86	0.86	0.82	0.80	0.79	0.77	0.74	0.72	0.69	<b>7.04</b>	<b>7.73</b>
<b>EBRD</b>	0.13	0.12	0.12	0.10	0.10	0.09	0.09	0.09	0.09	<b>0.94</b>	<b>1.20</b>
<b>IBRD</b>	2.12	2.02	1.96	1.90	1.85	1.74	1.64	1.54	1.47	<b>16.25</b>	<b>20.89</b>
<b>IDB</b>	0.73	0.73	0.71	0.70	0.54	0.50	0.42	0.37	0.31	<b>5.01</b>	<b>6.71</b>
<b>IFC</b>	0.52	0.51	0.49	0.48	0.46	0.45	0.44	0.42	0.41	<b>4.19</b>	<b>4.38</b>
<b>MDB total</b>	<b>5.16</b>	<b>5.00</b>	<b>4.85</b>	<b>4.71</b>	<b>4.43</b>	<b>4.20</b>	<b>3.96</b>	<b>3.75</b>	<b>3.55</b>	<b>39.6</b>	<b>48.4</b>

*3.1.2 Scenario 2: Reduction in frequency of meetings and reporting requirements*

15. This scenario proposes reducing the semi-annual SCF Trust Fund Committee and Sub-Committee meetings and associated reporting (SAR) to an annual frequency. Reduced support to policy development and governance issues proposed under Scenario 2 would achieve additional **savings of USD 3.5 million** over 10 years as compared to Scenario 1.
  
16. A reduction in the number of meetings would not significantly affect the MDBs' ability to deliver their SCF portfolio. The MDBs have reporting obligations defined in their Financial Procedures Agreements (FPAs), which mandate compulsory financial reporting. This reporting would continue irrespective of the number of Committee meetings convened per year. In this scenario, there would be one annual operations and results report prepared for each SCF program, and not the semi-annual reporting that the Committees currently receive. However, the MDBs would continue reporting semi-annually on their SCF portfolio milestones and performance through the CIF Collaboration Hub (CCH) and other reporting channels. In addition, as MDB staff usually work across CIF programs, travel costs may not be significantly lower if CTF meetings continue to be held bi-annually.
  
17. Table 2 provides a summary of the annual MDB budget under this scenario.



**Table 2: Scenario 2 - Projected SCF costs from FY20 to FY28 (USD millions)**

	FY20	FY21	FY22	FY23	FY24	FY25	FY26	FY27	FY28	Total
<b>ADB</b>	0.75	0.72	0.69	0.65	0.62	0.59	0.55	0.52	0.49	<b>5.58</b>
<b>AfDB</b>	0.86	0.82	0.78	0.76	0.75	0.73	0.72	0.69	0.67	<b>6.77</b>
<b>EBRD</b>	0.12	0.10	0.10	0.09	0.09	0.07	0.07	0.07	0.07	<b>0.78</b>
<b>IBRD</b>	1.98	1.87	1.80	1.74	1.68	1.59	1.48	1.39	1.31	<b>14.82</b>
<b>IDB</b>	0.64	0.64	0.62	0.61	0.53	0.50	0.41	0.35	0.29	<b>4.59</b>
<b>IFC</b>	0.46	0.44	0.42	0.41	0.39	0.37	0.36	0.35	0.33	<b>3.53</b>
<b>MDB total</b>	<b>4.80</b>	<b>4.59</b>	<b>4.41</b>	<b>4.26</b>	<b>4.06</b>	<b>3.85</b>	<b>3.59</b>	<b>3.37</b>	<b>3.16</b>	<b>36.08</b>

## 4 Additional scenario for MDB SCF Costs

### 4.1 Scenario 3: Fixed budget + costs per project hybrid approach

18. Recognizing that MDB costs cover other services outside of project management and reporting, Scenario 3 proposes a hybrid approach of calculating each MDB's cost-per-project and other fixed coordination costs to determine future MDB costs. This is based on the following assumptions:

- Historical costs per project are applied as a proxy for future costs
- Costs by MDB would be determined by the minimum historical cost per project multiplied by the number of projects under management for each year
- In addition to costs per project, MDBs may have fixed coordination costs that impact the minimum budget level needed to meet their responsibilities to the SCF
- These fixed costs vary from MDB to MDB, and may also vary from fiscal year to fiscal year
- MDB costs in this scenario would not exceed proposed costs in Scenario 1

19. In this scenario, each MDB's cost per project is determined using historical data, from FY11 to FY18, by dividing the number of projects under management (both pipeline and approved projects) by the administrative budget received for each fiscal year<sup>6</sup>.

20. The proposed methodology for Scenario 3 would cap each MDB's annual budget at the historical minimum cost per project, and where relevant, a fixed budget would be applied to the MDB's annual budget to meet the minimum costs of operation.

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<sup>6</sup>Additional information about historical costs by MDB and number of projects under management is provided in Annex 1.

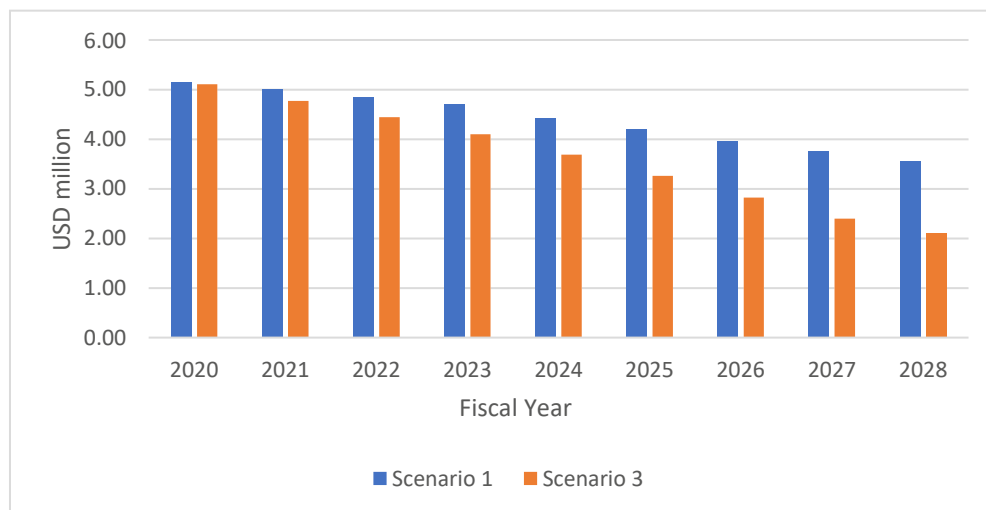
21. Different MDB teams apply different methodologies in determining their fixed costs. For instance, some MDBs have dedicated teams that work on SCF, while other MDBs share staffing resources with CTF, SCF, and other MDB activities. Therefore, the fixed budget applied to MDB teams ranges from USD 0.20 million to USD 0.40 million annually.
22. Table 3 presents the result of the analysis of the Scenario 3 hybrid approach.

**Table 3: Scenario 3 - Projection of future costs by MDB using a fixed budget + costs per project hybrid approach (USD millions)**

	2020	2021	2022	2023	2024	2025	2026	2027	2028	Total Scenario 3	Total Scenario 1
<b># of projects</b>	<b>161</b>	<b>140</b>	<b>119</b>	<b>105</b>	<b>88</b>	<b>63</b>	<b>45</b>	<b>28</b>	<b>15</b>		
<b>ADB</b>	0.74	0.66	0.58	0.52	0.44	0.36	0.34	0.34	0.34	<b>4.32</b>	<b>6.19</b>
<b>AfDB</b>	0.86	0.86	0.82	0.80	0.79	0.73	0.61	0.55	0.46	<b>6.47</b>	<b>7.04</b>
<b>EBRD</b>	0.13	0.12	0.12	0.10	0.10	0.09	0.09	0.05	0.05	<b>0.86</b>	<b>0.94</b>
<b>IBRD</b>	2.12	2.02	1.85	1.60	1.42	1.23	1.10	0.91	0.70	<b>12.95</b>	<b>16.25</b>
<b>IDB</b>	0.73	0.73	0.71	0.70	0.54	0.50	0.42	0.29	0.29	<b>4.92</b>	<b>5.01</b>
<b>IFC</b>	0.52	0.51	0.49	0.48	0.46	0.45	0.36	0.32	0.28	<b>3.88</b>	<b>4.19</b>
<b>MDB total</b>	<b>5.11</b>	<b>4.90</b>	<b>4.58</b>	<b>4.21</b>	<b>3.76</b>	<b>3.35</b>	<b>2.91</b>	<b>2.46</b>	<b>2.12</b>	<b>33.40</b>	<b>39.6</b>

23. As observed in Table 3, the total budget from FY20 to FY28 would be reduced from USD 39.6 million under Scenario 1 to USD 33.4 million under Scenario 3, with potential savings of approximately **USD 6.2 million** over the period. A comparison of both scenarios is provided in Figure 1.

**Figure 1: Comparison of MDB costs in Scenarios 1 and 3**



24. The budget reduction under Scenario 3 would be more significant in the later years compared to other scenarios. These are the critical years where best practices and lessons learned can be drawn from the SCF portfolio for the benefit of future climate finance endeavors. As the SCF portfolio advances in implementation, a reduced budget as proposed in Scenario 3 would most likely restrict the MDBs' ability to support SCF countries with unfunded investment plans, and to provide strategic, policy, and programmatic oversight to the SCF portfolio, particularly from FY25 onwards. This may reduce support to investment plan implementation to ensure participatory monitoring and reporting, stakeholder engagement, knowledge management, and gender mainstreaming. Communication efforts would also be adversely affected, as would the strategic programmatic oversight that is provided by MDBs to task teams.
25. Potential budget reductions in the later years would also affect the knowledge management budget, impacting the number and scope of knowledge services and analytics. At the completion of the SCF portfolio, it would be important for MDBs to carry out a deep-dive analysis and historical assessment of completion milestones, main outcomes, and areas of transformational change. Budget constraints would particularly impact this analysis.

## **5 Recap of previously presented scenarios for CIF Administrative Unit Costs**

26. The CIF Administrative Unit receives an annual budget for administrative services delivered in collaboration with the MDBs and Trustee, such as policy development; overall coordination of the SCF programs; managing relations with Committee members, MDBs, and external partners; organizing and convening SCF Committee and Sub-Committee meetings and other events; coordinating knowledge, learning, and communications; and monitoring and reporting funding approvals, portfolio and resource management, and risk management, in collaboration with the Trustee.
27. The CIF Administrative Unit was particularly rigorous in the exercise to inform the March 2018 paper and was careful to ensure that the proposed reductions would have no impact on the CIF Administrative Unit's ability to deliver its SCF work program. Should further reductions be sought, the SCF Trust Fund Committee may consider options identified in Scenarios 2 and 3 herein.

### **5.1 Baseline scenario**

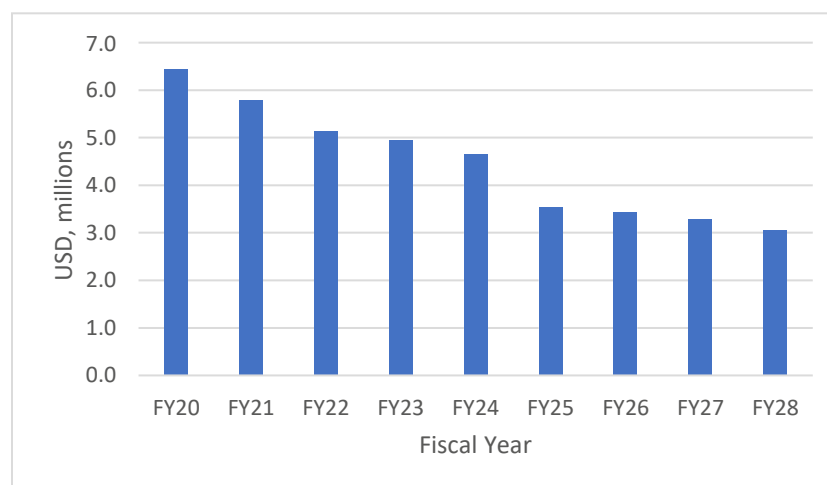
28. In line with the analysis provided in March 2018, the CIF Administrative Unit baseline was based on the FY18 budget. In this baseline scenario, the CIF Administrative Unit would require USD 68.3 million between FY20 and FY28 to support SCF activities.

#### *5.1.1 Scenario 1: Delivering the current SCF portfolio*

29. In March 2018, the CIF Administrative unit projected significant cuts of up to 55 percent to its SCF administrative budget until FY28, compared to the baseline. These cuts included a reduction in fixed and variable costs in line with the increasing percentage of completed

SCF projects. Scenario 1 proposes that no further reduction is considered beyond the analysis presented in March 2018. A summary of the CIF Administrative Unit budget projections for the SCF until FY28 is provided in Figure 2.

**Figure 2: Scenario 1 - CIF Administrative Unit costs from FY20 to 28 (USD millions)**



*5.1.2 Scenario 2: Reduction in frequency of meetings and reporting requirements*

30. This policy option considers the estimated SCF portion of the cost savings associated with one reporting cycle and one set of SCF Trust Fund Committee and Sub-Committee meetings per year. If considered, this option would reflect cost-savings beginning in FY20. Savings for the CIF Administrative Unit would result from reduced support to policy development, semi-annual reporting, and governance issues, and would result in **savings of USD 6.3 million** between FY20 and FY28.

31. While this option would not lead to significant savings for the MDBs due to existing reporting requirements mandated by their FPAs, it is a viable option for the CIF Administrative Unit, as summarized in Table 4.

**Table 4: Summary of CIF Administrative Unit costs in the baseline scenario and scenario 2**

	FY20	FY21	FY22	FY23	FY24	FY25	FY26	FY27	FY28	Total
<b>Scenario 1 (baseline)</b>	6.4	5.8	5.1	4.9	4.7	3.5	3.4	3.3	3.1	<b>40.3</b>
<b>Scenario 2</b>	6.1	4.7	3.9	3.7	3.5	3.2	3.1	3.0	2.7	<b>34.0</b>

## 6 Additional scenario for CIF Administrative Unit SCF Costs

### 6.1 Scenario 3: Selective reduction in services

32. The thematic areas that constitute the services provided by the CIF Administrative Unit could be selectively considered for reduction by the SCF Trust Fund Committee. These options are presented in Table 5, with the proposed trade-offs and potential impacts if further budget cuts are mandated.

**Table 5: Scenario 3 – Selective reduction in CIF Administrative Unit services (FY20 to FY28)**

Role/Activities in the evolving SCF portfolio (baseline)	Selective reduction and trade-offs
<b>Communications</b>	
<p><b>Projected costs (FY20-28): USD 4.27 million</b></p> <p>We live in a digital age where the latest information on any subject is—and expected to be—readily available at the touch of a button. People have come to rely on the Internet, smart phones, apps, and other communications tools to gain instant, in-depth insights into a range of topics. Communications is an essential tool for policymakers and practitioners to reach broad and strategic audiences. SCF projects pilot and test innovative approaches, offering new, replicable solutions for intractable challenges that deserve to be widely shared. Maintaining regularly updated communications channels will develop a loyal base of visitors, build trust, and provide opportunities for networking. Communications efforts around SCF are increasing global awareness of the importance of climate finance and are an important contribution to ensuring political support for climate action.</p> <p>In order to successfully and faithfully profile SCF’s significant contributions and success stories, communications efforts until FY28 will focus on:</p> <ul style="list-style-type: none"> <li>• Making meaningful connections with the most developed CIF projects, producing and disseminating related knowledge and content</li> <li>• Aggressively targeting different audiences through innovative platforms, events, and through social media content</li> <li>• Delivering on innovative ways to bring stories to countries (through roadshows, exhibits, and other avenues)</li> </ul>	<p>With a 20 percent annual reduction in the communications budget and <b>total savings until FY28: USD 0.85 million</b>, the trade-offs would be:</p> <ul style="list-style-type: none"> <li>• Reduced outreach and awareness around CIF’s work, from climate finance to projects and solutions provided by climate finance.</li> <li>• Reduced visual communications, which will erode awareness of the important strides enabled through CIF finance.</li> <li>• No communications-focused visits to CIF projects to capture testimonials from beneficiaries, which provide a window into the human dimension of climate finance and CIF investments, enriching results reports and other CIF products. These testimonials become the examples shared in a variety of events and occasions – without them we lose the connection to our ultimate beneficiaries: the people.</li> </ul>
<b>Gender</b>	
<p><b>Projected costs (FY20-28): USD 3.37 million</b></p> <p>The gender team of the CIF Administrative Unit focuses its work on learning and capacity-building with countries and MDBs, analytical work and knowledge management, reporting on implementation of the CIF gender program, technical assistance to countries on demand, and external</p>	<p>With a 20 percent annual reduction in the gender budget and <b>total savings until FY28: USD 0.67 million</b>, the trade-offs or impact would be:</p> <ul style="list-style-type: none"> <li>• Reduced technical assistance to countries</li> <li>• Fewer knowledge management outputs, including large studies</li> </ul>

Role/Activities in the evolving SCF portfolio (baseline)	Selective reduction and trade-offs
<p>engagements. These activities are not directly correlated with the maturity of the SCF portfolio.</p> <p>In the base case scenario, FY18-20 is focused on CIF Gender Policy roll-out and implementation of the CIF Gender Action Plan Phase 2, with the former requiring a ramp-up of effort through FY24. The FY25-28 period anticipates less activities, concurrent with the expectation that the CIF Administrative Unit would operate at a reduced level of effort as part of a transition over time. Thus, the CIF Gender program slowly declines in later years.</p>	<ul style="list-style-type: none"> <li>• Reduced number of gender learning events organized</li> <li>• Reductions to quality enhancement (especially around knowledge, learning and technical support)</li> <li>• Reduced implementation of the CIF Gender Policy which requires sustained CIF AU support to implement, particularly in relation to quality at entry of CIF investments, in line with the Joint TFC directive stemming from this Policy</li> <li>• Inability to respond to Joint TFC directive on expanding operational support on gender, including provision of global and regional CIF gender learning events for MDBs and countries.</li> </ul>
<b>Monitoring and reporting</b>	
<p><b>Projected costs (FY20-28): USD 4.43 million</b></p> <p>SCF monitoring and reporting (M&amp;R) has an almost two-year lag in results reporting (i.e., FY17 results are reported in FY19). In the baseline scenario, the role of M&amp;R will follow the curve of the SCF portfolio and as more projects move to implementation, the budget is projected to increase over the next eight years. In general, results reporting is moving from a descriptive to an analytical approach as the implementation across the SCF portfolios progresses.</p> <p>Core tasks in M&amp;R include participatory stakeholder annual result reporting (programmatic level), addition of annual interim results reporting (including progress on interim programmatic results), analytical work on mid-term reviews and completion reports, country level program evaluations (at mid-term and completion), and programmatic M&amp;R capacity building at country level (especially in the early years of project life cycle to set up the participatory stakeholder M&amp;R systems), as well as Impact Evaluations and Global Delivery Initiative (GDI) Case Studies.</p>	<p>With a 20 percent annual reduction in the M&amp;R budget and <b>total savings until FY28: USD 0.89 million</b>, the trade-offs or impact will be:</p> <ul style="list-style-type: none"> <li>• Participatory stakeholder annual results reporting (programmatic level): as the portfolio increases in the next eight years, even the basic annual results reporting would increase the work burden as a mandatory requirement to the TFCs. Trade-offs here would be no SCF programmatic results reporting, cancelling the participatory stakeholder M&amp;R approach currently in place for FIP and PPCR.</li> <li>• Interim results reporting: efforts in interim reporting would go upward in the next eight years following the movement of the portfolio. Trade-offs if interim results reporting is taken out, would leave a large gap in the programmatic results reporting progress (as core indicators in the system are at a higher level).</li> <li>• Limited mid-term and completion results data: no country level program evaluations, no SCF-level analytical work on portfolio.</li> <li>• Limited M&amp;R capacity building: these participatory stakeholder M&amp;R systems are complex to set up for PPCR and FIP. CIF reporting and the quality of the annual results reporting would decline, the system may cease to function, or risk not being set-up.</li> <li>• No impact evaluations or GDI case studies for SCF projects.</li> </ul>
<b>Knowledge management</b>	
<p><b>Projected costs (FY20-28): USD 6.40 million</b></p> <p>In the baseline scenario, the knowledge management (KM) function follows the curve of the portfolio, increasing over the next five years (up to FY23), and then decreasing slowly up to FY28. Key KM activities include knowledge capture/generation (harvesting the wealth of knowledge and lessons from the projects), knowledge sharing and dissemination, and</p>	<p>With a 20 percent annual reduction in the KM budget and <b>total savings until FY28: USD 1.28 million</b>, the trade-offs would be:</p> <ul style="list-style-type: none"> <li>• Fewer knowledge products from FY20 and no CIF Administrative Unit-led knowledge products after FY26. Reduced budget would impact the ability to harness the significant knowledge that would be</li> </ul>

Role/Activities in the evolving SCF portfolio (baseline)	Selective reduction and trade-offs
<p>knowledge promotion by translating key products into bite-sized practical learning for countries and the climate financing community at large.</p> <p>Another key feature of CIF’s KM going forward is CIFnet, a CIF-wide community of practice that brings together pilot countries and key stakeholders to share knowledge and learn from each other beyond pilot countries meetings and learning events. Pilot country meetings remain a vital platform to connect people, share knowledge, gain new skills, and spur innovation for the CIF pilot countries in this scenario. Thematic learning events, south-south knowledge exchanges, and regional dialogues have proved to be effective mechanisms for in-depth knowledge exchange.</p> <p>Development of demand-driven and operationally relevant knowledge products as part of the wider CIF analytical work is also an important KM activity for generating knowledge for use by countries and the climate finance community.</p>	<p>generated from the SCF portfolio (as results ramp up, learning on the ground increases, and projects close).</p> <ul style="list-style-type: none"> <li>• Stopped/reduced use of CIFnet as a platform and knowledge clearing house to facilitate knowledge sharing.</li> <li>• Limited south to south knowledge exchanges, regional dialogues, and other thematic learning events.</li> <li>• Limited exchange of knowledge and experiences among the pilot countries.</li> <li>• Reduced coordination and coherence in terms of the knowledge being produced across the SCF (from the CIF Administrative Unit, countries, and MDBs).</li> <li>•</li> </ul>
<b>Risk management</b>	
<p><b>Projected costs (FY20-28): USD 1.36 million</b> As each SCF program matures, the risk management function in the baseline scenario would evolve to ensure that efforts focus on additional key risk exposures that are relevant to each CIF program’s stage of development.</p> <p>Initial efforts focused on developing and launching risk dashboards for each of the CIF’s programs. Presently, significant time and effort is required to maintain these dashboards on a monthly basis and to incorporate assessments of new risk exposures that arise as each program continues to mature.</p> <p>It should be noted that the risk management team’s mandate has been expanding significantly following each round of TFC/SC meetings.</p> <p>The risk management function now produces three SCF semi-annual risk reports (one for each program), rather than a single annual risk report for CIF. Additionally, this function has been tasked, along with the MDBs, to implement a framework for monitoring and reporting exposure to fraud risk, as well as the risk of sexual exploitation, abuse, and harassment. Now that the three SCF programs may use reflows to fund administrative expenses, the credit risk associated with these reflows must be assessed, monitored, and reported. Risk Appetite Statements for all four programs are being finalized, and then efforts will focus on building out the risk management policy infrastructure for each program.</p>	<p>With a 20 percent annual reduction in the risk management budget, <b>total savings until FY28 would be USD 0.27 million.</b> Trade-offs would be reduced staff dedicated to risk management and the impact would include the following:</p> <ul style="list-style-type: none"> <li>• Reduced/eliminated TFC/SC risk reports (currently semi-annual)</li> <li>• Reduced frequency of risk dashboard updates to quarterly from monthly</li> <li>• Reduced frequency with which risk exposures are reported via the risk dashboards</li> <li>• Reduced/no further risk management support for CIF strategic initiatives</li> <li>• Reduced/no further enhancements to the risk dashboards (including the addition of new risk assessments)</li> </ul>

Role/Activities in the evolving SCF portfolio (baseline)	Selective reduction and trade-offs
<b>Stakeholder engagement</b>	
<p><b>Projected costs (FY20-28): USD 1.90 million</b></p> <p>Various evaluation reports, including the recent Transparency International Climate Funds Assessment, recognize CIF stakeholder engagement as a model for other climate finance organizations. SCF has successfully initiated and managed new and strategic stakeholder engagement initiatives that accelerate the momentum of SCF and have long-lasting and strategic impacts in the landscape of climate finance at large.</p> <p>The SCF stakeholder engagement activities in the baseline scenario are focused at three levels and are required throughout the project life cycle, including in the project closing phase.</p> <ol style="list-style-type: none"> <li>1) At the governance level, the CIF Administrative Unit maintains constructive relationships with stakeholders at the regional and global level. This includes providing stakeholders with accessible and inclusive means to raise issues and concerns on CIF interventions and manage such concerns. This includes help-desk service to CIF observers and mobilizing global and regional key stakeholders and supporters around the implementation of investment plans/SPCRs to promote transparency and accountability.</li> <li>2) At the country level, stakeholder engagement is required to ensure the programmatic nature of SCF and public ownership of investment plans. These activities are managed and coordinated by the CIF Administrative Unit in collaboration with the MDBs. This also includes directly managing activities focused on ensuring participatory monitoring and quality assurance result reporting in M&amp;R.</li> <li>3) At the project-level, the CIF Administrative Unit provides overall coordination and support for activities, such as stakeholder identification and analysis, assessing the level of stakeholder interest, and support to enable stakeholders' views to be considered in project implementation.</li> </ol>	<p>With a 20 percent annual reduction in the stakeholder engagement budget and <b>total savings until FY28 of USD 0.38 million</b>, the trade-offs or impact would be:</p> <ul style="list-style-type: none"> <li>• Reduced level of engagement with non-state actors</li> <li>• Less accessible and inclusive means for non-state actors to raise issues and concerns on the implementation of CIF programs, and reduced responsiveness to concerns and complaints at the country, regional, and global level</li> <li>• Help-desk services to observers might be compromised</li> <li>• Reduced number of stakeholder engagement events</li> <li>• Extended service term for observers</li> </ul>

33. A summary of options for further selective reduction in the CIF Administrative Unit budget is provided below in Table 6.



**Table 6: Scenario 3 summary – Selective reduction in CIF Administrative Unit services (USD millions)**

<b>Thematic Area</b>	<b>Projected costs (FY20-28)</b>	<b>20 percent reduction</b>
Communications	4.27	0.85
Gender	3.37	0.67
Monitoring and Reporting	4.43	0.89
Knowledge Management	6.40	1.28
Risk Management	1.36	0.27
Stakeholder engagement	1.90	0.38

## **7 Trustee**

34. Administrative costs of the World Bank, functioning as Trustee to CIF, are incurred in the provision of the following services: 1) financial and program management (including supporting the development of CIF policies and procedures, review of proposed governance, operational or other changes), 2) investment management of trust fund liquid assets, 3) accounting and reporting, 4) legal services to support each of the component trustee services, and 5) preparation of financial statements and support to external audits.
35. As reported in March 2018, the World Bank estimates the costs of providing Trustee services to SCF based on current legal and fiduciary obligations and the expected completion of new commitments by the SCF Trust Fund Committee. Generally, there are minimum requirements for reporting, due diligence, and other activities related to maintaining an active trust fund at the World Bank, especially a large Financial Intermediary Fund with the features and complexity of SCF. As long as SCF remains operational and Contribution Agreements and Financial Procedures Agreements remain effective, these costs will be incurred.
36. Additionally, as part of the World Bank’s Trust Fund Reform initiative, it is expected there will be changes in the methodology used to recover the World Bank’s costs as Trustee (e.g., shift to a flat-fee approach to be adopted for all Financial Intermediary Funds) that could impact these estimates. These potential changes are still being reviewed internally. The Trustee has already identified cost reductions arising from lower investment management fees as the SCF Trust Fund balance declines over time and the expected decline in the number of transactions, on the assumption there will be no new contributions to be processed. These reductions represent the frontier of potential cost reductions at this time.

## 8 Multi-year budgets of SCF

37. Between 5 to 10 percent of the SCF budget is allocated to multi-year activities that support knowledge and learning and support CIF's programmatic approach through a country programming budget. Additional cost-reduction options could include the following:
38. **Learning and knowledge exchange:** These funds support specific knowledge and learning activities and partnerships with external entities. This budget category also supports the SCF pilot countries meetings, which convene focal points for the SCF programs (FIP, PPCR, and SREP) every 18 months for knowledge events. In the baseline scenario, as projected in March 2018, the frequency of SCF pilot country meetings was adjusted to take place every two to three years from FY24. Another scenario could be to discontinue the SCF pilot countries meetings in its current format from FY20 as these meetings form the primary cost driver for the learning and knowledge exchange budget category. An overall budget of USD 1 million could be allocated to allow SCF pilot countries to engage through international, thematic learning and knowledge events organized by other partners.  
**Potential savings: USD 1.7 million from FY20 to FY28.**
39. **Country programming budget:** This multi-year budget provides an essential funding link to support SCF pilot countries in maintaining the CIF programmatic approach through country or regional knowledge products and exchanges, gender mainstreaming at investment plan/SPCR or regional level, monitoring and reporting at investment plan/SPCR level, and country-level stakeholder engagement. This budget is not used for project-level programming activities. In Scenarios 1 and 2 presented in March 2018, the country programming budget was significantly reduced as a cost-saving measure. An alternate scenario would be to discontinue the country programming budget from FY20 onwards.  
**Potential savings of USD 1.4 million from FY20 to FY28.**
40. The impact of reducing this budget category further would be the following:
- No support to pilot countries in participatory monitoring and reporting and stakeholder engagement activities in investment plan/SPCR -level reporting
  - No support to country-led knowledge management activities at investment plan/SPCR -level and cross-country learning
  - No support to gender mainstreaming activities at investment plan/SPCR level
  - Reduced support to the CIF programmatic approach at country-level

## 9 Attribution of administrative expenses between CTF and SCF

41. MDBs determine their SCF costs in different ways. Some MDBs have dedicated staff for each CIF program, resulting in a clear distinction between costs for CTF and SCF. Other MDBs use a time-spent approach where staff time and other expenses are charged to the CIF program for which they are incurred, ensuring no overlap between CTF and SCF costs. Overlaps that may exist within the SCF programs provide opportunities for synergistic

efficiencies, specifically in countries with more than one SCF program.

42. Sharing of CIF Administrative Unit costs between CTF and SCF is consistent with the level of effort dedicated to each CIF program. Consistent with historical data, attribution of staff time and forecasted number of staff is done based on portfolio volume. Rigorous attributions of staff costs are made on a monthly basis to codes linked to the thematic areas of the CIF Administrative Unit budget and are allocated to the CTF and SCF trust funds. Costs are allocated to each code based on the level of effort applied to each CIF program. The projection of staff costs up to FY28 takes the evolution of the SCF portfolio into account. This procedure will be maintained in the future.
43. Time and expenses of staff providing the World Bank’s trustee services are assigned separately to internal codes linked to the CTF and SCF trust funds in the World Bank’s budget systems. As such, costs of the World Bank units involved (Development Finance, Legal, Finance and Accounting, etc.) are booked and recorded to each trust fund independently. Investment management fees are similarly charged to each trust fund independently, based on the annual average balance in each trust fund.

## 10 Conclusion and summary of scenarios

44. This paper provides a recap of previous budget scenarios presented in December 2017 and March 2018 and proposes additional scenarios for administrative cost reductions for the MDBs and the CIF Administrative Unit. Due to the nature of trustee services and potential changes at an institutional level, additional scenarios, summarized in Table 7, were not explored for the Trustee.

**Table 7: Summary of scenarios and budget required from FY20 to FY28 (USD million)**

	MDB	CIF Administrative Unit	Trustee
Scenario 1 Cost analysis linked to delivering on the current SCF portfolio – as proposed in the March 2018 paper	39.6	40.3	6.24
Scenario 2 One SCF Trust Fund Committee/Sub-Committees meeting a year and one round of reporting	36.0	34.0	Not applicable*
Scenario 3 <u>MDBs</u> : Hybrid approach – varied budget based on	33.4	To be determined by TFC decision**	Not applicable*

historical minimum cost per project + a fixed annual budget <u>CIF Administrative Unit:</u> Selective reduction of 20% from thematic areas of support			
<b>Multi-year budgets</b>			
Country programming budget		1.4	
Pilot countries meeting		1.7	

*\* Scenario not explored for the Trustee*

*\*\* Cost savings will be determined by decision of the SCF Trust Fund Committee based on the options under scenario 3 for the CIF Administrative Unit.*

45. Changes to the SCF programs, such as additional contributions, would result in further review of this budget proposal. In addition, if Scenario 3 is considered for either the MDBs or CIF Administrative Unit, requests from the SCF Sub-Committees that do not relate to “business-as-usual” activities for SCF will result in additional costs and may necessitate a supplemental budget.

## 11 Annex 1: Supporting data for budget scenarios

**Table 1A: Historical administrative budget by MDB (2011 – 2018 in USD million)**

	2011	2012	2013	2014	2015	2016	2017	2018
ADB	0.5	0.7	0.8	0.8	0.8	0.9	0.8	0.8
AFDB	0.6	0.6	0.7	0.7	0.8	0.8	0.9	0.9
EBRD	0.2	0.1	0.1	0.2	0.2	0.3	0.2	0.1
IBRD	1.4	1.4	1.6	1.7	1.8	2.1	2.1	2.3
IDB	0.6	0.6	0.7	0.7	0.7	0.7	0.7	0.7
IFC	0.3	0.4	0.4	0.5	0.5	0.5	0.5	0.5

**Table 1B: Historical cost per project by MDB (2011 – 2018 in USD million)**

	2011	2012	2013	2014	2015	2016	2017	2018
ADB	0.03	0.03	0.03	0.03	0.03	0.03	0.03	0.02
AFDB	0.10	0.04	0.04	0.04	0.04	0.03	0.03	0.03
EBRD	0.08	0.04	0.05	0.05	0.04	0.06	0.04	0.03
IBRD	0.07	0.04	0.03	0.03	0.03	0.03	0.03	0.03
IDB	0.59	0.04	0.04	0.03	0.03	0.03	0.03	0.03
IFC	0.04	0.03	0.03	0.03	0.03	0.02	0.02	0.02

**Table 1C: Number of projects under management by MDB (2011 – 2028)**

YEAR	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028
ADB	17	22	26	27	28	31	31	35	31	22	18	14	11	7	3	2	2	2
AFDB	6	15	18	21	23	28	28	29	29	21	17	16	16	15	11	7	5	2
EBRD	3	3	3	4	4	4	4	4	4	4	4	4	4	4	4	2	1	1
IBRD	20	37	54	62	66	78	84	85	79	73	62	50	37	29	19	14	7	1
IDB	1	18	19	21	24	24	28	28	28	25	23	19	21	17	11	8	3	3
IFC	8	12	14	15	18	21	21	21	21	16	16	16	16	16	12	9	8	6