



LOOKING AHEAD FOR LESSONS IN THE CLIMATE INVESTMENT FUNDS

A REPORT ON EMERGING THEMES FOR LEARNING

CONSULTATIVE DISCUSSION PAPER

FULL VERSION

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TABLE OF CONTENTS

Executive Summary	1
Introduction	1
Seven Themes in Three Streams	2
Two Cases: Bangladesh and Turkey – Some Highlights	4
Concluding Remarks	7
 Box 1: On Reading this Report	 9
 MAIN REPORT	
Introduction: Background, Scope and Learning Strategy	10
Box 2: Methodology – How this Report was Created	13
Thematic Overview	16
Global, Regional, National and Local	16
Leveraging and Mobilizing Resources	17
 PART A: OVERARCHING GOALS	 19
Section 1: Speed and Depth	19
Table 1: Speed, Simplicity, Low Transaction Costs and Depth, Impact, High Quality	20
Section 2: Defining Transformational Change in Diverse Settings	24
Section 3: A Global Network	31
Box 3: Learning Strategies for Multi-Stakeholder Networks	35
 PART B: ENABLING RELATIONSHIPS	 37
Section 4: Cooperation among Governments, Development Partners and Official Agencies	38
Section 5: Stakeholder Engagement: Civil Society, Indigenous Peoples, Private Sector	45
Section 6: Governance and Committee Meetings	51
 PART C: FINANCE AND FUNDING STRATEGIES	 55
Section 7: Financing Topics	55
 Conclusion and Invitation for Comments	 60
 Appendix:	
Organizations Contributing to Interviews	61
Glossary of Abbreviations and Selected Terms	63
Short Biography of the Author	66

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Executive Summary

Introduction

This paper reports the results of a qualitative study undertaken to derive lessons from the design and early activities of the Climate Investment Funds (CIF). The study is not intended as an evaluation of any aspect of the Funds, but rather as a way to catalyze, from this early phase forward, reflection and dialogue among all relevant stakeholders aimed at harvesting and applying learning from the CIF experience.

Consistent with this purpose, the basic approach of the study involved interviews, observations and feedback in an interactive spirit. The study uncovered an extraordinarily rich diversity of perspectives, expertise and reflection among CIF stakeholders, richer than any report could possibly be. This report, then, is a discussion paper intended to assist stakeholders as they work to develop and synthesize learning in a way that is directly useful both in CIF programming and in climate finance more generally.

The material below is offered to the CIF Trust Fund Committees and the Manila Partnership Forum, in the hope that participants at the Forum will be able to use and build upon the results. The Forum in turn would be a step, not a destination, in a learning journey, so both this document and the discussions there should be seen as dynamic, geared more to advancing ideas than reaching conclusions. In that spirit, comments on this paper are invited from all readers, both at the Forum and, alternatively, by e-mail to CifAdminUnit@worldbank.org. A revised version of this report will be published after the Partnership Forum; even that improved document should be seen part of an ongoing, living process.

The first thing that confronts an observer of climate finance in developing countries today is the enormity of the challenge. The threat to human lives and livelihoods and to the ecosphere from climate change is very large; responses must be tailored to a wide range of diverse contexts and must succeed at the global, regional and local levels; the field is still very young, so existing knowledge, while important, is limited; as transitional vehicles, the Climate Investment Funds must operate while the global architecture to deal with climate change is still under negotiation, and they must connect effectively with a wide range of partners and actors. The flip side of these challenges is an opportunity: Because the CIF are now actually operating on the ground and directly

confronting these challenges in diverse settings, they present stakeholders with the chance to evolve responses to that can have worldwide significance.

To nurture this evolution along, this report aims to help stakeholders view the underlying challenges *both* through the broadest possible lens – from a systems perspective, integrating multiple climate finance and development needs that do not always pull in the same direction – *and* refracted by concrete, specific experience that point to ways to manage these needs. Because the CIF are still just starting up, the weight of the data available to the study is general in nature, mostly informing the systemic challenges and opportunities for the CIF going forward; but already more specific, emerging lessons are visible, and these will be highlighted at least as examples for further development by CIF stakeholders. Yet a full, joint understanding of the underlying challenges is important so that stakeholders can both identify and gauge the significance of more concrete lessons and achieve consensus on paths forward.

Consequently, this paper is organized around a series of underlying themes – challenges and opportunities identified from stakeholder feedback – and it offers, for each one, a range of reflections, observations, and potential responses, also based on stakeholder comments. These seven themes for learning flow in three streams from the underlying nature of the climate finance in development generally and the Climate Investment Funds in particular.

This Executive Summary will begin by outlining the seven themes in general terms; concrete case examples will follow, as a way to bring these topics to life and offer some tentative lessons as a taste of what the CIF's ongoing learning journey can discover; the conclusion will return to the general level, not to reach a landing in that journey but rather to suggest how the material in this report might help equip the travelers – the CIF stakeholders – on their way.

Seven Themes in Three Streams

Stream A: Overarching Goals. The CIF have ambitious goals, corresponding to the enormity of the underlying needs discussed above. These large ambitions in turn have consequences that CIF stakeholders are working through, globally, nationally and locally, and some of the most important of these constitute the three themes in Stream A:

Theme 1: Speed and Depth. Because the CIF seek early impact and lessons even as they aim for deep, far-reaching results, they face an inherent challenge sometimes referred to in short-hand below as the “speed/depth” spectrum. There is no inevitable contradiction or trade-off here, but it is not always easy to simultaneously achieve quick funding based on simple, user-friendly, low-cost planning and administration *and* to develop high-impact, high-quality, integrated programs that leverage multiple resources and are based on full participation of all relevant stakeholders. The report will outline some of the main aspects of

this challenge as seen by diverse actors and discuss emerging lessons on managing or surmounting these dynamics.

Theme 2: Transformational Change. A core ambition of the CIF is to achieve “transformational impact,” but given the diversity of programs, contexts and desired outcomes for the CIF, there is no inherited definition of this term that the CIF can simply apply, either in the field of climate finance or development (and the CIF care about impact in both of these importantly different areas). Yet definitions and verifiable criteria are needed for effective decision making and for learning and results. The CIF are working on this challenge both at the global level for each program, and through “learning by doing” as countries develop and implement CIF strategies.

Theme 3: A Global Network. The problem the CIF confront, climate change in the context of developing countries, is simultaneously global, regional, national and local. Effective solutions, cumulatively at any rate, will have to work on all these levels. Yet this is a young field, each specific context matters, and knowledge is both limited and widely dispersed. To meet the resulting challenges, the CIF aim to develop as a global learning network, building and sharing knowledge across regional, national and community boundaries and creating, where needed, integrated solutions. This too is an ambitious goal, and here too the report will outline aspects of the challenge and related opportunities and strategies.

Stream B: Leverage, Enabling Relationships and Trust. These goals together clearly imply that the CIF cannot function in isolation. CIF funding is limited compared to both the scale of the climate problem and the scope of the CIF’s ambitions, so it must be multiplied by other public sources and, notably, by private sector finance. In addition to this financial leverage, the CIF must leverage knowledge and capacity through collaboration (“enabling relationships”) across a wide range of organizations, sectors and constituencies, many of whom may not be accustomed to working together. Any such effort, in any field, requires building trust, and this is especially true in the arena of climate change, where, in the larger environment, sensitive international negotiations are underway to create a new global architecture. The report takes up the work of the CIF in this “stream” through three more themes:

Theme 4: In-Country Cooperation among Government, Development Partners and Official Agencies. The CIF are a platform for coordinated finance, and coordinated services to government, and are pioneering collaborative approaches with joint activity by multilateral development banks, in partnership with bilateral and multilateral agencies (including, for example, the UN system). In turn, this collaboration is designed to support, in a client-friendly manner, planning and implementation led by each national government. The report reviews progress and emerging lessons in this space, including what a wide range

of stakeholders saw as a profoundly important innovation in cooperation among multilateral development banks.

Theme 5: Stakeholder Engagement. This entails work, at the global, national and community levels, and in different ways across the distinct CIF programs, with the private sector, civil society, indigenous peoples, local communities, and other especially affected or vulnerable groups, such as women – in a way that’s appropriate, as always, to the programmatic and national context. This is an extraordinarily complex, multi-faceted challenge, closely linked to each of the ambitious goals in Stream A. The report attempts, in summary form, to review the terrain and to note, from a step-by-step perspective, both important progress to date and possible pathways for the future.

Theme 6: Governance and Committee Meetings. The CIF governance and committee structure reflects balanced, self-selected representation of industrialized and developing countries in a framework that includes Committees and Sub-Committees organized by program and funding window. Challenges inherent in this structure, in the context of the CIF’s goals, include achieving full partnership across committee participants, combining accountability, flexibility and quality with administrative simplicity and predictability, and assuring cross-fertilization of lessons. The report summarizes lessons from early CIF experience on these and other related topics.

Stream C: Financing. The CIF achieve their impact through flowing funding, so Stream A and B converge, so to speak, in specific financing activity. The result is a series of specific topics, often of a technical nature, at the point of confluence: how to flow limited funding in a way that achieves the most benefit for the CIF’s ambitious goals (Stream A), taking account of vital relationships for climate finance in developing countries (Stream B).

Theme 7: Financing Topics. These are taken up as a series of brief comments, under the rubric of the single financing theme. Areas addressed range from private sector incentives and leverage, through funding modalities and commitments, to resource allocation criteria and more.

Two Cases: Bangladesh and Turkey – Some Highlights

As part of the study, the researcher (too) briefly visited two CIF recipient countries, Bangladesh and Turkey. This section will review selected observations from these visits to illustrate how country experience can generate at least tentative lessons on the seven themes listed above. While this will enable at least some comment touching lightly on each of the seven themes, the study as a whole is not limited to these cases, so readers are directed to the main text for true summaries on each theme. Note also

that the brief visit, at this early stage in CIF programming, permits only provisional observations, and, as noted above, in no way has evaluative purpose or content.

Emergency Shelters in Bangladesh

To begin, a very narrow case example:

The Government of Bangladesh is considering including designing and building new cyclone shelters as part of its strategy under the Pilot Program for Climate Resilience (PPCR), a targeted CIF program. At a preliminary multi-stakeholder workshop in Dhaka in February 2010, participants identified a diverse range of needs for the shelters to meet, with correspondingly diverse technical and Ministerial contributions required, with different sectors implicating different Ministries. The shelters must work for people fleeing storms and floods (sector: disaster management); but they must also accommodate livestock (sector: agriculture and animal husbandry), since even, or especially, in crisis people will not leave the animals which are their livelihoods; they must also meet vital public health needs (sector: health) and, so as not to waste precious resources, they must serve community needs year-round, at non-crisis times (sectors: social services, local government).

Participants in the workshop noted that effective solutions for cyclone shelters will thus require a combination of “top down,” multi-sectoral technical expertise with “bottom up” community connections; neither would be sufficient on its own. This is an important aspect of knowledge networking (Theme 3) and also stakeholder engagement (Theme 5).

Thus, a single, seemingly simple component of a climate resilience program is fact requires participation and coordination across a wide range of governmental units, stakeholders and technical experts. Global (through multilateral and bilateral development partners), national (government, technical institutes, private) and local (government, civil society, community) resources are in principle available, but integrating these effectively and efficiently is a major implementation challenge, and would require breaking new ground.

What this case exemplifies, then, is the importance of *integration* in meeting the PPCR’s overall objective of piloting paths to transformational impact (Theme 2). Bangladesh may or may not elect to move forward with these ideas, but should the decision be to proceed, from a lessons standpoint it will clearly be valuable to examine integration, a component of transformational change, *both* generally, from the point of view of global, national and local cross-sector coordination (Themes 3, 4 and 5) *and* concretely, by examining how this plays out (should Bangladesh move forward on these ideas) in the design, construction and use of a specific set of pilot cyclone shelters in a series of vulnerable communities (see especially Theme 5).

The Country Led Bangladesh Joint Mission

The Government of Bangladesh formally led the PPCR joint mission, which included as partners the Asian Development Bank, the Canadian International Development Agency, the United Kingdom Department for International Development, the United Nations Development Programme, and the World Bank Group. Some brief observations:

Major planning points coming out of the mission, including selection of four sectors for PPCR work and geographical focus on specific, especially vulnerable coastal areas, were made possible by (a) the pre-existing, government-endorsed National Action Programme of Adaptation and more specific 2009 climate change adaptation strategy (prepared by a consultant but “owned” by the government as a whole) and (b) pre-mission consultations with the government and the multilateral development banks. Potential lessons here are that building on this kind of preparation, including existing national strategies, offers potential ways to manage achieve strategic depth quickly (Theme 1) challenge, and that preparation and multilateral support can facilitate country leadership and inter-ministerial coordination (Theme 4).

On the other hand, as interviews with government officials highlighted, looking ahead to more specific project design and implementation, country capacity is an important limiting factor. Country leadership needs to be understood, then, not as a binary factor (either 100% present, or 0%), but rather in relative terms depending on the topic and on available country capacity (Theme 4). Capacity building (Theme 3) also comes to the fore from this perspective.

Finally, interviewees all saw the cooperation among development partners on the joint mission as productive (Theme 4), though people also pointed to planning and logistical challenges discussed in more detail in the main text (also Theme 4).

Some Highlights from Turkey

In Turkey, the Clean Technology Fund (CTF), another CIF funding window, was able to move very quickly from strategy to projects because the government already had developed (with international support) significant “transformational” plans around climate mitigation. By aligning its CTF proposals with existing strategies, and by engaging public and private financial institutions which had worked, for example, with multilateral renewable energy funding in the past, the government was able to move with impressive speed from concept to implementation.

This example suggests one approach to the achieving a combination of speed and depth (Theme 1): to follow existing strategies and build on existing funding modalities. The Bangladesh PPCR case hints at a similar approach, as once again the pre-existing government strategies proved critical to the joint mission’s progress.

Yet at least two questions follow from this: First, what do to when such strategies and modalities are not readily available, especially when country capacity is limited. Second, how to assure that the result is not simply an extension of “business as usual,” an “add-on,” but rather a lever for transformational change (Theme 2)? The specific approach to energy financing taken in Turkey, through financial intermediaries, offers promising potential lessons in this regard, as discussed in more detail in the main text (Theme 7). Briefly, the strategy involved obtaining substantial financial leverage by using CIF financing, whose terms are concessional, to provide just the amount of incentive needed to overcome first-mover hurdles and jump-start private markets for energy efficiency and renewal energy.

A final highlight: Country leadership in Turkey was robust, through the Turkish Treasury. This assured rapid planning consistent with existing government strategy (Theme 1), strong links to budgeting (a way to mainstream low-carbon development, Theme 2), and coordination across Ministries and development partners (Theme 4; the Treasury acted as a focal point and circulated drafts of the CTF investment plan to keep partners informed). Finally, consistent with CIF practice, the Treasury (not the multilateral development banks) submitted the plan for endorsement by the Trust Fund Committee (Theme 6), reflecting country ownership and the supporting role of the multilaterals as development partners.

There is an interesting complexity here around the endorsement process: Comments on the Turkey case seemed to confirm that there remains a challenge, as reported by many stakeholders, in clarifying the (now provisional) definition of transformational change (Theme 2), through quantifiable criteria that enable recipient countries to look ahead to streamlined, predictable endorsement procedures (Theme 6). At the same time, Trust Fund Committee members reported that, even based on the existing definition, they had little difficulty reaching consensus that the Turkey Investment Plan did indeed provide a pathway to transformational change. Experiences like this could inform a new look at the question of criteria and indicators for transformational change.

Concluding Remarks for the Executive Summary

The highlights recorded above are intended to illustrate how in-country experience can inform the seven themes that animate this study. Considerably more material is offered in the text of the report, but these fuller observations should also be viewed as an aid to further learning, rather than a synoptic (much less an evaluative) conclusion.

Turning again briefly to a more general level, consider once more the first theme, which contrasts speed, simplicity and flexibility with depth, long-term impact and quality. Like the other challenges discussed in the study, the components of this one will be viewed differently, with different emphasis or priority, by different CIF stakeholders, and

appropriate strategies will differ across the various CIF programs and country and regional pilots. Yet if stakeholders can together come to a common understanding of the various dimensions of the underlying challenge in multiple contexts, and examine concrete, in-country cases where the challenge is being managed on the ground – the study suggests that there is concrete action around this theme in every CIF initiative, not just in Bangladesh and Turkey – the learning opportunities could be rich intend.

This kind of opportunity abounds for the CIF. Despite the diversity in perspectives noted above and the sometimes daunting range of detail reported in the main text, the study found that the various stakeholder viewpoints, priorities and observations need not be seen as isolated reports. Rather, they cohere around themes rooted in basic goals of the CIF and the context in which they operate ¹ So there is excellent scope for dialogue and new learning.

A basic analytical message from the study to date is that stakeholders interested in effective ways to resolve global, thematic challenges now have available a rich, largely untapped vein of learning resources in the way these challenges are playing out on the ground in CIF programs. By far the most powerful way to tap these resources is collaboratively, drawing on the extraordinary diversity represented by CIF stakeholders. This discussion paper is an invitation to all stakeholders to explore this territory; it is also intended to offer, thanks to the generous contributions of participants thus far, a very preliminary map of the terrain. A vital learning journey lies ahead.

¹ Of course, the list of seven themes used here is by no means exhaustive; the main criteria used to select themes were salience for future action and emphasis in stakeholder feedback.

Box 1: On Reading this Report

Readers are invited to view the material below in a spirit of inquiry, and to look for ways to contribute insights or examples that will advance learning. The basic thematic sections of the report for the most part stand on their own (with this as a purpose, observations are occasionally repeated or cross-referenced across different sections); therefore, with the aid of the Table of Contents, it should be possible to select themes for deeper review at will. A separate box is provided on study methodology, and on learning strategy.

The methodology used in this study, together with comments on learning strategies moving forward, is reviewed in Box 2; the Appendix includes an interview list and a glossary of both acronyms and terms of art.

While summary material (including most of the Executive Summary) describes themes and lessons in general terms, it is important to recognize that these play out differently across different CIF funds and programs. Notably, caution must be applied in attempting to transfer lessons between the Clean Technology Fund and the targeted programs of the Strategic Climate Fund. The main text of the report frequently provides program-specific comments, to the extent possible in a general study of this kind.

It is also important to remember that this report is in no sense an evaluation of the CIF or any related activity, nor does it present conclusions or policy results. Neither the purpose nor the methodology would enable such a reading. Rather, it is an effort to synthesize diverse stakeholder comments to contribute to their learning. Results are therefore tentative, and suggestions should be understood as pointers for possibly fruitful inquiry and learning, not as policy results. Where consensus was evident, it is reported, but even there the picture is dynamic: Consensus can change, things can look very different in different program and country context, and the report above all needs to be seen as a living document, a part of a larger dialogue. The researcher wishes to thank all interviewees and commentators to date for the generous and thoughtful contributions you have already made to this dialogue.

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Introduction: Background, Scope and Learning Strategy

This report presents results from a study, commissioned in August 2009, of lessons learnt from the design and early operations of the Climate Investment Funds (CIF). The purpose of the study is to derive learning from the experience of the funds to date, in a manner that is directly useful to the funds and their stakeholders moving forward. In neither methodology nor intent is the study an evaluation of any aspect of the CIF; instead it was designed to catalyze, from this early phase forward, a dialogue among all relevant stakeholders aimed at harvesting and applying learning.

The study covers the period from the initiation of the multi-stakeholder design process for the Funds through the present; interviews in the study are in fact still underway, since while the study will culminate in Partnership Forum in Manila on March 18-19, 2010, the learning continues, and this report will be revised based on additional interviews and on comments received from stakeholders.

Box 2 below provides a summary of the methodology used to prepare this report. The core data came from qualitative interviews with a wide variety of stakeholders.¹ Consistent with the dialogic (rather than evaluative) thrust of the study, no statistical sampling was attempted, and the interviews themselves were open ended in scope, encouraging reflection and exchange.

Volunteers for interviews were recruited, first from among participants in international CIF processes (program design and Trust Fund Committee and Sub-Committee activity) and then from recipient countries. This second phase, with recipient countries, was compressed by timing requirements, though it is still underway as this is written. The study included brief visits to Bangladesh and Turkey, which provided a profound – though provisional, since the trip was short and the in-country experience is still unfolding – contribution to its overall thrust and specific results. Brief highlights from the trip can be found in the Executive Summary above, and occasionally in the text below as well; further detail along these lines will be provided in the final version of this

¹ Information gleaned from interviews with governmental and non-governmental stakeholders, was supplemented with observations at selected CIF meetings, and of portions of the Bangladesh joint mission. The Appendix lists stakeholder groups contacted to date.

report, after the completion of this “recipient country” phase of interviews and of the Partnership Forum.

The references above to a “final” report apply only to the contours of this study, not to the lessons learning work. Each version of this report needs to be seen as part of a larger, living process of learning conducted by stakeholders themselves, with these documents as a supporting aid. The study, in any version, should be viewed as a snapshot of an evolving picture. However, the rich feedback provided by stakeholders to date does provide opportunity to advance the discussion, as stakeholders have suggested fertile territory for lessons. The purpose of this report is to contribute to a collaborative process for mapping that territory and deriving concrete, usable knowledge.

The present version of the report is a revision of an earlier text which was posted for comment on January 25, 2010. The comments received, together with additional stakeholder interviews and the country visits, richly informed this new version, and the researcher wishes to thank all the commentators for their contributions. That earlier draft was a discussion paper, with the present version as one result; this report, in turn, is also a discussion paper, looking ahead to further written comments and discussion at the Partnership Forum. Readers (especially those unable to attend the Partnership Forum) are invited to participate in the dialogue by sending comments to the e-mail account of the CIF Administrative Unit (CifAdminUnit@worldbank.org).

Climate finance in developing countries is a far-reaching global issue with an extraordinary diversity of challenges, opportunities and stakeholders. The Climate Investment Funds are evolving a series of responses to these challenges and opportunities. As a step in an active dialogue, this report will focus on forward evolution; that is, on topics raised by stakeholders that can, after continued discussion, directly inform ongoing operations of the CIF. This is by no means the only territory identified by interviewees to date, but forms a suitable groundwork to focus the study. Additional reflections from stakeholders are deeply welcome.

The Clean Technology Fund and the three targeted programs under the Strategic Climate Fund, which together constitute the CIF, have distinct purposes. Thus, the topics discussed here, while generally relevant across the funds, play out differently and with different salience across the various funds and programs, as they do in different country cases. This report is for the most part pitched at a general level, though it will include occasional references to the specific funds and programs where practical solutions are being developed.

The territory is, by its nature, challenging, and stakeholder perspectives are naturally diverse. Yet two general analytical results from the study stand out:

- First, from Phase One (global stakeholder interviews): Despite the diversity in perspectives noted above and the sometimes daunting range of detail reported in the main text, the study found that the various stakeholder viewpoints, priorities and observations need not be seen as isolated, divergent reports. Rather, they cohere around themes rooted in basic goals of the CIF and the context in which they operate. So there is excellent scope for dialogue and new learning. A major way this study aims to assist this process is by outlining these common themes, so stakeholders can in turn build a common understanding of both the challenges they face and the opportunities for constructive lessons.
- Second, combining the Phase One interview results with more recent, recipient country work (Phase Two), it is clear that stakeholders seeking to manage global challenges in climate finance now have available a rich, largely untapped vein of learning resources in the way these challenges are currently playing out on the ground in CIF programs. Overall review of feedback to date strongly suggests that turning to on-the-ground experiences is generally the most productive learning strategy for the CIF. By far the most powerful way to tap these resources is collaboratively, drawing on the extraordinary diversity represented by CIF stakeholders. This discussion paper is an invitation to all stakeholders to explore this territory; it is also intended to offer, thanks to the generous contributions of participants thus far, a very preliminary map of the terrain.

The 2010 CIF Partnership Forum is a major opportunity for the stakeholders in the CIF to advance this exploratory process and exchange views and ideas on innovative ways to manage the opportunities and challenges outlined in this study. This report was designed to support that process, whose steps include:

- Mapping the terrain: coming to a common understanding of underlying drivers and key dynamics behind challenges, opportunities and themes of common interest, and sorting through key questions that need to be addressed;
- Fleshing out on-the-ground experiences that point to concrete lessons; and
- Identifying new options.

Like the report itself, the Partnership Forum is a step of an ongoing learning process, and while valuable ideas will certainly emerge, advancing from the “snapshot” reflected in this report, the results are most productively seen as dynamic, rather than as conclusions. See Box 3 at the end of Section 3 below for more on multi-stakeholder learning strategies.

As an illustration of what it means to “map” this kind of “terrain,” consider that for many good reasons (discussed further below), the CIF aim, on the one hand, for speed, simplicity and flexibility in planning and implementation, but also, on the other hand, for deep, transformational impact, multi-stakeholder engagement and partnerships, and uniform, significant quality standards and criteria. The underlying challenge here is

sometimes summarized in this paper as a “speed/depth” dilemma and is addressed more fully in Section 1 below. In reality, as with the other challenges discussed in this paper, there is no inevitable dichotomy or trade-off here: In their work on the ground, the CIF are developing direct experience in managing for both the speed and depth in the distinctive context of climate finance. Turkey and Bangladesh both point to potential lessons in this area, as discussed in the Executive Summary, and broader in-country results are summarized in Section 1 of the main text. Similar material is offered for all seven themes in this report, to seed the ongoing discussion.

Box 2: Methodology – How this Report was Created

The methodology for this study was tailored to the core purpose of advancing a learning dialogue, rather than generating evaluative results. The researcher therefore sought to collect feedback in a reflective, collaborative spirit through qualitative, open-ended interviews. The interviews, with individuals or small groups, were organized into two rounds. These two rounds taken together aimed to solicit views from a wide range of stakeholders; however, since there was no evaluative intent, instead of a statistical sample interviewees were selected based on availability, with the aid of the Administrative Unit, with a view to achieving the most participation possible given logistical constraints. First round interviewees were generally participants in the design process or governance process (including “active observers”) of CIF programs, with the idea that their perspectives would provide context for in-country interviews in the second round.

The first round ran from August to December, 2009. First round interviews were based on an interview guide which asked respondents to describe their experience with the CIF, to offer lessons for ongoing and future work, to identify distinctive features of the CIF, and to suggest topics for specific learning. Approximately 75 people were interviewed in the first round.

The first round also benefited from observations of Trust Fund Committee and Sub-Committee meetings, and related events, including, among others, the PPCR pilot country meeting in October 2009.

When the first round was complete, the researcher reviewed and analyzed the feedback and generated an interim discussion paper, posted on the web for comment on January 25, 2010. This initial analysis revealed that while there was great diversity in stakeholder perspectives and observations, their feedback tended to cohere around a series of themes which in turn were related to the underlying purpose and context of the CIF. Where consensus was already present – for example, in the value of the MDB Committee – this was noted in the discussion draft. But in most cases – such as defining transformational change – it was too early to summarize consensus; here, the researcher’s goal was to summarize the range of responses and provide a conceptual

basis that could help stakeholders move to consensus. So the interim draft sought to place feedback received within a thematic framework that limned the underlying challenges and opportunities for the CIF. Since it was already clear from the first round that concrete lessons were most likely to be found in on-the-ground experiences (the focus for round two), the discussion draft cited examples where data were available, and encouraged stakeholders to offer concrete examples, together with general comments on the thematic summary offered in the draft.

The seven themes identified and discussed in the interim draft (also the basis of this report) were chosen from the feedback received through two basic criteria: (1) opportunities to contribute to future CIF activity and (2) degree of overlap, even if from divergent perspectives, in stakeholder responses.

The second round included additional interviews focused on on-the-ground experience, and included visits to Bangladesh, where the researcher observed portions of the PPCR joint mission and met informally with participants, and to Turkey, where the researcher interviewed Turkish government officials and managers of the Turkish development banks participating in CTF finance. These results, plus results from extensive commentary on the first draft provided by stakeholders, led to the creation of the current discussion paper. Because it proved logistically complex to obtain second round feedback, that round is continuing, so that additional interviews, together with the 2010 Partnership Forum itself, will contribute to a post-Manila revision of this report.

Logistical limitations also meant that the second round has been compressed in time, and most of the commentary on the initial paper came after most of the second round interviews conducted to date. Thus, though many stakeholder comments included suggestions for further specific analysis or elaboration on specific topics, generally it was possible to include such additional material in this discussion paper only to the extent that data were already available. Especially in places where this proved constraining, the current report includes indications that stakeholders were interested in further analysis.

The Appendix includes a list of governments and organizations who contributed to the interview process. The “data” for this study derived from those contributions, plus observations of meetings and comments on the interim draft. The analysis offered here, based on those data, is intended to:

- Provide stakeholders with conceptual approaches and a synoptic map of the “territory,” so they can themselves navigate toward ongoing learning;
- Offer concrete examples of lessons emerging from on-the-ground experience, to seed on ongoing learning process; and
- Suggest, in a similar spirit, ideas for learning strategies.

A general analytic conclusion from the work to date as a whole is that in-country

experience provides a fertile source for learning, including around themes that “global” stakeholders identified as challenges. In building on the earlier discussion draft, the still-incomplete second round has therefore prioritized on-the-ground feedback. The Executive Summary of the current report highlights observations from the visits to Bangladesh and Turkey, and such observations also appear throughout the main report. Yet this is only a beginning (even from the point of view of available information from Bangladesh and Turkey), and the researcher hopes to include a richer range of in-country material in the post-Manila report. Note also that the on-the-ground feedback and observations included in this study are by nature tentative and preliminary: It is still early days for the CIF, and the data are still limited, in no way permitting evaluative conclusions.

Although for the reasons noted above it was not possible to fully cover all topics raised by stakeholder commentary, this report has benefited enormously from those comments, and the researcher wishes to thank both the commentators and the interviewees for their thoughtful and patient contributions. The post-Manila document will surely benefit all the more from continuing feedback. More importantly, the learning will not stop there, but will be carried on by stakeholders themselves and through the CIF knowledge management program.

Thematic Overview

Climate finance is different from development finance, so the Climate Investment Funds, whose objectives include both climate and developmental benefits, are seeking distinctive yet broadly applicable solutions. A stable climate is a global public good, so everyone needs to be engaged in those solutions. The climate change problem, insofar as it is caused by human activities, is relatively new, so no one has a repository of answers and actors are looking for new understanding. A new overall international architecture for addressing climate change is still under negotiation, so interim funding must advance such learning without pre-empting those negotiations. As transitional vehicles, the Climate Investment Funds aim to make a significant impact in a limited time, with limited resources, so rapid action on the ground and leverage for scale are both vital for success.

These underlying realities generate a series of challenges but also opportunities which the Climate Investment Funds (CIF) are working with every day, in their design, strategy and operations. The early experience of the CIF with these challenges is the subject of this paper, which seeks to map the underlying dynamics and point to concrete lessons emerging on the ground, for each of seven thematic areas. Before taking up each theme in turn, it may be helpful to sketch some potentially useful general concepts that flow directly from the underlying realities just cited.

Global, Regional, National and Local

The CIF have global objectives, but they are implemented nationally and locally (i.e. at the country and community levels). On the ground, they must meet national and local needs, which include flexibility, simplicity, speed, integration with the national policy framework, effective engagement with affected communities and low transaction costs. At the same time, the CIF seek to meet their global objectives of generating leverage and broadly applicable knowledge resulting in a substantial reduction or removal of greenhouse gas emissions, together with regional, national and local co-benefits in environment, development and social impacts.

Doing all this simultaneously raises a host of challenges. At the level of policy goals, challenges include the “*speed/depth dilemma*” already introduced, which also includes tensions among goals like simplicity, and flexibility on the one hand and ambitiousness and breadth of impact on the other. Many stakeholders considered that the way the Clean Technology Fund (CTF) moved from design to the endorsement of Investment Plans to project approvals within a year was a remarkable achievement on the speed dimension, and the application of existing country strategies to develop those plans and projects represents a promising approach to simultaneously achieving depth, as discussed more concretely in Section 1 below. Yet stakeholders also saw compromises on the depth dimension in CIF activity to date, so it will be useful to examine results in more detail in recipient countries as projects come to fruition, to garner specific lessons

about speed and depth in both in financing clean technology and in other CIF programming. Section 1 offers a range of preliminary observations derived from in-country experience to date on both the dimensions of the challenge and on promising paths forward.

One way the CIF, in a negotiated compromise, sought to manage the local/national/regional/global dynamic was to set “transformational change” as a criterion for CIF Financing. The challenge flowing from this compromise, discussed in Section 2 below, is how to define “transformational change” in a way that simultaneously satisfies local, national and global needs: definitions must be (a) sensitive to context so the CIF can respond to diverse local needs, yet (b) sufficiently general to have predictable meaning as a criterion. In short, an aspect of the challenge here might be described as combining *scale and customization*.

Because the climate change problem is simultaneously local, national and global, because all actors need to be mobilized, and because learning is essential, the CIF seek to operate as a complex global learning network. Section 3 sketches insights gleaned from stakeholders thus far on this challenge, an acute one since the CIF have limited resources and therefore need leverage simply to function effectively as a network. Relationships across the network, in various categories, are the subject of Sections 4 – 6; defining the purpose and structure of these relationships, in a way that works globally and locally (the solutions will often be different) is a consistent challenge cutting across these relationships.

The explicit structure of the CIF as transitional vehicles, scheduled to phase out via a “sunset clause,” adds salience to these challenges, since to serve their purpose the CIF must harvest broadly applicable learning (requiring depth) in a short period of time (requiring speed). Leveraging relationships and resources must be part of the solution, and this topic opens up its own set of challenges.

Leveraging and Mobilizing Resources

The CIF aim to act as catalysts, to mobilize financial resources and expertise, from the public and, crucially, the private sector, at scales considerably larger than pledged dollar amounts to the CIF. In addition, they seek to leverage knowledge and engagement of a wide range of players in climate finance, including bilateral and multilateral development partners, civil society, and indigenous peoples and other affected communities. How do a small set of funds, with a lean administrative staff, achieve this without becoming (a) bogged down in complexity or (b) reduced to add-ons to existing business-as-usual financing?

A significant innovation in this area, discussed in Section 4, is the way the CIF have coordinated across the Multilateral Development Banks, in both public and private sector finance. While this is still a work in progress, stakeholders reported that financial

and other resources are being effectively combined across these institutions in new a productive ways. Meanwhile, the CIF are developing experience at broader coordination with other development partners, for example United Nations agencies and bilateral agencies; respondents suggested that a more systematic approach could be helpful in this area. A major challenge now (Section 5) is to extend the benefits to engagement with multiple stakeholders: public sector, private sector, civil society, affected communities. There is already some operational experience in these areas in the Pilot Program for Climate Resilience, and, at the design stage, the Forest Investment Program. Yet a great deal still remains to be worked out in this domain.

At the heart of the collaborative effort among governments and other stakeholders is the governance structure, where the CIF have developed a balanced and inclusive representation model. Section 6 discusses experience with this model, including progress and challenges in reconciling the respective needs of donor and recipient countries and moving toward genuine co-ownership. (Note that the new “active observer” role for stakeholders on CIF committees is discussed in Section 5, since it relates to stakeholder engagement generally, although it also is a feature of the CIF governance structure.)

Leveraging and scale challenges are especially acute when it comes to allocating financial resources. Section 7 concludes this paper by briefly reviewing financing topics through the lens of stakeholder comments to date. Each pilot needs enough resources to achieve impact and generate learning, suggesting that the number of pilots need to be kept small. But too few pilots would mean insufficient experience for comparative learning (for example, having a series of cases in a particular sector) and insufficient breadth to tackle the diversity of the climate change problem. Further, pilot selection is just the start of the challenge. How best to allocate scarce funding across pilots for maximum benefit at scale? Section 7 also outlines these challenges, along with a series of other topics relating to getting the most from CIF financing, for example, private sector incentives and private sector leverage in climate finance.

As discussed throughout this report, respondents repeatedly noted that successfully surmounting these challenges and achieving effective leverage requires building trust across a wide variety of stakeholders. Readers may observe that this, together with the related need for flexibility on the ground, runs like a thread throughout this report.

The body of this paper will summarize feedback about the range of themes discussed above, the challenges, the opportunities, and emerging on-the-ground lessons, in three broad streams: (a) overarching goals (Sections 1 – 3); (b) enabling relationships (Sections 4 – 6); and (c) financing and funding strategy (Section 7).

A. OVERARCHING GOALS

Amidst the diverse goals that animate the CIF, three major thematic challenges emerged from interviews to date: (1) balancing speed and depth in implementation; (2) achieving transformational change; and (3) creating a global learning network.

1. Speed and Depth

Stakeholders want to see fast action on the ground for a variety of reasons, including the urgency of the need and the special nature of the CIF: As transitional vehicles, they need to produce early, measurable results to achieve their goals of generating usable knowledge and pathways to impact at scale. Fast cycle times are critical both for meeting recipient country priorities and for achieving wider gains through learning. Equally, however, for many stakeholders the goal of broad impact with limited resources in a complex environment calls for strong advance strategic planning, with a priority on deep engagement with multiple stakeholders at the regional, national and local level. Country owned stakeholder strategies take time.

As an example of the time cycles involved, the Phase 1 planning process for the Pilot Program for Climate Resilience (PPCR) envisions a range of three to 18 months.

Many interviewees commented on the speed with which the initial three investment plans for the Clean Technology Fund (CTF) were developed and endorsed. Participants in that process have indicated that this did entail compromises, but that those involved were also working with the longer term strategic goals of the Fund in mind in a direct effort to manage the dilemmas involved. For example, while projects already on the drawing board were selected for these early investment plans, were the criteria used, including need for CIF financing and expected multiplier effects, effective in practice, so the CIF became more than an add-on? The ongoing, on-the-ground experience (both positive and negative) with these and other investment plans should provide valuable insight on various dimensions of the speed/depth challenge, and I look forward to hearing comments on this as the lessons learning process moves forward.

At this stage, it is worth noting a series of parallel polarities that relate to the speed/depth challenge and that were also of concern to stakeholders. Table 1 below presents a schematic outline, intended to bring out the contrasts involved. In reality, the differences are not this stark, and common ground is often possible.

TABLE 1: A SCHEMATIC OUTLINE

Speed, Simplicity, Low Transaction Costs	Depth, Impact, High Quality
Speed in planning and operations	Depth in planning, full country and stakeholder engagement, high standards of quality and accountability
In the short term, achieving quick results on the ground	For the long term, coordinating with country planning processes and goals
Administrative ease, low transaction costs, simplicity	Accountability to multiple stakeholders and ambitious criteria
Aligning with and carrying out existing country plans; avoiding new planning and process burdens	Catalyzing change, new strategic thinking
Flexibility to respond to immediate, in-country needs	Adhering to global criteria and standards, set in advance, and enabling cross-cutting knowledge and impacts
Implementing specific, needed projects	Developing effective policies, plans and programs
Immediate, direct mitigation or resilience impact	Indirect, transformative impact over time
CIF as a new part of the existing finance mainstream	CIF as catalyzing a new mainstream

The underlying dilemmas here are fundamental, unavoidable challenges, and they play out in each of the specific areas explored later in this note. Improvements in these areas may seem to call for motion toward the right of the chart, with associated costs, but there is great scope for finding solutions which make this manageable. Sometimes this may involve finding an appropriate balance among objectives; sometimes there are opportunities to overcome the challenge and advance speed and depth simultaneously. The best place to look for solutions and lessons is in-country action on the ground.

- The CTF investment plan in Mexico may be a useful example of simultaneous achievement of speed and depth. A key enabling factor here was the presence of a strong existing country strategy with which the CTF could align its investment plan with. For example, the government had set a goal of reducing the carbon footprint of the country’s urban transportation system by 20% through country-wide expansion of bus rapid transit systems. CTF funding enabled the government to provide municipalities with incentives to adopt enhanced design features to catalyze a shift to public transit. More generally, the Mexican CTF Investment Plan sought to select from existing ideas on the drawing board, for short-term action, but embedded in the longer-term Mexico Climate Strategy.

- It was likely helpful that the Government of Mexico had already decided to seek “first mover” advantage on low-carbon technology, had a strong interest in pursuing implementation, and was internationally engaged on climate issues (for example, in climate negotiations). Mexico’s existing, pre-CTF plans were well developed, based on a World Bank low-carbon growth study² in cooperation with the University of Mexico, a McKinsey “2050” study, and a World Bank development policy loan.
 - At a more detailed level, regarding the program/project dimension of the challenge here, the financial institution focus in Mexico may be a constructive example. It began with a single project proposal, but was quickly converted into a broader program, with cooperation between the Inter-American Development Bank and the International Finance Corporation.
 - It is too early to reach conclusions on the results of these initiatives, and in any case the present study lacks data (and has no mandate) to address this question. Yet it is likely not too soon to look at emerging patterns in Mexico for practical learning on the speed/depth theme. Stakeholders are invited to suggest lessons from the way the approach outlined here has unfolded to date in Mexico.
 - The Turkey CTF planning process also proceeded very rapidly, and once again strategic depth remains in view. Preliminary observations on this score from the Turkey visit include:
 - The presence of an existing low-carbon growth strategy, with a range of scenarios or “wedges,” was a fundamental basis for the CTF Investment Plan. The government was able to use the availability of CTF financing to “bend the curve” in moving to a more favorable scenario.
 - The leadership role, and strong capacity, of the Treasury, was critical in this process, together with the clear priority the Government had assigned to low-carbon growth.
 - The Treasury’s experience with Turkish public and private financial development banks as intermediaries in multilateral lending, and the corresponding experience of those intermediary banks, also formed critical groundwork here. Since the same banks were to be engaged again, the process of “private sector engagement” was rapid and

² Supported by the United Kingdom’s Department for International Development.

straightforward. Other stakeholders were kept informed and invited to comment on drafts, but there was not a large stakeholder engagement process beyond this.

- Similarly, PPCR recipient countries regularly referred to their existing National Adaptation Programmes of Action (NAPA), developed through the UNDP, and saw the PPCR as a way to build on and implement their NAPAs. As noted in the Executive Summary above, Bangladesh’s early PPCR planning has clearly benefited from both its pre-existing NAPA and its 2009 strategy paper; as in Turkey, the clear motivation on the part of the government to move forward on climate issues is another important driver.
- A source of lessons and potential solutions in this area, for future follow-up, would be to focus on the perceptions and approaches of in-country planners. Interviews to date indicate that existing CIF programs (CTF and PPCR) are valued by recipient countries, and are seen as a way to follow-up on and link to existing country planning. But a closer analysis could yield insight on how investment plans and projects the role these programs play in the larger planning process, to what extent they are seen as central in country planning, and why.
 - Preliminary observations from Bangladesh and Turkey, together with other feedback in the study, suggest that conditions are best for “mainstreaming” CIF goals in new country planning when governments already see the underlying purposes of CIF programs – climate resilience and climate mitigation, respectively, for Bangladesh and Turkey – as clear priorities, and when CIF objectives are already reflected in earlier planning,
- As with all the challenges discussed here, effective responses will differ by country and program. Low-income countries will often need more preparatory work to develop CIF plans, and different programs have different needs for stakeholder engagement.
- A potential strategy for dealing with speed and depth may be to establish principles for allocating resources between short-term and longer-term initiatives as part of a portfolio of initiatives. The short-term programs would need to be selected to assure strategic fit with a broader, existing transformational program (see Section 2 below).
 - Meeting this transformational objective is especially challenging in emergency contexts; respondents cited as potential examples Haiti and Samoa and Tonga. In both places there may be ways to put in place fast-track funding that also serves longer-term, transformational needs.

- Increased use of centralized technical expertise can help with the speed/depth challenge. PPCR “Expert Group,” for example, facilitated the selection of country pilots not only by creating a strong technical framework (depth), but also by streamlining what might otherwise have been a complex, lengthy decision-making process (speed). The technical analysis of country strategies for low-carbon development which preceded the early CTF investment plans was a key to their navigation of the speed/depth territory. It was suggested that introducing technical capacity to assess, for example, PPCR investment plans could be similarly useful.
- Coordinated, systematic in-country planning led by the national government was highlighted as vital to success. This may not be incompatible with speed, depending on what was already in place when CIF work began: There may be in place both well-developed existing strategies and capacity for rapid coordination and consultation. However, some stakeholders pointed to a speed-quality trade-off in country planning; for example, in joint country missions, advance notice, briefing, preparation and integration with partners and stakeholders all consume time.
- Investing in capacity building and strengthening institutions in a way that links planning to investment is also a potential route to solutions. This work is underway in the PPCR, and planned in SREP and FIP.
- As demonstrated by the CTF, investment plans can move rapidly when they are based on existing country strategies. In programs where multi-stakeholder dialogue is critical, it has been suggested that the speed/depth challenge can be addressed by selecting countries where government agencies and development partners are already engaged with stakeholder and where capacity exists to continue. Yet if these became exclusive selection criteria, benefits in and learning from countries with less capacity would be lost. In the CTF, the first investment plans came from countries with existing strategies; longer development curves for other CTF countries remain possible. Perhaps a phased approach (with “quick-start” and more gradual-start countries) may be useful in the SCF programs as well, but given the nature of the CIF as a transitional vehicle, time is limited for multiple phases. It may be that different programmatic content, more focused on capacity building, is needed in countries where awareness, engagement and regulatory frameworks are less developed.
 - A lesson emerging from early CIF programming is that many countries already have ambitious climate-related plans. The value of aligning with these plans as a resolution of the speed/depth dilemma is clear, but some stakeholders expressed concerns, on relate dimension, framed this way by one respondent: To what extent are we attracting multilateral development bank financing to CIF projects, and to what extent is it the

reverse? A strong results framework, and tangible monitoring and evaluation, can help answer questions like this.

- Respondents also suggested that building trust, in-country and globally, can help both with the speed-depth dynamic in general, and with the question noted above in particular: Trust enables collaboration and innovation.
- The vital objective of achieving high quality may depend in part on advance preparation and definition, but also on effective feedback, learning and adaptation. The ability both to incorporate lessons from previous experience and to achieve rapid “learning by doing” may provide a route to both speed and “depth.”
- Stakeholders also suggested that the CIF could draw on experience of other climate finance mechanisms with the speed/depth challenge – for example, the Adaptation Fund, the Global Environment Facility and UNFCCC vehicles might be analyzed from this perspective.
- Finally, participants at the country level, including governments and development partners, repeatedly stressed the value of *simplicity* and *flexibility*, two items on the left side of the chart above. People reported experiencing a genuine tension here, since, especially at the global level, the CIF seek to establish clear and predictable quality standards, and to meet a variety of strategic goals, and it’s not easy to advance on these fronts while retaining simplicity and flexibility. For a more specific look at how these topics play out, see the discussion of transformational change, the next thematic topic.

The immediate question for the CIF is how to manage these challenges in the context of a transitional climate finance program; CIF stakeholders are developing experience on this question in virtually all their activities, and there are opportunities here for learning that is also applicable beyond the domain of climate finance.

2. Defining Transformational Change in Diverse Settings

“Transformational change” is an agreed criterion for CIF investments. Agreement is lacking, however, on how to define transformational change. While there may be no definitive, context-independent answer to this question, progress on a shared understanding will be important both for the smoothness and predictability of CIF approval processes and to enable the CIF to achieve stakeholder goals. Once again, the earlier experience of CIF stakeholders in grappling with this question in the context of

concrete investment plans provides an opportunity for new joint reflection and possible convergence on this topic. Some thoughts arising from interviews to date:

- The definition may differ depending on the fund or sub-program, the country context, and the level of analysis – country, sector, project, community. Thus, a *ramified* (varying with context) set of “transformational” criteria may be required. There is another polarity or spectrum here, between on the one hand a sufficiently clear and uniform definition to enable predictability and, on the other hand, sufficient flexibility to respond to diverse country needs, capacities and plans.
- Stakeholders advocated a “learning by doing” approach to transformational change, with on-the-ground experience informing policy, including definitions, in an experimental cycle. This has already begun; for example, the CTF adopted an early, provisional definition and may now be in a position to harvest learning and refine it (see below).
- There is also a regional and global dimension to transformational change: Successful CIF initiatives in one country can be adopted or adapted by others, regionally and globally.
- Stakeholders frequently saw “transformational” as referring to a *trajectory*, a journey in which CIF activity is but a step. This suggests a need to measure mitigation impact of an investment beyond immediate greenhouse gas emission reductions, to specify also the way the investment helps change the development pathway. Examples include changing the ramp-up curve for a market or technology, developing local finance and production.
- The CIF by themselves cannot transform country strategy. It was suggested, however, that the *process* of engaging to create a CIF strategy could be catalytic. For this to work, the CIF approach must take close account of country capacities and development plans.
- Many stakeholders noted the importance of leveraging future *private sector* investment as a key to transformational change. Sorting out how to do this efficiently, for example by understanding and removing barriers to private sector investment in climate mitigation and adaptation, is major potential learning activity from early CIF work.
- At the same time, stakeholders differed as to the best path to transformation (including to private sector leverage). Some emphasized demonstration or beacon effects, starting with specific *projects* and building from there. Others saw *policy* change, regulatory reform and country capacity building as critical and expressed concerns as to whether the CIF could mobilize sufficient resources

(generally in the grant rather than concessional loan category) to advance on this dimension.

- If *aligning* CIF activities with existing country strategies is a route to transformational change, through multiplier effects, how can the CIF assure that the result is a shift from business as usual to something new? What happens when countries have separate strategies in areas like clean technology, forestry and climate resilience?
- A common thread in discussions about transformational change is that CIF are intended to catalyze a shift from “business as usual.” In particular, stakeholders noted that CIF funding should be “additional,” in two senses: (1) as a source of finance, so that CIF contributions are new and additional in the context of donor country funding flows; and (2) in the way funds are used, so that CIF funding does not simply displace other sources in financing projects that would have proceeded anyway (business as usual), but rather actually influences investment decisions. These are not easy concepts to quantify. On the first, see Section 7 below; on the second, stakeholders pointed to the importance of results frameworks, and the need for strong justification at the proposal stage for CIF investment plans and projects.
 - Stakeholders noted that in middle income countries financing support for the national government often – and appropriately – backs the existing national budget. How to achieve additionality in this context? One example of additionality that is independent of public sector budgeting questions is the use of CTF concessional financing terms as an incentive for private sector investment; Turkey’s CTF financing for renewable energy and energy efficiency investments was designed to fit this paradigm. See also point six in the list below.
- Stakeholders also identified high *standards of quality* in projects and programs as vital to transformational change. Here again there is a potential spectrum or polarity, running from establishing universal standards in advance to sorting out standards in a context-specific, case-by-case manner. How can this be done so the criteria are clear and predictable?
 - In the case of the Forest Investment Program (FIP), stakeholders in the design process developed a series of guidelines for defining transformational change, in a range of categories, including, for example, forest cover and greenhouse gas savings, sustainable livelihoods, stakeholder participation, forest governance and financial leverage. Yet

the resulting three-page chart³ was seen by the parties as preliminary, general guidance only, requiring further development by the FIP.

- The CTF developed and adopted “transformational impact indicators” as a part of its preliminary results framework.⁴ The indicators focus on long-term impact, including three broad categories for assessment: “dominant” or “flag-ship” roles in ambitious national strategies, market transformation (for example, in a sector, or through technology diffusion), and broader ecological and development co-benefits. CTF Trust Fund Committee members and other stakeholders offered a variety of comments on these criteria:
 1. Participants stated they could not readily quantify the criteria, and respondents indicated a lack of consensus on interpretation. Concerns were raised about predictability of assessments of country proposals in this context, suggesting further elaboration could be useful.
 2. Several Trust Fund Committee members noted that despite this, the Committee itself generally found straightforward to reach consensus on how to apply the “transformational change” criterion in the context of each specific proposal that came before it. Perhaps, then, a reflective review could reveal useful patterns that could help with the predictability challenge noted in point 1 above.
 3. Two points were offered toward the search for patterns suggested above: (a) each proposal needs to make a specific *argument* showing how, in the particular country context, the CTF investment will have broader impact – an argument setting out a long term scenario; (b) financial leverage is critical, at ratios significantly more than 2:1.
 4. Demonstration effects were specifically referenced in the CTF framework, but it remains unclear how to quantify these. More generally, perhaps an estimate of percent reduction from “business as usual” in a sector’s greenhouse gas emissions would fit the bill. Here, the challenge is to define criteria that are high-

³ Annex II of the Forest Investment Program Design Document: http://www.climateinvestmentfunds.org/cif/sites/climateinvestmentfunds.org/files/FIP_Final_Design_Document_July_7.pdf.

⁴ Clean Technology Fund Results Measurement System, CTF/TFC.3/8, May 11, 2009: <http://www.climateinvestmentfunds.org/cif/sites/climateinvestmentfunds.org/files/CTFresultsmeasurement.pdf>.

level enough to signal transformation change, but also specific enough so that the impact of the CTF investment in particular can be isolated and quantified.

5. To make some of this concrete, the case for the transformational impact of the Mexico urban transit CTF investment included the way it covers multiple cities across the country with 18 Bus Rapid Transit systems, deploys sufficient low carbon hybrid buses to influence the market for such vehicles, and it has significant local environmental and mobility benefits that transcend the greenhouse gas emissions savings.
 6. In Turkey, interviews cite as potentially “transformational” effects the way CTF financing operates as a sweetener in the mix of other funding vehicles, to create incentives to jump start or extend markets in energy efficiency and specific categories of renewables. These incentives are designed to just overcome “first mover” hurdles, including unfamiliarity with relevant markets and technology in the domestic financial and private sectors. Financing through domestic development banks as intermediaries is a critical component of this strategy. Turkey’s energy efficiency CTF work, now moving forward in major industrial sectors, is an interesting case in this regard: Analysis consistently demonstrates dramatic above-market return on energy efficiency investments, yet, in pre-CTF Turkey such investment was not occurring. “First mover” hurdles appear to be high here, suggesting that CTF assistance in vaulting those hurdles could lead to sustainable, long-term change. This objective clearly calls for monitoring over time, and for further analysis based on experience on the nature and dimensions of the hurdles. If the “first mover” hypothesis is correct, future investments in the same sector, but without the need for special incentives, should become an observable pattern.
- Respondents noted that the PPCR could perhaps draw on the CTF experience in elaborating criteria for transformational change, though the picture may be more complex for the PPCR. While stakeholders saw creating clear “transformational criteria” as work still to come for the PPCR, the following were among the features of the PPCR that stakeholders highlighted as offering potential for transformation change:
 1. *Integration.* The PPCR offers opportunities for a whole-of-government approach, with substantive, coordinated engagement of development partners and non-governmental stakeholders.

This topic is discussed further in this the Executive Summary above in connection with the Bangladesh PPCR joint mission.

2. *Public-Private Partnerships*. PPCR participants saw the private sector as a potential multiplier for climate resilience, if the PPCR can pioneer the application of new technology and new standards (e.g. for resilient infrastructure and buildings, often meaning incremental but important quality improvements), and if policy conditions and incentives can be put in place for private sector finance.
 3. *Regional Focus*. This includes not only specific regional pilots in the Caribbean and Pacific, but also opportunities for regional coordination and knowledge sharing, for example in the Himalayan water tower, which serves 3 billion people.
- Interviewees also highlighted the link to development embedded in the CIF’s concept of transformational change (as explicitly outlined, for example, in the CTF definition cited above); similarly, depending on the program, respondents pointed to broader eco-system effects and engagement with local communities as components of transformational change. Some saw climate programs (both mitigation and adaptation) as preconditions to growth and to poverty reduction; others focused on the equity and social impacts of climate-related programming. “Vulnerability” and “poverty” are distinct, but often related; especially in the adaptation area, but also for climate change interventions more broadly, respondents cited a need to focus on vulnerable groups, both in CIF programming and in CIF links to other players in climate finance.
 - An example is gender mainstreaming – including the perspectives, needs and experiences of both genders with equal emphasis, and attending to differing gender impacts of programs and initiatives. Respondents noted that while individual gender balance on committees and expert groups can be helpful, it is not sufficient to achieve this objective. A deeper step is exemplified by the FIP’s decision to include a “social development and gender specialist” in its Expert Group. Further ideas cited included engaging directly with women’s organizations and networks, explicitly including gender equality in strategies and programs, and incorporating gender-specific indicators in monitoring and evaluation.
 - Another example is engagement with indigenous peoples and local communities, in a manner that respects livelihoods and rights. See also Section 5 for more on this topic.

- For many stakeholders, questions about development links also highlight the distinction between development finance and climate finance. This distinction (seen differently by different stakeholders) is an important lens through which people view CIF challenges and activities, for example questions regarding of grant or loan financing for climate adaptation.
 - Related areas suggested for further analysis and lessons include how investment plans have captured development and social impacts, how social appraisals are undertaken in CIF program development, and how to best measure and demonstrate development effects of climate finance.
- Stakeholders emphasized the importance of a results framework, with agreed indicators, as a key to monitoring and harvesting lessons around transformational change. One way of putting the goal here is to enable the CIF to efficiently scan a wide spectrum of approaches to transformational change and to identify what is effective, in what circumstances and why.
 - The significant time horizons implied by the “transformational” goal suggest that a strategy for *ongoing implementation* of the monitoring system is needed.
 - As this is written, the CIF are working to develop a common, harmonized results framework across the four funding “windows.” Once this is clarified and agreed, it might become a regular component of investment plans. Stakeholders noted, however, that elaborating the results framework around agreed criteria for “transformational change” would be a further step beyond the existing harmonization project, and may be a good early topic for new, focused work.
 - Despite the call from diverse stakeholders for clear, quantifiable indicators and criteria, and the concern with vagueness in general definitions, feedback and observation to date also suggests that a “micromanaged” approach to transformational change would miss the mark. In each country context, a simple, macro-scale alignment between country strategy and transformational objectives may be the first thing to assess, in addition to helpful, but preferably simple, quantitative indicators.
 - It might be helpful to develop an inventory of promising examples, both in the CIF to date and in other programs. The aim of such an inventory would be to provide models of high-impact projects set within an effective evaluation and monitoring framework. For example, are there

models to draw on to assess the effects of the “first mover” incentives strategies discussed above in the Turkish context? Can we confirm that CTF financing had the intended effect, at the “just enough” threshold?

Note that the “transformational change” objective also links directly to the polarity described in Section 1 above. Transformational change seems to call for emphasis on the right-hand side of the chart presented there, but ignoring the left side would miss the opportunity for practical, step-by-step progress – getting on the ladder – that stakeholders in fact see as key to long-term success. Approaches developed by the CIF for managing the speed/depth challenge will often be relevant to the progress on transformational change. Possible examples might include:

- Keying programming to pre-existing, technically strong country strategies, as pioneered in the CTF;
- Using in-country multi-stakeholder dialogues to reach an appropriate definition of “transformation” in the context of country programming;
- Building trust to generate an environment for rapidly evolving learning by doing, with tolerance for risk;
- Complementing nationally and locally generated results with global, independent, technical expertise, to develop and assess plans and projects, with the PPCR expert group as a possible model.

Finally, there is a further, related speed/depth challenge in defining transformational change: Analyzing and harvesting lessons from CIF activity is valuable to clarifying the concept in its multiple settings and dimensions, but time is limited, since criteria need to be clear in advance, and the CIF operate in a tight “transitional” window.

3. A Global Network

Climate change is a global problem, inescapably involving a range of local, national and regional stakeholders. Climate finance is also a new field, distinct from development finance. No one has full answers to the challenges listed above, much less the country-by-country questions of how to mitigate and adapt to climate change. To fulfill their promise, the CIF therefore need to operate as a learning network, harvesting and passing on knowledge from multiple sources and avoiding the idea that any central point has the solutions. This is a large challenge, but stakeholders did have specific suggestions and considerations to offer:

- *Regional* dialogue and cooperation could dramatically strengthen the CIF’s capacity for cooperative learning. Regional platforms, knowledge centers, and

south-south strategies are all part of this picture. Country respondents repeatedly stressed this regional dimension of network learning. Seeing activity in these areas as part of program (rather than administration) could help secure its priority.

- Reviewing and learning from *past experience* with relevant projects and programs *outside* the CIF can be of strategic value. Importantly, this includes harvesting learning from failure, or partial success.
- *Building country and stakeholder capacity* is a vital function of the CIF. Relevant initiatives along these lines include the Dedicated Grant Mechanism for indigenous peoples and local communities, part of the Forest Investment Program, the Growing Forest Partnership and the CIF Global Support Program for Knowledge Management. Stakeholders were eager to see growing CIF capacity, especially in-country but also globally, in areas like monitoring and measuring results and knowledge management.
 - Interviewees repeatedly emphasized the importance of capacity building. Data collected to date do not permit an analysis of “what works” in this area, but this may be a fruitful area for further exploration. Preliminary comments do suggest that *partnerships*, for example, with multilateral or bilateral agencies (such as the UNDP with PPCR countries, UNEP with the Scaling Up Renewable Energy Program, and KfW⁵ with the CTF in Turkey) are in practice vital to capacity building for the CIF. Such partnerships have been used for both funding and technical support; MDBs have also made available resources outside the CIF for capacity. Respondents also noted that while specific needs (for example, for procurement staff) can sometimes be addressed in a fast, targeted way, institutional capacity building is a *long-term* process that may significantly exceed the boundaries of the CIF in scope, depth and time.⁶ Finally, ways to measure and monitor progress and capacity building could be helpful going forward.
- While the CIF themselves constitute a large learning network, connections to other, related networks are also a vital learning tool, and strong links across such networks offers opportunities for two-way learning. Stakeholders cited, for example, the UNDP Adaptation Learning Mechanism, the Global Environmental Facility (GEF), the Least Developed

⁵ KfW is a development bank owned by the Federal Republic of Germany and the Länder (federal states).

⁶ It might be helpful to think of “capacity building” as comprising a range of different but related activities, including: human resource development; development of organizations (management systems, technical know-how in public sector organizations and beyond); and development of legal and regulatory frameworks and systems. See Valerie Nelson, et al., *Climate Change Adaptation* (DSA-DFID, 2008).

Country Fund, and Special Climate Change Fund and the UNFCCC Adaptation Fund. Harvesting lessons from these networks and programs, and from links with the CIF to date, is a fertile potential topic for additional analysis.

- Respondents noted that identification and transmission of lessons across such networks can inform, without in any way pre-empting, discussions about future climate finance architecture.
 - Along similar lines, in various ways interviewees pointed out that the ambition to generate broader lessons highlights the importance of monitoring, evaluation and rigorous learning on a range of relevant topics, including transformational change, social and developmental impacts, stakeholder participation, and criteria both for endorsing plans and projects and for assessing outcomes. The link between planning on the one hand and results frameworks on the other is vital to success here, and there may be opportunities to tighten these connections once the current results framework harmonization project is complete.
- Stakeholders need tools to assure that learning is *rapidly shared* – without waiting for retrospective reports – and *feeds the CIF governance process*, to produce better results.
 - Suggestions for “real time feedback” included shared lessons learning analysis at the close of each CIF mission; informal reports from stakeholders involved in the mission to the Administrative Unit (on an anonymous basis if preferred); and short e-mail surveys (post-mission, or perhaps quarterly) from the Administrative Unit. Any feedback along these lines would need to be clearly understood as about learning from, and in no sense about evaluating, the experience with the mission.
 - There is important scope for developing and sharing different *forms of knowledge*. Recipient countries pointed to the need for enhanced scientific and technical knowledge, but also to the value of traditional knowledge and local solutions. Examples of the latter included the tsunami response in Yemen (where traditional knowledge yielded warnings that saved lives) and agricultural techniques in Bangladesh (e.g., growing in water). For both forms of knowledge, engagement and sharing can be across regional, south-south and north-south networks.
 - The *results framework* currently under development needs to be geared to the multiple learning needs of stakeholders, balancing requirements for new information and reporting with streamlined use of existing channels. National

and local monitoring and evaluation capacity should be built and used. Defining *metrics* that capture the ambitions of the CIF is a major challenge. What is the role of stakeholders, globally, nationally, locally, in setting metrics and in measurement, reporting and verification?

- Respondents pointed to a challenge here, not only in harmonizing CIF results frameworks across programs (to enable multi-program review) but also in creating streamlined approaches, so that, for example, programs do not face multiple or conflicting requirements from governmental, MDB and CIF evaluation and monitoring frameworks. The CIF are currently working to create a harmonized framework, a fertile area for lessons learning.
 - The challenge here relates also to the “speed/depth” topic discussed above: in-country, creating (or adapting) a strong evaluation and learning framework aligned with national goals can be time-consuming. Stakeholders noted the value of applying existing frameworks, consistent with the Paris Declaration and encouraged collaboration among Ministries to do this.
 - In addition to specifically climate-related outcomes, respondents pointed to the need for a common framework to evaluate poverty reduction and the long-term sustainability impacts of CIF investments and of related capacity building work.
- It was also suggested that the CIF might explore possible applications of the outcome-based aid concept to climate finance. Mexico’s experience may provide a useful lens on this topic.
 - Building *trust* – between country participants, but also across all stakeholders – is key to success. Attention to what affects trust was urged by interviewees. Successful, pragmatic resolution of issues was cited as one helpful pathway, along with transparency, on-the-ground cooperation, communicating frank analysis (including communication of results from CIF recipients), follow-through on commitments and adherence to the various guidelines that emerged from the design negotiations. In building trust, it is worth recognizing that perceptions, in addition to stark facts, matter. Stakeholders also noted that many of the other themes discussed in this report relate to building trust – that trust is a key to success for achieving speed combined with depth, and for transformational change, for example – and that country leadership and stakeholder engagement can help build trust “from the bottom up.”
 - Box 3 below outlines some suggestions regarding learning strategies in multi-stakeholder, multi-level networks, derived from experience with other cases.

These thoughts are in harmony with the knowledge management strategy under development by the CIF, and readers are encouraged to consult the detailed proposed program outlined in the document “*CIF Knowledge Management – Creating the Capacity to Act.*”⁷

Box 3: Learning Strategies for Multi-Stakeholder Networks

A core feature of learning in multi-stakeholder networks like the CIF is that knowledge and learning are *distributed* across different organizations, sectors and locations. Especially in new and rapidly evolving contexts like climate change in developing countries, no single location houses all the relevant lessons, and it is therefore vital that knowledge and learning *flow* throughout the network. Below are a few specific suggestions, drawn from experience in other contexts, that can be helpful in catalyzing the generation and transmission of successful learning:

- Learning works in cycles, beginning with program objectives, continuing with program plans, then implementation, feedback, lessons, and back to objectives and planning. The more feedback can flow, and flow quickly through the cycle, and the more the network can build in opportunities for reflection, the more cycle times can be compressed and continuous improvement can become a feature of the entire network.
- While evaluation does play a valuable role in knowledge generation, it is also helpful to set up opportunities for frank feedback and dialogue that are entirely separate from any evaluation framework, so people can engage in constructive learning in a “protected learning space,” without calling anyone’s performance being the topic. The goal of such engagement can be summarized as “not to prove, but to improve.” The present study was commissioned to contribute to this kind of non-evaluative approach.
- A related point, especially for a new initiative like the CIF which emphasizes learning by doing, is the value of fostering a learning environment where people can take risks to find things out, and where trying things is valued. A private sector analogy is the venture capital world, where mixed results are expected, but where a range of approaches are tried to identify value.
- Opportunities for dialogue and collaborative learning across boundaries – geographical, sectoral, functional – are especially valuable, since they can leverage the diversity of global networks, turning what may seem like a

⁷ On the web at:
http://www.climateinvestmentfunds.org/cif/sites/climateinvestmentfunds.org/files/CIF_KProgramPaperFinal.pdf.

challenging complexity into a strength.

- Such dialogues also benefit from creation of “protected learning spaces,” both in meetings and on the web, where people can exchange ideas freely. To achieve this in a cross-boundary context, it is helpful to separate the space for dialogue not only from evaluation space, but also from decision-making space. While the resulting learning can of course be valuable in informing decisions, if the dialogue is structured around common inquiry, rather than decision, people can more easily discover constructive, “win-win” approaches.
- The distinction from decision-making can also help multi-stakeholder groups avoid “outsider-insider” dynamics, which otherwise can block dialogue and learning.
- In this kind of “learning space,” it is helpful for stakeholders not to rush to solutions, but to begin by seeking a common understanding and common “ownership” of the range of perspectives and the underlying challenges. Stakeholders can then work together to frame (a) common general goals for inquiry and (b) refined questions to address. If these in turn are “owned” by the entire group, the group then has opportunities to deal with diversity views in new ways, resulting not so much in compromises, but in powerful innovations. Related strategies include:
 - Taking an ecological or systems view of the network and the goals and challenges various stakeholders face.
 - Looking for connections across their different perspectives.
 - Exploring the whole before trying to change the parts.
 - Seeking common ground, rather than compromise, as a basis to move forward.
- This kind of “horizontal” dialogue can also be significantly enhanced by in-depth “vertical” analysis of specific themes or local programs. In addition, there may be opportunities to foster “communities of practice” around particular themes, notably in a regional setting. An example of a possible topic in the CIF context is the commonality, observed by several stakeholders, in the PPCR work Nepal and Bangladesh are planning, in areas like the link between water and agriculture.
- It is worth keeping in mind that in an endeavor like this, everyone is learning – no one has all the answers. This can also relieve pressure from any one group or stakeholder to somehow be the source of solutions.
- The net result can be the step-by-step generation of a culture of constructive learning, creating effective new approaches to complex problems.

B. ENABLING RELATIONSHIPS

Successful partnerships are vital to success in climate finance and development, because of the complexity of the problem, the diversity of people and sectors affected and the need for leverage. Priorities and approaches to partnering will differ between the global level, where the CIF design took place, and the regional, country and local level, where programming is implemented; they will also differ across the different CIF windows and programs. This section will sketch the general territory, but it is clear experience to date offers a valuable range of on-the-ground examples for practical learning.

At the global level, interviewees also noted that international environment for dealing with climate change, in the overall context of the UNFCCC, remains in flux. For many, this places a premium on building trust among diverse participants – industrialized and developing countries, but also multilateral and non-state actors. Respondents emphasized the value, not only for the CIF, but for the broader picture, of building good working relationships in CIF programming, and of enhancing trust.

At the country level, stakeholders stressed that country-led, transformational impact in a cross-cutting area like climate finance benefits profoundly when international partners are able to “deliver as one.” The CIF’s innovative approaches to cooperation among multilateral development banks to support country-driven strategies and country-coordinated programming were therefore seen as a strategic, not just a technical advance. Yet the opportunities for cooperation, and the related experience base, are significantly wider than this, extending to other development partners, the private sector, civil society, and indigenous groups. Very broadly, as the CIF break new ground in these areas, clarifying roles and building in-country capacity emerge as common keys to success in “lessons-learnt” space.

In short, it may be helpful to view the challenges the CIF are working with in “enabling relationships” in stages: The CIF have already taken pioneering steps, and the question then becomes how to build on these. Respondents pointed to substantial territory for such building.

To more fully sketch this territory, and review early lessons of the CIF in this domain, this summary will consider first relationships among governments, multilateral banks, developing countries and other development partners (including bilateral donors and multilateral agencies, such as UN affiliates); then engagement with civil society, the private sector and indigenous peoples; and finally collaboration among countries in the governance of the CIF. Some themes, such as the important of articulating the purpose of each cooperative effort and the need to clarify the “active observer” role, cut across these categories, but there is also significant scope for distinctive lessons in each area.

4. Cooperation among Governments, Development Partners and Official Agencies

The CIF are intended as a vehicle for coordinated finance at the country level. In the view of stakeholders, achieving this, as opposed to fragmented approaches, is a big prize for climate finance, both for effective delivery to recipient countries and to make practical steps to transformational change. The CIF aim to leverage funding and strategic work not only with Multilateral Development Banks, but also with UN agencies, bilateral donors and other official development partners. While there is still work to be done here, there is also good news to report.

In each country, CIF assistance is managed by the Multilateral Development Banks (MDBs) working with each country government and other development partners. MDBs generally work separately, but the CIF introduced new mechanisms to enable MDBs to cooperate in each country of operations. Interviewees repeatedly cited this cooperation (including both public and private sector financing work) as both groundbreaking and extraordinarily valuable, enabling coherent country programming and opening up new opportunities for efficiency and leverage.

- In Mexico, for example, the public and private sector arms of the International Finance Corporation and the Inter-American Development Bank collaborated to assist the government in developing and supporting complementary initiatives in the public and private sectors for renewable energy. Stakeholders saw this kind of integrated approach as potentially transformational.

A key lesson here is that this cooperation did not happen on its own: The CIF developed a special structure, including an MDB Committee, with the strong and effective support of the Administrative Unit, and a joint mission format. These were seen as crucial in overcoming hurdles to MDB cooperation, and will be needed to support coordinated operations going forward.

Looking ahead, challenges for MDB cooperation cited by interviewees include keeping transaction costs low, assuring complementarity rather than duplication, reducing complexity and putting in place appropriate incentives for cooperation (rather than competition). As keys to success in these areas, respondents cited continued support from the MDB Committee, the Administrative Unit, and senior management in the MDBs themselves.

- Stakeholders also asked whether there has been variation in the effectiveness of MDB collaboration in different country contexts, and if so why. While data on this question are very preliminary at this stage, early feedback suggests that variation does exist, and points to several possible drivers for success in MDB collaboration, beyond the already-noted role of the MDB Committee and the importance of internal incentives:

- Early alignment around basic goals and the meaning of “success” is an important driver; experience suggests that an effective route to such alignment is through identifying points of contact between the objectives of the relevant CIF program and existing priorities of the national government. For example, while the nature of the pre-existing governmental planning, and pre-existing capacity, were quite different in the Turkey and Bangladesh cases, they had in common the commitment of the respective governments to core goals.
- “Content before process” was suggested as guidance for MDB collaboration. The idea is that before setting out roles and leadership responsibilities, it is helpful to work out what the substantive areas of the in-country program will be, so that roles can in turn be allocated based on the differing strengths and capacities of the MDBs involved.
- Establishing a teamwork ethic among the MDB staff is another success driver. Field staff also noted the importance of support from the MDB Committee and the Administrative Unit, for example to sort out efficiently how new requests from the government could best be satisfied.

Coordination with other development partners appears to be less systematic. At the global level, the “active observer” role at the Committees has been introduced in part for this purpose, but as discussed in Section 5 below, it has not yet been worked out how to make this effective. At the country level, respondents noted a range of challenges and opportunities, outlined below.

In general, in line with the special needs of climate finance in the developing country context and with the CIF’s ambitions to be transformational, the CIF are developing new ways of collaborating across agencies and institutions. In this context, it is natural that roles are not always clear, and many of the specific comments below point to areas where such clarification was found to be needed.

In any event, even as development partners explore how to enhance their cooperation in climate finance, the CIF have already been a locus of substantial cooperation. For example, in addition to the enormous staff contributions from MDBs, which have been vital to the fast start-up and implementation of CIF programs, UNDP reported substantive involvement of over 85 UNDP staff members and consultants, at the global, regional and country levels, and at least half a dozen bilateral agencies have provided in-country assistance in association with CIF programming.

Feedback from stakeholders to map the “lessons” space in this domain included the following:

- In working with governments, the CIF face challenges assuring good in-country communication (including with in-country MDB offices) and supporting local capacity, so that, even given the need for speed (see Section 1), the process will be country-led, rather than driven at the headquarters location of MDBs. Suggestions included developing a training module and locating the center of gravity of staffing and planning in the host country. Recipient governments consulted to date, in both the CTF and the PPCR, did view CIF planning as country-led thus far, but respondents also highlighted this as an ongoing challenge, and, depending on in-country conditions, country leadership can be capacity limited.
 - A valuable avenue for follow-up on this topic might be to consult further with recipient countries on the arrangements that best suit them to support a country-led process (including, for example, the mix of missions, local support, and support from a distance).
 - A variety of PPCR countries sought assistance in capacity building for country leadership and stakeholder engagement in advance of the formal missions. It often proved to be a challenge to identify a vehicle to fund these activities quickly enough. Sometimes MDB support from non-CIF sources was used; sometimes other development partners were able to help; currently, the CIF are looking for ways to accelerate direct funding to governments for this purpose.
 - Meanwhile, consultation and support from MDBs and other development partners can be vital to the goal of country leadership. Active preparation along these lines, together with the government's existing adaptation plans, were helpful for the Bangladesh PPCR mission; this kind of preparation also helped a separate but related program, the Comprehensive Disaster Management Programme (CDMP) in Bangladesh, to rapidly develop and agree upon cross-ministry strategy. (This is a potential opportunity for two-way learning between the CIF and other programs, along the lines suggested in Section 3 above.) See also the discussion of the Bangladesh joint mission in the Executive Summary above.
 - Other areas suggested by stakeholders for additional analysis on this theme included: further detail on in-country MDB coordination; on keys to success for country-led missions and planning processes; and on how the scoping mission/full mission planning sequence works. Preliminary feedback on

the last point suggests that clarifying in advance, for all participants, the distinct purposes of each type of mission would be helpful.

- Governments themselves face a coordination challenge, since climate problems cut across ministries and agencies. Countries often put in place special structures for CIF planning, but they also stressed the importance of linking to existing planning processes. The goal is to mainstream low-carbon and climate-resilient development planning, without creating burdens for recipient countries or administrative complexity. (See also the polarity in Section 1 above.) Here again, capacity building can be helpful.
 - For the PPCR, where cross-sectoral integration in planning and execution is often a key to success, governments often selected a focal ministry – e.g. finance, environment or agriculture – and used an inter-ministerial coordinating group to provide the needed connects. Respondents generally expressed satisfaction with this approach, and stressed the value of whole-of-government strategy and integration with the national budget. PPCR missions always include a multi-ministry, multi-stakeholder forum to discuss overall strategy.
 - In the CTF, Ministries of Finance assumed a critical role. Not only did this contribute to country ownership in preparing Investment Plans, prioritizing investments, and determining program strategies, it also helped mainstream low-carbon planning into governments’ key decision-making processes. A related innovation of the CTF is that it is the Governments that present their Investment Plans to the Trust Fund Committee. While this process has not always been smooth (see Section 6 below, and also the definitional discussions in Section 2), it does reflect country ownership, with MDBs in the role of development partners.
- Overall, initial experience suggests that coordination goes most smoothly when the government has in place a strong vision for CIF activity aligned with CIF goals, and where there is leadership capacity from both the “focal” ministry and an inter-ministerial team. Sometimes this kind of capacity is already in place (helping with the “speed-depth” theme as well), but often early support will be needed from development partners to reach this point. In-country capacity support, the two-stage mission strategy (scoping mission then full mission); ongoing, continuous support from MDBs; and partnerships with bilateral and UN agencies have all been helpful here; not that all these require early allocation of resources.

- CIF stakeholders have cross-cutting links with related programs, such as the Global Environment Facility. It was suggested that further analysis of how these programs handle similar coordination challenges might be useful, especially now that the CIF have now developed a valuable experience base as well.
- Coordination with bilateral development agencies (including with leveraged financing) and other official programs, including GEF and relevant UN agencies, differs country by country and program by program. Feedback so far suggests a mixed picture, still to be filled out. On the down side, there are concerns about insufficient advance notice (to bilateral and multilateral partners) in country planning. But there are also promising examples:
 - Cross-membership in the PPCR Sub-Committee and the Adaptation Fund Board was seen as helpful at the global level.
 - At the country level, effective PPCR-UNDP coordination was also cited across multiple pilot countries. Recipient governments reported that they see the PPCR as an effective way to build on and implement their UNDP-supported National Adaptation Programmes of Action. In Zambia, for example, one result was a valuable mapping of all donor assistance in the adaptation field; the UNDP as a mission participant was also able to assure partnership with UN system agencies in the planning process, and UNDP contributed to development of related documents. The driving concept here is to provide stronger support to country delivery of resilience programs by applying the diverse areas of expertise of international agencies, for example in areas like social and gender impacts and the link to the Millennium Development Goals.
 - It can also be helpful to take advantage of existing coordination mechanisms, within governments and multilaterally, for example government led inter-ministerial climate change units, or donor consultative groups. In general, development partner coordination seems to have worked best when such mechanisms were in place in-country, and used early on in CIF planning. In Cambodia, effective MDB, government and UNDP collaboration resulted in the PPCR significantly leveraging the existing Cambodia Climate Change Alliance – a multi-donor initiative funded by Sida, DANIDA, EC⁸ and UNDP – for the development

⁸ Respectively, the Swedish International Development Cooperation Agency (Sida), the Danish International Development Agency (DANIDA) and the European Commission (EC).

of the PPCR Phase 1. UNDP also reported that their in-country team has been assisting the Cambodian government in developing PPCR Phase 1 work and has brought in relevant experts and related support to help consider social development, institutional capacity, and governance, elements crucial to the success of the PPCR.

- More generally, Cambodia, Zambia and Jamaica were repeatedly cited as examples of effective coordination at the country level in the PPCR. A closer look at these cases may be a fruitful source of broadly applicable lessons.
- In the Scaling Up Renewable Energy Program (SREP), the program team is working a platform where United Nations Environment Programme (UNEP) would support capacity and institution building as a first step in the investment planning process, in an integrated way so that planning leads to financeable investment programs. Doing this systematically will also open up opportunities for cross-country learning.
- Stakeholders stressed the value of developing up front a common understanding of the purpose and nature of collaboration among different partners, including the distinct roles, ambitions and value added of each; otherwise, partners may feel consultations were pro forma and hence wasteful. Experience to date suggests that coordination works best when participants know their expected future role and have a clear stake in the process going forward.
- A useful technique for multi-stakeholder engagement (applied in some cases in the PPCR) was to have different organizations make concrete contributions to the proposed text of the country investment plan. This suggestion applies not only to the development partners discussed in this Section 4, but to the wider range of stakeholders discussed in Section 5.
- There was considerable positive feedback about including representatives from bilateral agencies in scoping and joint missions for the PPCR, and stakeholders requested expanding these opportunities. From a logistical standpoint, participants did indicate a need for clarification of who, across MDBs, governments and the CIF Administrative Unit, should be approached with specific inquiries regarding mission planning. (It was helpful that missions have MDB focal points, but the division of labor in mission planning and logistics was still unclear to bilateral participants.) Bilateral agencies also stressed the value of advance notice about missions and of feedback on the outcomes of missions already undertaken.

- More generally, stakeholders are clearly interested in further analysis of the topic of cooperation with bilateral and multilateral development partners. It might be helpful to “roll up” existing experience; the results may provide opportunities to supplement the existing guidelines for joint missions.
- One potentially useful step is to have a clear in-country focal point for linking the CIF with bilateral donors and other development partners. This could be within the government, or at a local MDB office, or it could be through existing bilateral sector coordination working groups, when available. Countries may also combine these approaches, for example by sector. In Turkey, the Treasury played this coordinating role for the CTF.
- Maintaining the boundary between the CIF and the UNFCCC (with the agreed flow of information across the boundary, including appropriate direction from the UNFCCC) was seen as critical by many stakeholders, including to assure ongoing trust and to create an appropriate enabling environment for CIF committees to operate. While data available in this study are not sufficient for further elaboration now, a variety of stakeholders emphasized the importance of this area and suggested that an analysis of the challenges and experience of the CIF as they operate within the broader context of the UNFCCC process and other climate-related funding mechanisms may be a valuable follow-up step.
- Once again there is a speed/depth dilemma in the area of coordination. No one wants the country planning process to bog down in process delays. A common theme was that senior-level support for cooperation can help break barriers and manage this dilemma. In addition, interviewees reported good experiences arising from getting everyone on board early for coordination. Also, even modest improvements in timing of notices, for example, can make a big difference: There is scope for the partners to sort out their timing needs and devise efficient solutions.
- When CIF programming successfully combines financing sources, there can be challenges for the host government in following the various procedures (e.g., procurement rules) of different donors. One respondent cited, as an example, a program financed in part by the PPCR that included one bilateral and two multilateral donors. Perhaps examples like these can also lead to practical lessons on harmonizing programs across donors.

5. Stakeholder Engagement: Civil Society, Indigenous Peoples, Private Sector

While stakeholders cited important progress in the way the CIF connect with them, they also reported frustration and concern. On the promising side, the recent design process of the Forest Investment Program was praised for its openness to stakeholder voice; significant improvements in transparency were noted; and before the October meeting people had optimistic comments about the new “active observer” role on the Committees. Yet many active observers found their first experience disappointing, and overall the area of stakeholder engagement remains a complex challenge for the CIF, with a great deal that is still to be sorted out.

The overall approach the CIF has taken to civil society engagement is rooted in a study⁹ which the CIF commissioned in December, 2008 from the International Union for the Conservation of Nature (IUCN); based on the IUCN report, the CIF developed and adopted a set of guidelines¹⁰ to flesh out the active observer concept. It may now be helpful to build on this groundwork, in light of recent stakeholder experiences and comments (not only from civil society, but also from indigenous peoples and local communities and the private sector), which include the following:

- At the moment, there is no common understanding of the purpose of engagement – the nature of the contribution each stakeholder will make to the success of CIF activities and the way that contribution will be used. If this were collectively thought through and clearly articulated – not only generally, but also by program and stakeholder sector – it would then be possible to design better engagement strategies.
- The purpose and nature of engagement will differ by fund and program and sector: Participation in Clean Technology Fund energy financing decisions, for example, will naturally differ from Forest Investment Program activities.
- In each case, there are two major levels of potential engagement: Globally, in the CIF committee process, and locally, in each country. The purpose, value and methods for engagement differ across these levels. Moreover, at the country level responsibility for organizing stakeholder engagement rests primarily with national governments, while at the global level it depends on CIF structures. How might the CIF globally develop useful tools and strategies that can help national governments succeed on this dimension?
- At the global level, the formal “active observer” role is new. Comments about the self-selection process were generally favorable (though there were questions

⁹ [“Review of practices on NGO/CSO Participation and proposal for the CIF Committees.”](#)

¹⁰ [“Guidelines for Inviting Representatives of Civil Society to Observe Meetings of the CIF Trust Fund Committees.”](#)

about voting rules and procedures in the civil society process), but a truly effective way for active observers to connect to each Fund or program, both during¹¹ and between committee meetings, has not been worked out. The Administrative Unit was seen as responsive and helpful, but the structural link between active observers and CIF planning and decision making needs strategic attention, starting from the purpose of the active observer role and the distinctive value each observer brings, and leading to refinement and development of the roles and responsibilities of active observers.¹²

- One way of describing the current learning challenge is to work out how to move from formal establishment of the “active observer” role towards fully realizing the value, through sustained engagement and genuine dialogue. Active observers reported that it was not clear to them how to engage between meetings, how to contribute to consideration of and decision-making and with whom they should connect.
- For example, “active observers” from a variety of sectors reported that they did not see how they should contribute their distinctive views, experiences and ideas to country investment plans. This included how to make suggestions on improving specific strategies, and also on where to raise objections to components of a proposed plan. Should an “active observer” based in a recipient country raise such points about that country’s proposed investment plan at the relevant Committee level or at the country level, and when?
- While the different CIF funding windows and programs are at different stages of development, interviews suggested that these points are basically common to all of them.
- Note that CIF the “active observers” include not only civil society, private sector and indigenous people representatives, but also development partners, such as UNDP, UNEP and others. While this Section 5 deals mostly with the former, the comments in this section about the active observer role apply to all categories of active observer.

¹¹ One topic cited in this regard, the Executive Session rule, is currently under review, but this is only one aspect of the broader question of how active observers can best contribute at Committee meetings.

¹² For a current description, see [“Guidelines for Inviting Representatives of Civil Society to Observe Meetings of the CIF Trust Fund Committees.”](#)

- At the country level, multi-stakeholder engagement as called for in the design documents is a distinctive, complex and ambitious undertaking. Civil society interviewees expressed concern that consultation can be brief and inadequate, for example a single meeting with a limited range of participants. Solutions will depend critically on each national government, but, once again, clarity about purpose and attention to capacity would be helpful.
 - Southern civil society representatives noted, for example, that they could contribute to engagement by the CIF with vulnerable communities, another area that will differ by program and country. As another example, how can the PPCR best tap the knowledge base of international and local civil society regarding climate adaptation? Note that these are examples cited by stakeholders; they are not intended as limiting definitions, as civil society generally can contribute knowledge and skills at all levels of programming including design, implementation and monitoring and evaluation.
 - Stakeholders also suggested that a review of in-country stakeholder engagement to date could yield useful lessons, including advantages and disadvantages of various approaches. The consultative process for the CTF in Thailand, for example, was cited a potential source of promising practice, but data are not at present available to this study to follow up on this idea. Some form of manual for use by national governments in various CIF programs might result from such review.
 - It was also suggested that active observers, and the Trust Fund Committees and Sub-Committees generally, could play a valuable role in fostering national and local stakeholder participation in CIF country programs. A related suggestion is that international civil society organizations could provide information and technical support for participation by local and national civil society.
 - An important step in engaging national and local civil society is building knowledge and awareness, as the CIF will often be unfamiliar to civil society organizations. Brief discussions with civil society representatives at the multi-stakeholder workshop in the Bangladesh PPCR joint mission tended to confirm this view, as they indicated their main interest at that initial stage was to listen and find out about the program. National governments, MDBs, other development partners, and international civil society may all have a role in raising awareness, a precondition to effective engagement.
- Each stakeholder sector has distinctive information and communications needs, suggesting value in reviewing those needs sector by sector and developing

specific tools to meet them. In general, stakeholders reacted favorably to CIF transparency policies and initiatives (including timely posting of documents on the web), which are seen as significant improvements over “business as usual.”

- For example, in addition to the advance posting of proposals, the current practice of posting stakeholder comments on the website, even those not incorporated in final decisions, was seen as very helpful. In general, transparency is important not only in advance of consultation, but also afterwards, so results are clear.
 - However, different stakeholders have specialized needs in order to effectively connect to the process – for example, southern civil society needs longer lead times for international meetings. More generally, while information about CIF activity is made available item by item, stakeholders do not have a picture of the process as a whole: what the longer term planning picture is, how it evolves, where to plug in, and how specific access points contribute to larger framework. This is a complex communications challenge, and fully addressing it will likely require new resources in the communication area. Once again, it needs to be worked through at both the global and the country level.
 - One way of summarizing the comments on transparency is to note that while stakeholders appreciated significant advances at a general level, there remain important challenges at a detailed level, concerning the release and timing of particular categories of documents in relation to the needs of specific stakeholders.
 - As another example, representatives of indigenous peoples noted the complexities involved in consulting their constituencies. Indigenous peoples’ organizations include three broad levels: the local, community level; larger-scale indigenous peoples’ organizations; and national and regional networks. There are also differences between traditional authority structures and local organizations; differences in access to information; and different types of voices, including gender differences, all of which must be respected.
- Engaging with people likely to be affected by CIF programming – e.g., indigenous peoples and local communities – is a vital priority, particularly in areas like the Forest Investment Program (FIP). Here, a focus on individual and community livelihoods and human dignity is central, including respect for distinctive values and cultural norms. PPCR and SREP stakeholders also pointed to the importance of such engagement, with an emphasis (also highlighted for the FIP) on vulnerable communities, including women and, in general, the poor. The link

between the flow of funding from the center and local livelihoods on the ground represents a complex challenge, and there are no clear templates: Stakeholders will need to work this out in the relevant CIF contexts.

- Overall, while the CIF have connected to southern civil society in various fora, a range of stakeholders stressed that more engagement, at the global and the country level, is needed with local (i.e. developing country) civil society and the private sector. Specific suggestions to facilitate this included translation of relevant materials and early notification of country missions.
 - At the country level, the role of national governments, in collaboration as appropriate with MDBs, development partners, and other stakeholders, is central for successful engagement with indigenous peoples and local communities. The context in each country will be different, so responses will vary, but the CIF have an opportunity develop and share promising practices in local engagement for climate finance.
- Engagement with the private sector, including the local private sector, was repeatedly cited as vital to the goals of leverage and transformational change (see also Section 2 above). At the global level, private sector respondents felt a productive connection has not yet been made. One suggestion was to convene “hands-on” sessions with a range of private sector financial players. Seed finance to build financing institutions, for example, CIF equity finance in new private sector climate funds, could have high leverage. At the country level, there has been more progress: Early project work in the Clean Technology Fund may already begin to provide specific insight into the barriers to private sector investment in climate finance and how to overcome them.
- It was noted that the CIF, as a transitional funding vehicle, are operating in climate finance before the establishment by the UNFCCC¹³ of a global financial framework, with associated private sector incentives. This underlines the importance for the CIF of exploring with the private sector what incentive structures work, within different country and industry contexts. Already there is valuable on-the-ground experience with financing incentives in the CTF, for example in Turkey, as noted in Section 7 below. Applying a wider range of experiences to generate deeper analysis of this question, and associated topics of private sector barriers, was seen as an important topic for future “lessons learning” work in the CIF; the International Finance Corporation (IFC) and the private sector

¹³ United Nations Framework Convention on Climate Change.

windows of the Regional Development Banks are already building an experience base on these topics in CIF programs, especially (as of now) the CTF.

- The market and technology risks of “first mover” adoption of climate-friendly approaches in the private sector was frequently cited as a barrier CIF financing can usefully overcome (as in Turkey). On the technology side, two main options for “incentive” activity include encouraging domestic innovation or easing technology transfer; understanding the in-country and market context was cited as a key success factor in implementation;
 - Turkey also illustrates the effective use of financial intermediaries to enable the CTF to support a large number of smaller and medium-sized interventions through the expertise and client base of local financial institutions, and to build the capacity of those institutions to work specifically in low-carbon technology fields. Interviewees in Turkey noted the value here of past financing arrangements between MDBs and local Turkish development banks (for example, lines of credit or on-lending schemes), which significantly smoothed the path to this result.
 - PPCR stakeholders noted insurance and credit and capital markets as avenues for transformational change in climate resilience. Specific activities could include policy and regulatory reform and financial incentives, to develop and enabling environment and jump-start markets; the tools discussed above in connection with the CTF could also be applicable to PPCR programming.
 - There is a broad consensus that private sector leverage is crucial for success of the CIF. For more on this and related topics, see also Section 7.
- The time/depth dynamic, discussed in Section 1, is a major theme for stakeholder engagement. For example, time horizons of indigenous peoples and local communities are often different from those of CIF program officers.

6. Governance and Committee Meetings¹⁴

The balanced representation (equal numbers of donor and developing countries, with co-chairs representing each) in all CIF decision-making committees, and the consensus decision approach, was for the most part seen by interviewees as working effectively. Interviewees reported that the committees were able to get things done in a pragmatic way, and government representatives were generally comfortable with the structure.

To explore the challenges and opportunities for ongoing learning, it is helpful to think of a spectrum running from formal equality on the one hand, to collaborative partnership and co-ownership on the other. While noting valuable progress already achieved in moving away from a donor-driven paradigm, many stakeholders pointed to the need for the CIF to work out how to move farther to the right on this continuum. Practical topics in this regard include:

- Approval processes: Balancing the need for accountability with predictability and efficiency, in a way that, as one interview put it, results in “collaborative” rather than “intrusive” review. Part of the challenge here is that the Administrative Unit is not tasked with a screening or review role, so the Committees themselves must do this. What is the appropriate level of detail for Committee review of investment plans? What are the distinct needs of various participants (proposing country, other country representatives, MDBs), and how can they be reconciled? Are there technical capacity issues for Committee members relating to their review of investment plans and projects? How can the approval process be streamlined? Would a separate, simpler approval stream for smaller projects help? There is now an experience base for review of these questions.
 - On the positive side, people noted that there are relatively few steps to project approval by CIF Committees, that they are quick, and that the template of information needed is clear. It might be helpful to move further in this direction, and in particular to focus on predictable criteria.
 - The Committees were also praised for their willingness to take a flexible approach in reviewing investment plans presented in diverse formats by different pilot countries, so long as basic criteria are well addressed. The need for this kind of flexibility in the country-driven planning approach emerges as a lesson from experience to date.

¹⁴ The role of multiple stakeholders in governance, including the active observer structure, is an important part of the picture, but Section 5 above is intended to point to major areas for learning in this regard. Therefore, Section 6 will focus on country governments as members of the Trust Fund committees and subcommittees.

- Stakeholders also valued the CIF innovation under which recipient country national governments, not MDB staff, present proposals to Trust Fund Committees for endorsement. For more on this theme, see the section on Turkey in the Executive Summary.
 - But respondents also commented that CIF projects require a dual approval process – by the applicable CIF Committee *and* the applicable MDB. Concern about time required for MDB approval, and ideas to address this, are under active discussion among MDBs, and this may connect with broader initiatives currently underway to increase efficiency in MDB project cycles and accelerate disbursement.
 - Stakeholders also noted that as the CIF grow and experience from Committee approval processes is harvested, it may be valuable to consider introducing a technical review function to support decisions on investment plans and projects. This could include engaging independent technical advisors to support CIF decision-making, with a centralized system of technical expertise managed by the Administrative Unit. Whatever mix of internal and outside technical personnel may be chosen to support a technical assessment function, this would mark a significant expansion of the role of the Administrative Unit. In particular, it was suggested that independent, central technical assessment could: further strengthen the robustness of plans and activities; improve efficiency (since under present arrangements CTF committee members each separately undertake technical assessments of country and project proposals); and build in a level of non-politicized independent peer review into country selection, project development and committee decision-making. Note that all three SCF programs are already developing valuable experience with technical support through their respective Expert Groups.
 - One stakeholder asked whether recipient countries view the current approval process as “too stringent.” From the (limited) data available to this study, the short answer to this question is “yes.” The longer answer is that more clarity and predictability around approval criteria could be very helpful, and after a natural initial period of “learning by doing,” the CIF may now be in a position to advance on this front more systematically.
- Respondents reported variable levels of developing country engagement in Committee decision-making, depending on factors including country size and capacity. What can facilitate engagement by each group of countries? Preliminarily, interviewees identified keeping the discussions at the meetings at the strategic level, creating and taking advantage of opportunities for developing

country leadership, and promoting dialogue and cross-country learning. The October PPCR pilot country meeting was mentioned as helpful in this regard.

- While the relatively small numbers on the committees was viewed as valuable to their efficiency, concerns were expressed about how representative they could be, especially across the global south. One strategy for addressing the need to engage developing countries more fully would be to facilitate south-south collaboration, but it was noted that there is no clear model for this.
 - Trust Fund Committee and Sub-Committee members generally found that the consensus approach to decision-making was effective and productive. A question emerging from this experience is at what point, if for example committees are enlarged, would consensus become impractical?
 - At the same time, “active observers” had questions about the existing process, including the consensus model; generally, these stakeholders stressed transparency as a key goal.
- The international political background in climate change is complex and delicate. Respondents praised the Committees for their ability to make concrete, practical decisions without being trapped by theoretical or political disputes. This was attributed partly to the technical orientation (financial or operational) of the people involved, partly to the small numbers, and partly to the ground-rules that set a boundary between the CIF and the UNFCCC process.
- The multi-window structure of the CIF, including the CTF, PPCR, FIP and SREP, was seen as a strength, allowing high-level coordination and cross-fertilization through the Trust Fund Committees and the global structure, combined with focus and specialization at the individual program level (through Sub-Committees). This approach also allowed stakeholders to coalesce around areas of particular interest or need, and the “windows” to operate at their own, appropriate pace. This seems to be an effective response to the need, in climate finance, for both overarching strategy and customized programming.
 - At the same time, stakeholders warned against creating too many layers. For example, it was suggested that a single overarching body (rather than two, as provided in the current structure) could have successfully handled all four “windows.”

- It was also suggested that the CIF might derive useful lessons on the linkages between low carbon and climate resilient national plans, in cases where countries are developing separate strategies on one clean technology, adaptation or forestry.
 - The different funds and programs also used different approaches in their respective design processes. For example, the CTF design was negotiated largely at a senior level, while the SREP was developed more by technical and policy experts, and the FIP used a multi-stakeholder design approach. These strategies are related to the priorities and substance of the programs themselves, but as experience with the results develops, there is an opportunity to harvest lessons for design of future programs.
- In general, interviewees pointed to the need to keep bureaucracy and administrative burdens at a minimum. The Administrative Unit was seen as lean and responsive, but interviewees would like to see the CIF find ways of streamlining the operations of the Committees and the governance structure.
- On this topic, a variety of stakeholders suggested that while it was natural for the Committees to take a hands-on approach at the start, it may now be appropriate for them to begin delegating more tasks to the Administrative Unit, to technical bodies and to the MDB Committee.

C. FINANCE AND FUNDING STRATEGIES

Stakeholders pointed to a variety of areas in CIF financing strategy where there are lessons or opportunities for lessons. At this stage, these are most simply summarized as a series of topics, some of them quite technical.

7. Financing Topics

- *Number and Selection of Country and Regional Pilots:* In yet another polarity or spectrum, there is on the one hand a desire to fund a diversity of pilots, in sufficient numbers to generate cross-cutting learning, but on the other hand a need to have enough available resources in each pilot to assure effectiveness.
 - The selection of country and regional pilots for the PPCR was done through an expert group, which applied specific vulnerability criteria to produce recommendations to the Sub-Committee. This process is now being taken as a model for other SCF programs. The international respect the PPCR gained through the Expert Group process suggests that objective application of clearly articulated criteria can have important value in making resource allocation decisions. However, it is not clear how such a process could apply to topics where there is no analogy to issues of vulnerability. A challenge here is to combine a demand-driven or bottom-up approach with the science-based model applied by the PPCR.
 - The CTF does not operate by selecting in advance a group of country or regional pilots; rather, the CTF Trust Fund Committees reviews proposed investment plans on a case-by-case basis as they are presented. This approach facilitated rapid start-up of CTF programming, but looking ahead, stakeholders expressed concern that there may be too many applications in light of available funding, and it may then be difficult to set priorities. How can there be a transparent way to say No in such an environment, with appropriate possibilities for redress? Should quantifiable, or reasonably predictable, resource allocation criteria be put in place to address this challenges?
- *Resource Allocation Criteria:* Questions about allocation criteria arise in two contexts: First, prior to country selection, in the case of the CTF as noted above, and second, in CTF or SCF programs after country selection, to determine funding levels for the various pilots. SCF programs are not currently using expert groups in connection with resource allocation, as distinct from country selection. For both CTF and SCF programs, stakeholders expressed a wish, as CIF programming ramps up beyond the start-up phase, for systematic, transparent approaches, but it is not clear how these could be developed. Stakeholders do

not regard the CIF as the place to develop allocation criteria international climate finance generally. But perhaps lessons could be derived from specific CIF programming experiences, and also from the experience of other mechanisms, such as the GEF's Resource Allocation Framework. This is a potentially fruitful area for further analysis. Would the expert group process, or some variation, be useful in developing or applying resource allocation criteria, or is some other strategy needed?

- Country capacity to absorb CIF funding and programming, particularly in the SCF context, was cited as relevant to resource allocation and an important area for careful analysis. This topic connects to a variety of broad themes discussed in this paper, including capacity building needs, prospects for transformational change, and managing the speed-depth challenge.
 - There are also risks that applying allocation criteria could lead to unhelpful labeling of selected countries. In any event, stakeholders generally noted that long term allocation criteria in climate finance falls within the purview of the UNFCCC.
 - Resource allocation in the context of multi-country regional pilots represents a special challenge. There is an underlying risk that until the “financial envelope” is fully specified, questions around this topic can make planning and dialogue harder. Concerns were expressed that since funding in regional pilots will flow to individual countries, the amounts may be seen as too small from a national perspective. The Caribbean PPCR regional pilot is working with Caribbean Community Secretariat and other regional institutions to develop coordinated approaches that may help address this concern.
 - A related question concerns *spending ranges* for the various programs. There may now be adequate experience to assess whether these have proved useful and why, along with whether there are broader lessons on how best to manage this area. The CTF has not specified the size of investment plans it expects from countries, and there has been a significant variance in size of CTF investment plans, up to \$750m for the Middle East and North Africa program. The PPCR, on the other hand, has a tighter predetermined spending range per pilot. How have these alternative approaches worked out in practice?
- *Additionality*: Stakeholders noted the understanding that funding for the CIF will be new and new and additional resources supplementing existing flows of Official Development Assistance. The CIF are collaborating with the UNFCCC and

OECD/DAC¹⁵ on how to track this concept in practice. UNFCCC and OECD/DAC will take the lead in defining approaches to this question, while the CIF can contribute on-the-ground experience. In addition to the question of additionality in *donor country funding*, stakeholders also noted the importance of additionality in *recipient country programming* – namely that CIF programming be additional to “business as usual” CIF funding not simply displace other financing vehicles. This programmatic dimension of “additionality” is discussed further in Section 2 above, on transformational change.

- *Grants and Concessional Loans*: The CIF have again broken new ground in including concessional loans along with grants in a trust fund context, and this may present opportunities both for funders and recipients. However, many interviewees expressed strong concerns about loan financing, especially in the adaptation and policy reform contexts, and there is also concern about technical complexity (including, for example, currency risk, or the time required to sort out related legal arrangements). Other relevant factors include country financial and institutional capacity, direct revenue associated with the project being financed, and technical and financial risk. On the other hand, initial feedback also suggests that the concessional loan terms can open up useful and flexible opportunities for attracting and leveraging private sector finance – CIF financing terms for private sector lending were viewed as helpfully flexible. Beyond the private sector, measuring the concessional component of loans and linking this to mitigation costs was identified as an area for technical development. In-country CIF experience could provide new insight into the various issues identified here.
 - There was a strong divergence of views regarding concessional loans in the adaptation context. For some, the underlying fact that climate change has been caused largely by emissions from industrialized countries implies that loans are inappropriate for developing country adaptation programs. For others, the use of loans within the PPCR will provide a useful “trial” opportunity to explore which adaptation programs and activities may be suitable for funding through loan products, for example in relation to adaptation infrastructure and lending to the private sector. There may also be opportunities, in the PPCR and other CIF programs, to further explore leveraging financial flows through kinds of loan products and approaches.

¹⁵ Respectively, the United Nations Framework Convention on Climate Change (UNFCCC) and the Organization for Economic Co-operation and Development (OECD)’s Development Assistance Committee (DAC).

- *Pledges*: A variety of stakeholders stressed the importance of follow-through on funding pledges, in the CIF and more generally.
- *Incentives*: The CTF is generating early lessons in using concessional finance to provide incentives for low carbon development. By financing the additional costs and risk premiums that affect the viability of a low carbon investment, the CTF avoids getting bogged down in arguments about counterfactual baseline scenarios and incremental costs and instead “backs in” to the financing, to cover the viability gap after other sources of financing (including GEF and carbon finance) are factored into the economic and financial analysis. The goal is to support first movers with just the right incentives from CTF funding. For example, in Turkey CTF concessional finance is being used to overcome market-entry barriers for banks and industrial firms in energy efficiency investments, and to achieve “threshold” rates of return for early investors in renewable energy. The development mission of the intermediary banks, and the conditions of the loan agreements, were cited as incentives for the intermediaries to avoid going above the threshold.
 - As the Turkey case demonstrates, there is an art to designing incentives so the result is really a change from business as usual, rather than a sweetener for projects that would have gone forward anyway. Harvesting detailed lessons on how to do this, from this and other CIF examples as soon as on-the-ground developments permit assessment of results, could provide a valuable new knowledge base.
- *Financial leverage*: Leveraging other official finance and, notably, private sector finance are clear goals of the CIF. What’s less clear is how such leverage should be defined and tracked, another area where the CIF may break new ground, perhaps building on existing MDB methodologies in this area. For example, MDBs asked how to define leverage in contexts where the CIF contribute to credit lines via financial intermediaries, or in cases of loan syndication with private banks, or for revolving loans (when funding is used more than once). The definition of leverage could also be extended to include co-benefits, such as job creation and access to energy. With a common definition in hand, the CIF could then more fully assess leverage rates currently being achieved (in CIF programs and through other mechanisms) and derive lessons on how to maximize leverage.
 - In Turkey, loan agreements with financial intermediaries placed a cap on the percentage of total project costs that CIF financing could account for (15% or 20% depending on the sector). This

assured a floor under the leverage ratio. In practice, intermediaries reported that so far their leverage has generally been well above the floor.

- *Safeguards:* The CIF are committed, through their basic documents and through the policies of implementing Multilateral Development Banks, to social and environmental safeguards. It was noted that how the safeguards will be applied in practice across a variety of CIF financing activities (public and private sector, and including both implementation and monitoring) remains unclear to many stakeholders, and that further dialogue on this topic may be fruitful.
- *How Funding is Blended:* The CIF intentionally blend their funding with MDB financing (and other sources as well). In practice, does this result in streamlined approaches, or is complexity a barrier? How does blended finance best align with the goals of the national government and the relevant CIF program? This topic also links to the question of in-country “additionality” outlined above.
- *How Funding is Received.* The CTF in Morocco has developed an innovative approach whereby the government would establish a special fund into which CTF funding would flow to complement the government’s efforts. Is this a useful and user-friendly pathway to flowing funding? Are country-level trust funds appropriate vehicles in climate finance? More generally, recipient countries indicated a strong preference for administratively simple and fast access to financing, but stakeholders also suggested exploring in more depth with recipient countries how they receive funding, including possibilities of direct access. Meanwhile, the private sector has expressed interest in direct access to climate finance.
- *Complexity:* This remains a concern for CIF financing structures, not surprisingly in light of the CIF’s ambitions. Maintaining flexibility in financing options was cited as a helpful antidote.

* * * * *

The challenges listed here did not arise by accident: they are fundamental to climate finance in its current phase. The pragmatic, learning-by-doing emphasis of the CIF means that stakeholders are working and gaining traction on these challenges day by day; the CIF have embarked upon a learning journey. The researcher wishes to thank those who gave their time and their thoughts so generously to this study, in person, by phone, and in writing; I also wish to extend my appreciation to all stakeholders in the Climate Investment Funds for the way you are, despite the manifold challenges, working together to achieve results.

Comments are welcome, by e-mail to CifAdminUnit@worldbank.org.

Thank you again for your contributions.

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APPENDIX

The material in this paper is gleaned from interviews, in individual or small group settings, with people from the governments and organizations listed below. Perspectives were diverse; thanks are due to all involved for their frankness, insightfulness and constructive spirit.

Civil Society

ActionAid (USA)
Association for Defense of Nature – PRODENA (Bolivia)
Bretton Woods Project (UK)
CAFOD (UK)
Local civil society participants in the Bangladesh PPCR mission workshop
CARE Nepal (Nepal)
Federation of Community Forest Users, Nepal (FECOFUN) (Nepal)
Greenpeace International (USA)
International Union for the Conservation of Nature (IUCN)
Jeunes Volontaires pour l’Environnement (Togo)
RESOLVE (USA)
Transparency and Economic Development Initiatives (Nigeria)
World Resources Institute (USA)

Governments

Bangladesh
Brazil
Cambodia
Canada
China
Costa Rica
Dominica
Haiti
India
Jamaica
Mozambique
Nepal
Saint Vincent and the Grenadines
Tajikistan
Turkey
United Kingdom
United States
Yemen

Indigenous Peoples

Indigenous Peoples Representatives in the design of the Forest Investment Program and the Dedicated Grant Mechanism associated with that program

Multilateral Institutions

African Development Bank
Asian Development Bank
Caribbean Community Secretariat
European Bank for Reconstruction and Development
Inter-American Development Bank
International Finance Corporation
United Nations Development Programme (UNDP)
United Nations Environment Programme (UNEP)
World Bank

National Development Banks

TKB – Development Bank of Turkey
(See also TSKB Bank listed in the Private Sector category)

Private Sector

EcoSecurities
Frontier Finance International
Local private sector participants in the Bangladesh PPCR mission
TSKB Bank (Turkey)
World Business Council for Sustainable Development (WBCSD)

Glossary of Abbreviations and Selected Terms

Abbreviations Used in this Report

CIF	Climate Investment Funds, including the CTF and the SCF; these are the overall subjects of this study; for background on the funds and their various programs, including those listed here, see the CIF website at: http://www.climateinvestmentfunds.org/cif/
CTF	Clean Technology Fund, one of two general funds under the CIF
FIP	Forest Investment Program, a targeted program under the SCF
GEF	Global Environment Facility
MDB	Multilateral Development Bank
NAPA	National Adaptation Programme of Action
PPCR	Pilot Program for Climate Resilience, a targeted program under the SCF
SCF	Strategic Climate Fund, the second of two general funds under the CIF; the SCF at present includes three targeted programs, the FIP, the PPCR and the SRFP
SREP	Scaling Up Renewable Energy Program, a targeted program under the SCF
UN	United Nations
UNDP	United Nations Development Programme
UNEP	United Nations Environment Programme
UNFCCC	United Nations Framework Convention on Climate Change

Selected Terms and Phrases

The “definitions” here are informal descriptions offered by the author, in hopes they will be helpful especially to readers who do not have English as their first language. For more technical information on general terms relating to global climate change, please see the UNFCCC website at <http://unfccc.int/2860.php>, and for more on terms relating to the Climate Investment Funds, see <http://www.climateinvestmentfunds.org/cif/>.

Active observer: A special position on CIF Trust Fund Committees and Trust Fund Sub-Committees. Active observers contribute to Committee deliberations in various ways, but do not have a decision-making role. For a fuller definition, see, on the CIF website, [“Guidelines for Inviting Representatives of Civil Society to Observe Meetings of the CIF Trust Fund Committees.”](#)

Clean Technology Fund or CTF: See <http://www.climateinvestmentfunds.org/cif/> .

Customization: Adapting a program or activity to a specific context or client – custom design or tailoring.

Dilemma: A problem that presents itself as a choice between two options, where you can either one, but not both. In this paper, it is suggested that apparent dilemmas in climate finance, such as “speed” or “depth” sometimes have solutions that combine both goals.

Evolution: For purposes of this paper, change over time in a manner that adapts to underlying needs or circumstances.

Donor-driven paradigm: A model (not sought in the CIF), under which donors set the agenda, both in general and in detail, for how funds are used. Contrasts with “demand-driven,” “country-driven” or “country-led” approaches, sought in the CIF, where priorities and leadership, within the overall goals of a fund or program, come from the government of the recipient country.

Greenhouse gas emissions: The release into the atmosphere, from human or natural sources, of gases, such as carbon dioxide and methane, which contribute to heat forcing and hence to global climate change. See <http://unfccc.int/2860.php> for more formal information.

Global south: Collectively, the world’s developing countries.

Ground rules: For our purposes, basic rules of procedure or guidelines spelling out how to act or operate.

Leveraging: Putting in place an activity in a way that multiplies its impact. In finance, leveraging an investment means structuring it so that the investment attracts additional funds from other sources, so that the total amount financed is a multiple of the investment in question. Activities can also gain “leverage” through non-financial means, for example, by demonstrating the value of a strategy which can then be applied elsewhere, or many times, so that the effect multiplies. Other resources, such as knowledge and relationships, can be “leveraged” by finding ways to multiply their impact.

Polarity: Two ends of a spectrum. Black and white represents a “polarity,” with multiple shades of gray in between.

Ramified set: For our purposes, a concept or group of concepts that takes on more specialized meanings in specific contexts – for example, in the context of specific programs, or specific countries.

Scale: For purposes of this study, the size or reach of a program, activity or problem. A program that is “at scale” or “scaled up” means that it is large, large enough for major impact.

Seed finance: Early provision of money to help something get started, with the idea that it will then be able to grow on its own, drawing on other resources.

Sunset clause: A provision regarding the ending or phasing out of a program or activity. The overall CIF design includes a sunset clause.

Transformational change: A term of art in the CIF, referring to significant change sought through CIF supported activities. The topic is addressed in various CIF documents (see the CIF website referenced above), and is discussed at length in Section 2 of this report.

Trust Fund Committees and Sub-Committees: The governing bodies for CIF funds and targeted programs. Each of the CTF, SCF, FIP, PPCR, and SREP has an associated Committee or Sub-Committee.

Tsunami: A series of extraordinarily large waves, in an ocean or other large body of water, generally caused by an under-water earthquake, volcano or other major explosion. The 2004 Indian Ocean tsunami was one of the most devastating natural disasters in recent years.

Vulnerability: Used here to describe people, groups of people, communities, countries or regions at especially high risk from climate change or from other dangers, for example from the impacts of climate-related human activities. People living on and drawing livelihoods from river deltas, for example, are vulnerable to rising sea levels. Poverty can be an important cause of or contributor to vulnerability, and vice versa, but poverty and vulnerability are not the same thing.

Short Biography of the Author

Professor Radner teaches international development and policy analysis at the School of Public Policy and Governance, University of Toronto and conducts action research projects around development effectiveness, stakeholder feedback and collaborative change. He has wide experience in civil society and international development, including positions at community health, education and economic development organizations; program and management work at Amnesty International U.S.A.; and consulting and action research assignments for governments, aid institutions, businesses and civic organizations. Professor Radner is also a Senior Fellow at the Munk Centre for International Studies.