

# CLIMATE INVESTMENT FUNDS

SCF/TFC.IS.3/3  
November 18, 2019

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

## **OPTIONS TO IMPROVE THE EFFICIENCY OF SCF GOVERNANCE**

## **Proposed Decision**

The SCF Trust Fund Committee has reviewed the document SCF/TFC.IS.3/3, *Options to Improve the Efficiency of SCF Governance* and welcomes the detailed analysis and options proposed in the document as a means of improving the efficiency of the governance structure of the SCF.

The SCF Trust Fund Committee, taking into account the mature stage of implementation of the SCF programs, cost savings, as well as retaining equitable representation from contributors, recipient countries and observers for all SCF programs, approves Option 2 as outlined in the document.

The SCF Trust Fund Committee requests that the CIF Administrative Unit and the Trustee work together and take any and all steps and actions that are necessary to implement Option 2, including, without limitation, making the necessary changes to the relevant CIF governing documents to revise the roles and responsibilities of the SCF Trust Fund Committee and of the SCF Sub-Committees.

The SCF Trust Fund Committee notes that action to implement the necessary changes will be taken after the joint meeting of the CTF and SCF Trust Fund Committees have deliberated and decided upon governing modalities of the proposed new CIF programs, and will be based on already established procedures as set out in the governing documents.

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## 1. Introduction

1. At their meetings in June 2019, the Sub-Committees for the programs<sup>1</sup> of the Strategic Climate Fund (SCF), requested the CIF Administrative Unit to review options on how to improve the efficiency of SCF Trust Fund Committee and Sub-Committee meetings, for discussion at the next Intersessional meeting of the SCF Trust Fund Committee to be convened in November 2019.
2. This paper presents an analysis on how to improve the efficiency of the SCF and considers the following governance elements and practices:
  - Efficiency, effectiveness, relevance, and sustainability of the current governance structure of the SCF;
  - Meeting frequency and modalities, including the composition of Committees; and
  - Elements of the SCF governance structure that could undergo reform to achieve greater efficiency without impediment to the unique governance qualities of the CIF and the overall effectiveness and impact of the SCF with regards to its aims and objectives.
3. Further, the document seeks to provide the rationale, analysis, and a set of scenario options for streamlining the governance of the SCF Trust Fund Committee and Sub-Committees specifically in light of the maturity of the SCF programs.

### 1.1 Background

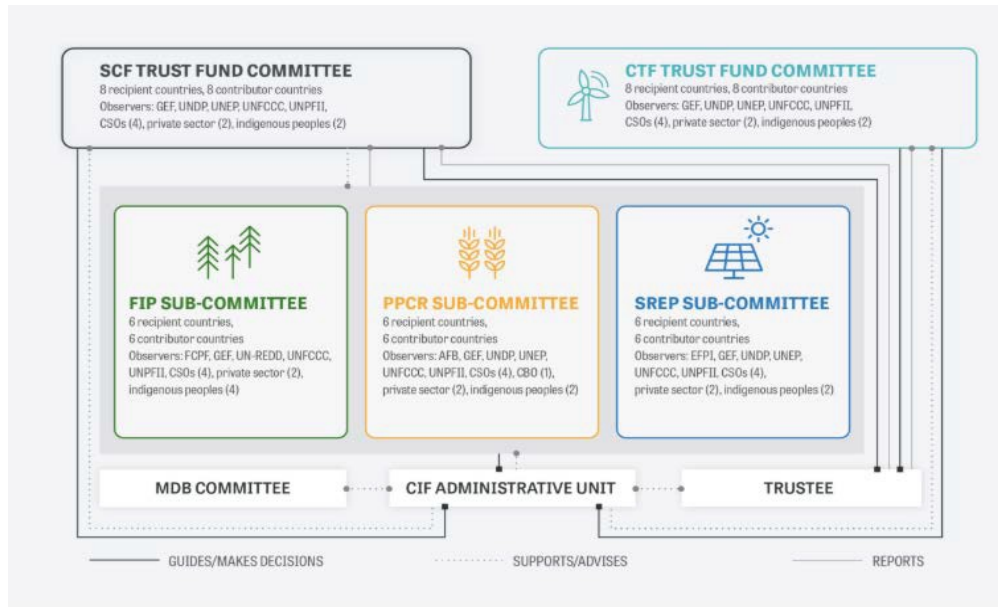
4. The Climate Investment Funds (CIF) are supported by two Financial Intermediary Fund (FIF) trust funds established in July 2009 with the World Bank as Trustee: The Clean Technology Fund (CTF) and the Strategic Climate Fund (SCF). The participatory governance structure of the CIF enables equal representation of contributor and recipient countries at the decision-making level.
5. The aim of the SCF is to provide financing to pilot new development approaches or scale-up activities aimed at a specific climate change challenge or sectoral response.<sup>2</sup> The SCF currently has three “Programs”, supported by three funding windows under the SCF Trust Fund: Forest Investment Program (FIP), Pilot Program for Climate Resilience (PPCR), and Scaling-up Renewable Energy Program in Low Income Countries (SREP).
6. The SCF is governed by a Trust Fund Committee whose mandate is to oversee its operations and activities. This SCF Trust Fund Committee comprises equal representation of eight members each from contributor and recipient countries; observer organizations; and representatives of the Multilateral Development Banks (MDBs). Similarly, each of the Programs (FIP, PPCR, and SREP) under the SCF are governed by Sub-Committees. Sub-Committees comprise equal representation of six members each from contributor and recipient countries and includes observer organizations and MDBs as illustrated in Figure 1 below. CIF Committee members are identified through a self-selection process among interested eligible recipient countries; with Civil Society Organizations (CSO), private sector and indigenous peoples’ observers also being identified through a self-selection process.

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<sup>1</sup> The SCF comprises the Forest Investment Program; the Pilot Program for Climate Resilience; and the Scaling-up Renewable Energy Program in Low Income Countries.

<sup>2</sup> [Governance Framework of the Strategic Climate Fund](#), amended December 2011.

**Figure 1: CIF Governance Structure of the CIF**



7. So far, from the USD 2.4 billion committed to the SCF programs, Sub-Committees have approved USD 2.1 billion to 150 projects across 42 countries.<sup>3</sup> SCF programs have now reached a point of maturity where all country investment plans have been endorsed and project approvals have advanced significantly at 78 percent with disbursement levels at 45 percent of MDB Board approved projects.<sup>4</sup> Current work of the SCF focuses on program oversight, pending project approvals, and approval of other portfolio related changes. Nevertheless, the SCF continues to make substantial contributions to climate change mitigation and adaptation and to provide useful lessons learned for long-term, sustainable climate finance globally.
8. Given this overall understanding of the current governance of the SCF, it is pertinent to analyze whether maintaining this governance structure *is relevant, effective, efficient, impactful and sustainable* in serving the aims and objectives of the SCF.

## 1.2 Overview of roles and responsibilities of the SCF Trust Fund Committee and Sub-Committees

9. Generally, the aims and objectives of the SCF can be categorized in two principal areas: one is devoted to achieving concrete impact and results over a wide range of areas associated with mitigation and adaptation goals, through the stated purpose of the Trust Fund to provide resources for and ensure the implementation of such actions. The second area encompasses promoting international cooperation, sharing lessons learned and experiences, and ensuring complementarity – all to advance progress regarding climate change.

<sup>3</sup> As of June 30, 2019

<sup>4</sup> As of June 30, 2019

10. The roles and responsibilities of the SCF and its Sub-Committees were therefore structured to meet those objectives. The SCF Governance Framework<sup>5</sup> (revised, 2011), indicates that the SCF Trust Fund Committee will be responsible for:
  - a) approving the establishment of SCF Programs and the scope, objectives and eligibility criteria governing the use of the funds under the SCF Programs based on a consultative process and an analysis to determine the utility of new SCF Programs;
  - b) ensuring that the strategic orientation of the SCF is guided by the principles of the UNFCCC;
  - c) establishing an SCF Sub-Committee for each SCF Program and designating who may participate in the SCF Sub-Committee;
  - d) approving the allocation of SCF resources for administrative budgets;
  - e) providing guidance on the convening of the CIF Partnership Forum<sup>6</sup>;
  - f) ensuring monitoring and periodic independent evaluation of performance and financial accountability of MDBs;
  - g) approving annual reports of the SCF;
  - h) ensuring that lessons learned are transmitted to the UNFCCC and other relevant bodies;
  - i) reviewing reports from the Trustee on the financial status of the SCF; and
  - j) exercising such other functions as they may deem appropriate to fulfil the purposes of the SCF.
  
11. The Sub-Committees are principally responsible for, within each SCF targeted Program (FIP, PPCR, SREP):
  - a) approving programming priorities, operational criteria and financing modalities for the SCF Program;
  - b) approving SCF Program financing for programs and projects;
  - c) approving periodic reports to the SCF Trust Fund Committee on the operations of the SCF Program;
  - d) ensuring continuity between activities foreseen for the SCF Program and activities of other development partners active in the field of climate change, including the GEF and the UN, and ensuring effective cooperation between the SCF Program and the GEF and UN country activities to maximize synergies and avoid overlap.

### **1.3 Methodology of the analysis**

12. A range of governance reform options is presented below for the Strategic Climate Fund with a view to increasing its efficiency.
  
13. In order to do this, the current governance structure of the SCF Trust Fund was reviewed and assessed in terms of its operational efficiency and the relevance of its bodies and functions. The analysis seeks to establish to what extent the governance and current practices of the SCF Trust Fund Committee and the SCF Sub-Committees remain efficient in achieving the aims and objectives of the SCF.

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<sup>5</sup> [SCF Governance Framework](#), Paragraph 20 (revised, 2011)

<sup>6</sup> [The joint meeting of the SCF and CTF Trust Fund Committees decided in 2017 to discontinue the partnership forum, and revise paragraphs 56 and 59 of the CTF and the SCF Governance Framework documents respectively. These documents will be updated accordingly.](#)

14. On this basis, options for improving the efficiency of the governance of the SCF are explored. These options provide different governance models and practices, and consider:
  - (a) their efficiencies looking at the administrative and legal burdens as well as financial and environmental costs involved in operationalization and implementation;
  - (b) their participation and inclusiveness, looking at the plurality of governing bodies, observer and stakeholder engagement at all levels;
  - (c) the impact the options would have in the larger climate finance/climate change arena; and
  - (d) sustainability of the proposed options over the short-medium term of SCF operations.

## **2. Assessment of efficiency of the current SCF Trust Fund Committee and Sub-Committees**

15. To understand if and how the governance of the SCF could be more efficient, it is important to first review the relevance and effectiveness of the existing governance structure in light of the current position of the SCF.
16. The assessment of efficiency is largely one of measuring the economy of inputs to outputs. For the SCF Trust Fund Committee and Sub-Committees, this means reviewing the economy of the governance structure and its activities or modalities directly and indirectly supportive of key decision-making functions.
17. From its inception, efficiency has served as an operating principle and goal of the CIF. Consistent with design, the CIF maintains a lean administrative structure with most operational and accountability functions delegated to its implementing partners, the MDBs. At the same time, the Trust Funds were established on principles of equal representation between donor and recipient countries, consensus decision-making, transparency and inclusivity of observers from civil society, the private sector, and indigenous peoples. It is important to ensure that these positive governance principles do not pose challenges to ensuring optimum effectiveness and efficiency.
18. To assess this, the key responsibilities of the SCF Trust Fund Committee and Sub-Committees are reviewed in the following section to clarify which roles and responsibilities assigned to the SCF Trust Fund Committee and the Sub Committees are still being executed and remain valid and functional for achieving SCF objectives.

### **2.1 Decisions regarding funding allocations**

19. **The Sub-Committees for FIP, PPCR and SREP are responsible for endorsing Investment Plans** which include project concepts. However, the investment planning phase for all current SCF Programs is now complete. The final SREP investment plan, for Zambia, was endorsed in May 2019. Investment plans are usually reviewed during in-person Sub-Committee meetings but may also be reviewed and endorsed through virtual intersessional meetings or by mail. Changes and other updates to endorsed investment plans are submitted to Sub-Committees and reviewed for a decision by mail.

20. **Funding approvals under SCF projects and programs continue to advance with two-thirds of SCF projects approved by Sub-Committees.** 100 percent of PPCR projects and programs identified in the Strategic Programs for Climate Resilience<sup>7</sup> (SPCR) with funding<sup>8</sup> have been approved and 78 percent of FIP projects have been approved by the respective Sub-Committees. It is expected that the final FIP project(s) will be presented for approval by June 2020. Project approvals for SREP are currently underway with 91 percent<sup>9</sup> of projects approved. Based on the current pipeline of SCF projects, it is expected that the final projects will be submitted for Sub-Committee approval by June 2020. Since inception, SCF projects and programs have been reviewed by each Sub-Committee by mail. This process is now supported through the CIF Collaboration Hub (CCH).<sup>10</sup> The Sub-Committees also approve requests for changes to approved projects by mail.<sup>11</sup>
21. **Program-related decisions.** The Sub-Committees are also responsible for approving decisions which relate specifically to the SCF program such as the Pipeline Management Policy, though these approvals are typically accommodated through an approval by mail.
22. While these obligations remain both relevant and effective for the Sub-Committees, the frequency of such requests for funding approval are decreasing as funding allocations for the SCF programs are complete and the funds reach full maturity.

## 2.2 Decisions regarding the establishment of SCF programs

23. According to the SCF Governance Framework,<sup>12</sup> the SCF Trust Fund Committee is charged with the authority to establish SCF Programs and “the scope, objectives and eligibility criteria governing the use of the funds under the SCF Programs based on a consultative process and an analysis to determine the utility of new SCF Programs.” It is also empowered to establish “a SCF Sub-Committee for each SCF Program” and designate “who may participate in the SCF Sub-Committee.”
24. The SCF Trust Fund Committee holds the responsibility for establishing new programs and was critical in the initial set-up of the SCF Sub-Committees, the design documents, governance procedures, eligibility criteria and other elements. The SCF Trust Fund Committee could play a continued role in this regard should new programs under the SCF be established.

## 2.3 Decisions regarding complementarity, sharing of lessons learned and cooperation

25. The SCF Trust Fund Committee continues to fulfil its responsibility in ensuring that lessons learned are transmitted to the UNFCCC and other relevant bodies. For example, in January 2019, the joint meeting of the CTF and SCF Trust Fund Committees approved the extension of the Evaluation and Learning (E&L) Special Initiative until at least FY22, and in June 2019 approved its FY20-22 Business

<sup>7</sup> Investment plans for PPCR are referred to as Strategic Program for Climate Resilience (SPCRs)

<sup>8</sup> 10 PPCR countries were provided technical assistance resources of USD 1.5 million each to prepare SPCR with the understanding that they will seek funding from other sources for the projects identified.

<sup>9</sup> 91 percent of SREP Sealed Pipeline approved.

<sup>10</sup> The CIF Collaboration Hub (CCH) was developed in response to the Action Plan of the assessment, Review of the Project Portfolio, Financial and Risk Management and Financial Reporting Requirements of the CIF presented during the joint meeting of the CTF and SCF Trust Fund Committees in December 2017.

<sup>11</sup> The prescribed timelines for these pipeline approval processes are defined in the pipeline management policies for [FIP](#), [PPCR](#), and [SREP](#).

<sup>12</sup> [SCF Governance Framework](#), Paragraph 20 (revised, 2011)



Plan with a budget of USD 3 million for its delivery in FY20. This approval endorsed the E&L business plan's three main objectives: application of learning in countries and institutions, new evidence generated in priority areas, and collaboration and partnerships for climate finance impact; and its three priority learning themes: a) Transformational change; b) Mobilizing private sector through concessional finance; and c) Development impacts of climate finance. Similar strategic knowledge activities are guided by the SCF, through decisions made at the joint meeting of the CTF and SCF Trust Fund Committees where budget allocations are approved.

26. Over time, learning and knowledge sharing have expanded and become organically ingrained in the SCF. Therefore, functioning as part of the joint meeting, the SCF Trust Fund Committee reviewed proposals on the future of the partnership forum.<sup>13</sup> The document recognized that the scope of events organized by the CIF Administrative Unit and its MDB partners has expanded since the CIF were established and recommended that the partnership forum be discontinued as a regular CIF event.
27. The Sub-Committees are also obligated to ensure the complementarity of their specific program activities and similar activities of other development partners active in the field of climate change. Sub-Committees review all Investment Plans, projects and other dedicated knowledge activities, and are, therefore, well positioned to effectively carry out this mandate of complementarity with other developments partners and initiatives.

## **2.4 Decisions regarding administrative budget**

28. The SCF Trust Fund Committee, through the joint meeting, has been active throughout in approving the administrative budget of the CIF. In addition, and separately, at the SCF intersessional meeting in March 2018, it was decided that funds will be allocated from each of the programs to cover administrative costs of the SCF until FY28. Trustee costs until FY60 were also allocated across SCF programs.<sup>14</sup>
29. Although the Sub-Committees are not delegated a similar role with regard to budgets, they play a role in identifying common issues across Sub-Committees and may raise issues or request specific action. However, when these issues go beyond the specifics of each SCF Program, they are decided upon at the SCF Trust Fund Committee level. For example, in June 2019, all SCF Sub-Committees unanimously called for "options on how to improve the efficiency of SCF Trust Fund Committee and Sub-Committee meetings" triggering this analysis.
30. In sum, while the role of the SCF Trust Fund Committee, separately and as an essential part of the joint meeting, will remain to be relevant, the roles of the Sub-Committees may be reviewed, as the SCF Programs mature.

## **2.5 Decisions regarding policy, financial, performance and results accountability**

31. The SCF Trust Fund Committee is responsible for "monitoring and periodic independent evaluation of performance and financial accountability of MDBs", approving annual reports of the SCF and

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<sup>13</sup> At the joint meeting held in Nov. 2015, an [initial document was reviewed](#) (see co-chair summary) on the [future of the partnership forum](#). A final report was reviewed and approved in 2017. See [here](#).

<sup>14</sup> The decision also allocated funding for Trustee expenses related to the SCF until FY60

reviewing reports from the Trustee on the financial status of the SCF. In the context of the Joint meeting, the SCF Trust Fund Committee also reviews and approves the annual Business Plan and Budget, provides guidance on policy issues related to risk, monitoring and reporting, gender, and other thematic areas of CIF operations. Although the Sub-Committees are not delegated any specific responsibilities regarding this function, in practice, while reviewing the Risk Reports, SARs, and other standard documents, they have been able to identify gaps in reporting where they have requested policy developments, reporting requirement changes and additional information. The Sub-Committees also take an active role in requesting mitigative action concerning areas such as risk thresholds, disbursement and results reporting

32. From this review, the Sub-Committees are performing a substantial role with regards to monitoring and for recommending changes to enhance results and performance. With regards to recent Sub-Committee meetings, the decisions and actions of each Sub-Committee are often very similar if not identical, which calls into question the issue of overlap or redundancy. Hence, streamlining may achieve greater effectiveness and enhance clarity of policy decision making.

## **2.6 Decisions regarding efficiency of meetings**

33. The five governing bodies of the CIF meet twice a year, or as necessary, to conduct their business. Each set of CIF Trust Fund Committee meetings lasts between three to five days. However, as the programs under the SCF in mature, recent Sub-Committee meetings have become briefer, and limited to the review of standard reports such as Risk Reports and Semi-Annual Reports. The proposals in this document take into consideration the time, cost, and effort required from participants to physically attend the in-person meetings, the real practical situation of some members and observers having a one to two-day gap in between their meetings, the repetition of content being discussed, and the logistical arrangements of organizing five separate meetings.
34. Importantly, in this context, a reduction in number of in-person meetings convened will result in added environmental impact and benefits. In fact, determinations around meeting frequency and participation should take into consideration the principle of working towards carbon neutrality to avoid unnecessary stress to the environment.
35. As the system of taking decisions has evolved over the life of the CIF, the majority of decisions to be taken by the Sub-Committees are now processed virtually by email supported by the CIF Collaboration Hub (CCH). The table below shows the decision-making modalities in the SCF.

**Table 1: Summary of decision-making modalities for the SCF**

Decisions taken during Trust Fund Committee and Sub-Committee meetings include:	Committee		Status		
	SCF TFC	Sub-Committees	Active	Semi active	inactive
Standard periodic documents including CIF Business Plan and Annual Budget and Semi-Annual Reports	yes	yes	yes		
New Investment Plans and SPCRs		yes			yes
Reports of the Expert Groups on the selection of new countries/pilot countries		yes			yes
Strategic and new policy documents	yes	yes	yes		
<b>Decisions taken through an approval by mail include:</b>					
Project funding requests		yes	yes		
Revised and updated investment plans		yes	yes		
Policy documents		yes	yes		
Revised or updated policy and governance documents	yes	yes		yes	
Supplemental budget requests	yes			yes	

## 2.7 Decisions regarding duration of committee membership

37. Governance changes introduced into the 2011 SCF Governance Framework prescribed the term of SCF Trust Fund Committee membership for a duration of 18-months. A review of the guidelines for selecting committee member seats for recipient countries<sup>15</sup> and a review of current practices show that the self-selection process can take up to 6-8 months; with changes to committee membership happening after three rounds of CIF meetings. Observers undergo a similar self-selection process which lasts for a term of two years. The effectiveness and efficiency of this process could be enhanced if the membership terms were longer, up to three years before rotation occurs.

## 2.8 Summary of efficiency assessment

38. At present, given the efficiency measures which have been taken to date and given the decreasing demands on the sub-committees, it appears that adjustments to the governance structure *and/or* the modalities for decision-making could lead to greater efficiency. The next section of this paper presents a number of options for consideration in moving forward.

## 3. Options for increasing efficiency of SCF Governance

39. Based on the above assessments regarding relevance, effectiveness, and efficiency, and considering the maturity of the SCF and its Programs, the following three options to enhance efficiency may be considered. These options, summarized in Annex 1, are:

- (a) Limited operational changes with virtual Sub-Committee meetings held once a year;
- (b) A hybrid approach that would expand the involvement and responsibilities of the SCF Trust Fund Committee in the SCF programs and narrow the scope of the Sub-Committees to a more technical role; and

<sup>15</sup> <https://www.climateinvestmentfunds.org/documents/proposed-guidelines-and-procedure-selecting-committee-member-seats-recipient-countries>

(c) Substantial governance changes removing SCF Sub-Committees from governance structure.

40. The viability of each option is measured against efficiency, effectiveness, impact and sustainability indicators.

### 3.1 Option 1: Limited operational and governance changes

41. With this approach, SCF governance, inclusive of the SCF Trust Fund Committee and the Sub-Committees, is retained with a few adjustments to the Governance Framework and operational design to generate greater efficiency.
42. Option 1 proposes that SCF meeting frequency and reporting be reduced to once per year.<sup>16</sup> Rather than seek blanket activity reductions, the focus would be on facilitating the role of the Sub-Committees through virtual means (decisions by mail and/or through the CCH, webex/video conference etc.), thereby eliminating in-person Sub-Committee meetings. However, while this would become “standard” operating procedure for Sub-Committees, as an exception, should an agenda item warrant it, an in-person meeting can be convened. Such an exception would be given with the agreement of the Head of the Administrative Unit, after consultation with the Co-Chairs of the specific SCF Sub-Committee.
43. It is the responsibility of both the CTF and SCF Trust Fund Committees to review and approve the CIF’s annual business plan and budget as well as policies relating to the CIF as a whole. Consequently, the SCF Trust Fund Committee, as part of the Joint meeting, would still meet at least once per year, to review these, and other relevant documents. This meeting can be convened in-person or by other virtual means depending upon the agenda items to be discussed.
44. As of June 2019, all Investment Plans for the current group of SCF countries have been approved. Most Sub-Committee meetings are now convened for approximately two hours each, and more recently, to review retrospective or standard documents for a decision such as the semi-annual operational reports and the risk reports. A review of the Committee decisions of standard documents shows that the decisions were almost identical among the sub-committees suggesting a repetitive discussion.
45. As per the SCF Governance Framework and Rules of Procedure, the term of membership on all CIF Committees is currently 18 months. Under option 1, members would participate in only one meeting or a maximum of two meetings, depending upon when membership starts. Observers serve a two-year term which would result in Observers participating in two separate meetings. Extending the membership term to three years would not only decrease the administrative burden associated with facilitating the self-selection process but also allow members and observers to more deeply engage in CIF operations over a longer period.
46. Operationalizing Option 1 would be relatively simple, as no substantial material changes would be required. Decisions regarding the frequency of meetings and reporting would be largely operational.

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<sup>16</sup>The Governance Framework for the Strategic Climate fund, amended December 2011, provided in paragraphs 23 and 30, that the committee(s) will meet with such frequency as it may decide, but at least once a year. The Sub-Committees will meet concurrently with the SCF Trust Fund Committee.

<sup>17</sup> However, changes to the membership term of Trust Fund Committees and Sub-Committees would require amendments to the Governance Framework,<sup>18</sup> and the Rules of Procedure,<sup>19</sup> under already defined procedures. All other current financial and legal arrangements would be unaffected.

47. **Efficiency - Option 1** would result in immediate administrative and financial cost reductions from less travel.
48. **Effectiveness** – decision-making would continue to benefit from the expertise and lessons learned of the Sub-Committees and there would be no change to stakeholder engagement, including numbers of governing body members, observers and MDBs. The only difference envisaged is that Sub-Committees would convene virtually or engage via virtual platforms and emails rather than through in person meetings. The effectiveness of the Sub-Committees would not be impacted given the maturity of the funds and the variety of opportunities that exist at country, regional and international level for face-to-face engagement between SCF countries through annual knowledge and learning events, and the availability of virtual platforms, such as the CCH, for decision-making.
49. This option implies moving from semi-annual operational reports and risk reports to annual reports. This would not have significant impact on governance since MDBs will continue to fulfil their reporting obligations as set out in the Financial Procedures Agreements with the Trustee. Portfolio-related reporting will continue to be provided semi-annually through the CCH, and stakeholders will have the ability to view or download portfolio updates in real time through the CCH. Additionally, semi-annual financial reporting by the Trustee will continue, and other reporting provided by the Trustee to the CIF Administrative Unit will also continue.
50. **Impact and sustainability** - Option 1 would free up time and resources which could be used to fund other relevant SCF activities such as knowledge and evidence gathering and dissemination. In addition, reduced travel by participants would also decrease environmental impact.

### **3.2 Option 2: Expanded Responsibilities - SCF Trust Fund Committee: Limited responsibilities - Sub-Committees**

51. This option would be a dual or a hybrid approach and would expand the involvement and responsibilities of the SCF Trust Fund Committee in the SCF programs and would narrow the scope of the Sub-Committees to a more technical role.

#### ***SCF Trust Fund Committee***

52. As with Option 1, the frequency of meetings and reporting would be reduced to once per year<sup>20</sup> with the possibility of convening virtual intersessional meetings as needed, and with the agreement

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<sup>17</sup> Climate Investment Funds, 2011: Governance Framework for the Strategic Climate Fund, Adopted November 2008 and amended December 2011, at Paragraphs 23, 30: According to the SCF Governance Framework, meetings are to be held at least once per year.

<sup>18</sup> Id. Paragraphs 16, 21, 27, 59.

<sup>19</sup> Climate Investment Funds, 2014, Rules of Procedure for meetings of the Trust Fund Committee of the Strategic Climate Fund, provided at paragraphs 9, 45.

<sup>20</sup> The Governance Framework for the Strategic Climate fund, amended December 2011, provides in paragraphs 23 and 30, that the committee(s) will meet as such frequency as it may decide, but at least once a year. For the Sub-Committees, concurrently with the SCF Trust Fund Committee.

of the Head of the Administrative Unit, after consultation with the Co-Chairs of the SCF Trust Fund Committee. In addition to the current responsibilities of the SCF Trust Fund Committee as laid out in the Governance Document,<sup>15</sup> the Trust Fund Committee would review and approve all standard, repeat documents, that were previously approved by the program Sub-Committees such as the Semi-Annual Operation Reports, Results Reports, and Risk Reports etc.

53. Given the review of these reports would be the responsibility of only one Committee, to encourage greater efficiency of the meetings and to more effectively facilitate cross analyses and learning of the programs, it is proposed to consolidate each standard report into one SCF report with separate sections for each Program, i.e. one SCF Annual Operations and Results reporting document with specific sections for FIP, PPCR and SREP activities.
54. To ensure integrated representation of the SCF Programs on the SCF Trust Fund Committee, the Governance Framework document provides, in paragraphs 26a and 26b, that at least one member from both the contributor countries and the eligible recipient countries of the SCF Sub-Committees, should also be a Member of the SCF Trust Fund Committee. This provision ensures that the expertise gained at the Sub-Committee level is integrated in the decision-making functions. Similarly, all observers of the SCF Trust Fund Committee are also observers of one of the Sub-Committees.

#### ***SCF Sub-Committees***

55. The Sub-Committees, functioning in a more technical capacity, will continue to review and approve all submissions for funding requests, changes to projects, revisions to investment plans, use of cancelled funds, and project extension requests submitted by the MDBs. This responsibility is currently handled through an approval by mail (CCH) and will continue in this same mode. In addition, the Sub-Committees would continue to review non-standard decisions. This review would be undertaken, as needed, through an intersessional, virtual meeting, or, as an exception, through an in-person meeting with the agreement of the Head of the CIF Administrative Unit and after consultation with the Co-Chairs of the relevant SCF Sub-Committee.
56. To ensure that Sub-Committee members are informed of all matters relating to each SCF program, standard documents being reviewed by the SCF Trust Fund Committee will also be circulated to members of the technical Sub-Committees for information. Members would be encouraged to provide, in writing, any comments they may have on such documents to the Head of the CIF Administrative Unit, or to one of the members on the SCF Trust Fund Committee, ahead of the meeting, so that relevant comments may be responded to accordingly.
57. As with Option 1, it is suggested to extend the term of membership on all CIF Committees to three years, rather than the current 18 months, to allow members and observers to more deeply engage in the CIF operations.
58. Operationalizing Option 2 would be relatively simple as no substantial material changes would be required. Decisions regarding the frequency of reporting and convening of SCF Committee meetings

would be largely operational.<sup>21</sup> However, as above, the needed changes to the membership term of Trust Fund Committee and Sub-Committees would require amendments to the Governance Framework,<sup>22</sup> and the Rules of Procedure,<sup>23</sup> as would changes to the responsibilities and functions of the SCF Trust Fund Committee and Sub-Committees.

59. **Efficiency** - as with Option 1, **Option 2** would result in immediate and substantial administrative and financial reductions. Eliminating in-person Sub-Committee meetings would reduce travel considerably as well as decrease environmental impact. Designating the SCF Trust Fund Committee principally responsible for reviewing and approving the standard program reports, in addition to their current responsibilities, will ensure there are no overlaps or redundancies in the governance functions and meeting discussions, which in the past have proven to be both time-consuming and costly.
60. **Effectiveness** - decision-making would continue to benefit from the technical expertise and lessons learned from the “technical” Sub-Committees, and there would be no change to stakeholder engagement, including number of governing body members, observers and MDBs.
61. **Impact and Sustainability** - The main difference between this option and the current arrangement is that Sub-Committees would become more of technical committees and undertake their role through a virtual means (by mail (CCH/webex etc.), as opposed to having in person meetings. The impact of this change should be negligible given the stage and maturity of each program and the fact that the technical expertise will remain on the Sub-Committees.
62. With the elimination of in-person Sub-Committee meetings and the reallocation of responsibilities to the SCF Trust Fund Committee, for approving standard documents, not only does this option greatly reduce the time commitments required to participate in these meetings and free up resources that could be used for other relevant SCF activities, but it also provides the SCF Trust Fund Committee members and observers with a more holistic view of the SCF portfolio and, thereby, allowing for more standardized and sustainable decision-making.

### 3.3 Option 3: Substantial governance changes

63. Under this option, the current Sub-Committees would be discontinued and eliminated from the SCF Trust Fund governance structure altogether; their responsibilities and function would be subsumed in their entirety by the SCF Trust Fund Committee.
64. As with the above 2 options, the frequency of meetings and reporting would be reduced to once per year<sup>24</sup> with the option of convening in-person or virtual intersessional meetings as needed, with the agreement of the Head of the Administrative Unit, after consultation with the Co-Chairs of the SCF

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<sup>21</sup> Climate Investment Funds, 2011: Governance Framework for the Strategic Climate Fund, Adopted November 2008 and amended December 2011, provided at Paragraphs 23, 30: According to the SCF Governance Framework, meetings are to be held at least once per year.

<sup>22</sup> Id. Paragraphs 16, 21, 27, 59.

<sup>23</sup> Climate Investment Funds, 2014, Rules of Procedure for meetings of the Trust Fund Committee of the Strategic Climate Fund, provided at paragraphs 9, 45.

<sup>24</sup> The Governance Framework for the Strategic Climate fund, amended December 2011, provided in paragraphs 23 and 30, that the committee(s) will meet as such frequency as it may decide, but at least once a year. For the Sub-Committees, concurrently with the SCF Trust Fund Committee.

Trust Fund Committee. The two major changes with this option are that the SCF Trust Fund Committee would make all decisions relating to SCF Programs, including those decisions that are currently the responsibility of the Sub-Committees and which are of a more technical nature such as the approval of project funding, reviewing revised Investment Plans, use of any new contributions etc.; and that the Sub-Committees for each program will no longer exist.

65. As previously stated, it is suggested to extend the term of membership on all CIF Committees to three years, rather than the current 18 months, to allow members and observers to more deeply engage in the CIF operations.
66. **Operationalizing Option 3:** While Option 3 may be more complicated compared to the previous two options, it would provide a more complete streamlining impact for SCF meetings. Removing the SCF Sub-Committees would require changes/amendments to the SCF Governance Framework,<sup>25</sup> the Rules of Procedure document,<sup>26</sup> the Contribution Agreements, and the MDB Financial Procedures Agreements. Undertaking these changes could take in excess of 6 months.
67. **Efficiency** – Option 3 would provide the greatest operational, administrative and financial efficiency through the removal of the Sub-Committees, convening for fewer meeting days, reducing the number of members/observers travelling, and the immediacy of decision making that having only one authoritative body brings.
68. **Effectiveness** - to ensure the effectiveness of one authorizing SCF Committee and to safeguard the interests of each SCF program, composition of the SCF Trust Fund Committee would include at least one member from countries receiving funds from each of the SCF programs, thereby making certain that the Committee continues to benefit from the technical expertise and lessons learned of country representatives by program.
69. **Impact and sustainability** - If Option 3 is selected, it should be noted that decision making authority would be shared by all members of the SCF Trust Fund Committee, on behalf of all programs, including donors that may have not contributed to, or recipient countries that are not part of, the program under discussion.
70. **Option 3** may reduce the number of voices of non-state actors. Trust Fund Committees are currently represented equally by eight member seats for contributor countries and for recipient countries, with the Sub-Committees having that same equal balance of six member seats for contributor countries and for recipient countries. The observer community elects in total eight observers (four from CSOs, two private sector representatives, two from indigenous peoples' groups, and an equal number of alternates) for each SCF committee.
71. While it appears that Option 3 significantly reduces the number of member seats available for the SCF Trust Fund Committee from current 36 seats in the Sub-Committees, (12 in each program) to 18 seats on the SCF Trust Fund Committee, it should be recalled that both contributor and recipient countries previously adopted the informal process of “twinning” on the CIF committees, which

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<sup>25</sup> Climate Investment Funds, 2011: Governance Framework for the Strategic Climate Fund, Adopted November 2008 and amended December 2011

<sup>26</sup> Climate Investment Funds, 2014, Rules of Procedure for meetings of the Trust Fund Committee of the Strategic Climate Fund.



enables two members to share one seat. As per the current policy, no country can hold more than one seat on the any Committee.

72. In addition, with the removal of the Sub-Committees, the existing observer representation for each Sub-Committee would be discontinued. However, to address this problem, the current approach of having 4 CSO, 2 Private Sector and 2 IP observers, each representing developed and regional developing country constituencies, with an equal number of alternates, would be retained under the SCF Trust Fund Committee. To ensure that a strong recipient country representation is retained on the SCF Trust Fund Committee, it is recommended that the number of member seats be increased to a total of 18, 9 seats for contributor countries and 9 seats for recipient countries, with no more than three seats being allocated for recipient country representatives, per SCF Program.

### Annex 1: Summary of Streamlining Options – Pros and Cons

	<b>Option 1</b> <b>Limited operation and governance changes</b>	<b>Option 2</b> <b>Expanded responsibilities – SCF Trust Fund Committees; Limited responsibilities – Sub-Committees</b>	<b>Option 3</b> <b>Substantial governance changes</b>
<b>Description</b>	<ul style="list-style-type: none"> <li>• Reduce frequency of meetings to annual;</li> <li>• Sub-Committees continue with current functions but meet virtually;</li> <li>• SCF TFC will meet once a year including as part of the Joint meeting.</li> </ul>	<ul style="list-style-type: none"> <li>• Hybrid option - expand the involvement and responsibilities of the SCF Trust Fund Committee;</li> <li>• Narrow the scope of the Sub-Committees to a more technical role</li> <li>• Meetings reduced to once a year</li> <li>• Sub-Committees meet virtually</li> </ul>	<ul style="list-style-type: none"> <li>• The current Sub-Committees would be discontinued and eliminated from the SCF Trust Fund governance structure;</li> <li>• All responsibilities and functions would be carried out by the SCF Trust Fund Committee.</li> <li>• Meetings reduced to once a year</li> <li>• Member seats increased to 18</li> </ul>
<b>Implementation Modalities and Governance Changes</b>	<ul style="list-style-type: none"> <li>• No change in governance documents</li> </ul>	<ul style="list-style-type: none"> <li>• Update to existing SCF Governance Framework document to revise the roles and responsibilities of the SCF Trust Fund Committee, and of the SCF Sub-Committees</li> </ul>	<ul style="list-style-type: none"> <li>• Update existing SCF Governance Framework document to revise the roles and responsibilities of the SCF Trust Fund Committee, and remove reference to SCF Sub-Committees</li> <li>• Change to all legal documents including Contribution Agreements and FPAs</li> </ul>
<b>Estimated Timeliness of Implementation</b>	0 months	<3 months	>6 months
<b>Pros</b>	<ul style="list-style-type: none"> <li>• Faster to implement since no legal or governance changes are envisaged</li> <li>• High positive impact on environmental sustainability since Sub-Committee meetings will be held virtually</li> <li>• Decisions common to all SCF programs will remain with the SCF Committee</li> <li>• Cost savings from reduced meeting costs</li> <li>• Maintains current wide range of stakeholders in governance</li> </ul>	<ul style="list-style-type: none"> <li><input checked="" type="checkbox"/> Relatively fast to implement as there will be no change to legal documentation, systems, or processes</li> <li><input checked="" type="checkbox"/> Cost savings from reduced meeting costs</li> <li><input checked="" type="checkbox"/> Great potential for efficiency of meetings as operational documents for all SCF Programs will be discussed at the SCF Trust Fund Committee</li> <li><input type="checkbox"/> Retains recipient country representation from all SCF programs</li> </ul>	<ul style="list-style-type: none"> <li><input checked="" type="checkbox"/> May take more time to implement compared to other options</li> <li><input checked="" type="checkbox"/> Cost savings from reduced meeting costs</li> <li><input checked="" type="checkbox"/> Great potential for efficiency of meetings as operational documents for all SCF Programs will be discussed at the SCF Trust Fund Committee</li> <li><input type="checkbox"/> Increased number of country representatives as members on the SCF Trust Fund Committee.</li> </ul>
<b>Cons</b>	<ul style="list-style-type: none"> <li>• Limited opportunities for face-to-face interaction among Sub-Committee members</li> </ul>	<ul style="list-style-type: none"> <li>• Limited opportunities for face-to-face interaction among Sub-Committee members</li> </ul>	<ul style="list-style-type: none"> <li>• Reduced number of recipient countries and non-state actors in overall SCF governance</li> </ul>

	<b>Option 1</b> <b>Limited operation and governance changes</b>	<b>Option 2</b> <b>Expanded responsibilities – SCF Trust Fund Committees; Limited responsibilities – Sub-Committees</b>	<b>Option 3</b> <b>Substantial governance changes</b>
	<ul style="list-style-type: none"> <li>• Limitations of options for virtual connectivity by all Sub-Committee members (poor internet connection, different time zones, etc.)</li> </ul>	<ul style="list-style-type: none"> <li>• Limitations of options for virtual connectivity by all Sub-Committee members (poor internet connection, different time zones, etc.)</li> </ul>	<ul style="list-style-type: none"> <li><input checked="" type="checkbox"/> Limitations of options for virtual connectivity (poor internet connection, different time zones, etc.)</li> <li><input type="checkbox"/> Decision-making authority for all Programs will be shared by all contributors to the SCF</li> </ul>