

# CLIMATE INVESTMENT FUNDS

November 18, 2011

---

## **MEASURES TO IMPROVE THE OPERATIONS OF THE CLIMATE INVESTMENT FUNDS**

Note: At the joint meeting of the CTF and SCF Trust Fund Committees held on November 3, 2011, the meeting reviewed the documents, *Proposed Measures to Improve the Operations of the Climate Investment Funds* (document CTF-SCF/TFC.7/4) and *Climate Investment Funds: Lessons Learned through Private Sector Interventions through MDB Intermediaries* (document CTF-SCF/TFC.7/Inf.4), and approved the measures and associated follow-up actions to enhance the performance of the CIF presented in this document. The CIF Administrative Unit was requested to collaborate with the MDB Committee to ensure that the approved measures and actions are carried out.

## BACKGROUND

1. At the joint meeting of the CTF and SCF Trust Fund Committees in June 2011, the joint meeting reviewed document CTF-SCF/TFC.6/3, *Measures to Improve the Operations of the Climate Investment Funds*, together with CTF-SCF/TFC.6/CRP.5 which was submitted by the Committee member from the United Kingdom.
2. The joint meeting agreed that some issues raised in the paper merit further elaboration and discussion, in particular those related to: (a) country ownership, (b) engagement of the private sector, (c) knowledge management, (d) development impacts and results, and (e) transparency. The meeting invited members to provide further written feedback to the CIF Administrative Unit on the papers by the end of July. The meeting requested the CIF Administrative Unit, in consultation with the MDB Committee, to prepare a document for consideration at its next meeting in November 2011 that elaborates upon these ideas and how they could best be implemented. It was further requested that the document be distributed to members by September to allow sufficient time for comments to be submitted and posted on the CIF website prior to the November 2011 meeting. The following document takes into account written comments received as well as the views expressed by stakeholders during the 2011 Partnership Forum.
3. It was agreed that any undertaking to improve CIF's performance should build upon the already agreed principles of the CIF and be structured so as to strengthen and improve its impacts and lesson learning from its operations. The measures presented in this document should be seen in this light.

## MEASURES TO IMPROVE THE OPERATIONS OF THE CIF

### A. *Country ownership.*

#### *CIF Principle*

4. Strong country leadership should be a hallmark of CIF planning and implementation, building on national plans that set out countries' needs, objectives and priorities, and allowing countries to select their CIF partner and financing modalities of choice.

#### *Measures to enhance performance*

5. Investment plans should include provisions for the establishment of, or strengthening of existing, *country coordination mechanisms* to facilitate national dialogue on the implementation of the investment plan, to support internal and external coordination, and to manage reporting on progress and results. Such mechanisms should ensure that procedures are in place for monitoring and reviewing country operations.
6. *Engagement of stakeholders* should be documented and reported on at the time investment plans are submitted for endorsement or programs and projects are submitted for funding. *Investment plans and projects should include clear plans for continuing stakeholder*

*involvement in monitoring and evaluation which would be one of the functions of the country coordination mechanism.*

7. **Reporting** requirements that will help to measure the extent to which the above goals are being achieved should include:

- a. **Reports of joint missions and proposed investment plans** should include a description and information on the steps that have been taken to achieve country leadership and ownership in the preparation of the investment plan;
- b. **Public sector project proposals** should include a description and information on the country participation and leadership during project preparation;
- c. The CIF Administrative Unit should solicit **feedback from government representatives and bilateral and other development partners working in the country** on CIF activities in the country. Such feedback should be disseminated as lessons learned and shared with the governing bodies.

8. Recognizing that under the CIF each MDB is to use its own procurement policies when recruiting consultants, governments and MDBs are urged to contract **local or regional consultants** wherever feasible. Where international consultants are engaged at various stages during the development of an investment plan or project, terms of reference for working with a country should also consider including a capacity building/knowledge transfer component.

#### *Follow-up actions*

9. The CIF Administrative Unit and the MDB Committee should prepare a note on the establishment or strengthening of country coordination mechanisms, including the cost implications, for consideration at the **May 2012** joint meeting of the Trust Fund Committees.

10. The CIF Administrative Unit and the MDB Committee should revise the templates for reporting on joint missions and for submission of project and program proposals to include the reporting requirements in paragraph 7 above.

11. The CIF Administrative Unit and the MDB Committee are requested to develop proposals for review by the joint meeting of the Trust Fund Committee in **May 2012** as to how to **further strengthen country-level partnerships among the MDBs** and **to improve in-country collaboration** amongst stakeholders operating at the country level, including bilateral and UN organizations, civil society organizations, and the private sector.

12. In developing a communication strategy for the CIF (see paragraph 22 below) consideration should be given and steps should be identified as to how feedback on CIF activities at the country level will be solicited and disseminated.

## **B. Engagement of the private sector**

### *CIF Principle*

13. The private sector should be a key player and partner in the design of CIF programs and their implementation; it is not only a source of financing for leveraging the CIF resources but also a source for innovation and transformational change of markets.

### *Measures to enhance performance*

14. At the joint meeting of the CTF and SCF Trust Fund Committees in June, the MDB representatives agreed to prepare a joint paper on the lessons learned through the CIF in mobilizing the private sector to address climate change issues. The joint meeting in November 2011 considered that paper<sup>1</sup> and agreed to continue a discussion at its next meeting on ways to strengthen private sector engagement in the CIF.

15. The CIF Administrative Unit should work with the private sector arms of the MDBs to **identify additional tools and modalities** that can be tested through the CIF to further engage the private sector.

16. Consideration should be given to **allocating resources under each of the SCF programs to support incentives for projects and programs which are to be developed in collaboration with the private sector arms of the MDBs.**

17. It should be recognized that the **term “public sector projects” and “private sector projects” have been used imprecisely to describe CIF projects.** Generally, in the CIF, public sector projects described those projects for which funding flows through the public sector arms of the MDBs while private sector projects are those that flow through the private sector arms of the MDBs. This labeling does not take into account the fact that many “public sector” projects are aimed at improving the enabling or regulatory environment necessary to attract private sector investment or vehicles through which the government can invest in the private sector. Other public sector projects are implemented by the private sector. Such labeling may also not recognize financing from private sector sources that are contributed to public-private partnerships (PPP) which are booked and structured by the public sector arms of the MDBs. It would be useful to explore this issue in more depth to have a more accurate reflection of how CIF funds are contributing to unleashing private sector investment to address climate change.

### *Follow-up actions*

18. The joint meeting in **May 2012** should consider further the paper and recommendations prepared by the MDBs on ways to strengthen private sector engagement in the CIF and should decide on follow-up actions.

19. The CIF Administrative Unit and the MDBs should prepare a paper **identifying additional tools and modalities** that can be tested through the CIF for consideration at the joint

---

<sup>1</sup> See document CTF-SCF/TFC.7/Inf.4, *Climate Investment Funds: Lessons Learned from Private Sector Interventions through MDB Intermediaries.*

meeting of the Committees in *May 2012*. This paper should also address incentives that may be included in SCF programs to support private sector projects.

20. Part of the communication strategy (see paragraph 22 below) *should focus on outreach to private sector players with the objective of promoting the modalities applied in the CIF*, including the development of a tool kit on best practice for engaging the private sector with the objective of assisting the country and MDB teams to develop a private sector deal flow within their CIF programs and to communicating lessons learned on private sector engagement in climate financing for consideration within the context of the future climate architecture, including the Green Climate Fund.

### **C. Strengthened Communication**

#### *CIF Principle*

21. The generation of awareness, knowledge and lessons learned from experience is part of the objectives of the CIF. Communication and sharing of lessons should contribute to the realization of the potential multiplier effect of CIF funded investments on GHG mitigation and reduced climate vulnerability at the national, regional and global levels. Strengthened communication and sharing of lessons should include effective tools for enhancing government participation and strengthening broader stakeholder engagement in the development and implementation of CIF funded operations while support national, regional and global replication of approaches to, and outcomes of, these activities.

#### *Measures to enhance performance*

22. The CIF Administrative Unit, working in collaboration with the MDB communication teams, should develop a *comprehensive and strategic communication strategy*, linked to and building on the knowledge management strategy approved for the CIF, to better disseminate the lessons learned from the CIF.

23. Part of the strategy should be to ensure that there are *sufficient, high-quality products* developed aimed at key stakeholders and for key sectors. (See, for example, recommendations concerning the country ownership and engagement of the private sector.) The plan should look at both internal and external audiences, including effective communication within the MDBs on the purpose and objectives of the CIFs as well as effective communication with the wider development community on the lessons learnt on demonstration and replication in the pilot countries.

24. The communication strategy should also propose how to make use of *social networking platforms* for knowledge management.

25. The *CIF website* should be improved to increase accessibility, with products available by theme and readily available project data.

26. CIF lessons should be transmitted to the groups responsible for design and operationalization of the Green Climate Fund.

### *Follow-up actions*

27. A comprehensive communication strategy should be submitted to the joint meeting of the CTF and SCF Trust Fund Committees in **May 2012** for review and approval.
28. Steps should be taken to enhance the CIF website with a goal of launching an improved site by the end of the **first quarter in 2012**.
29. The CIF should further promote country-to-country exchanges, regional level sharing of experiences and South-South learning through the **Global Support Program**, for pilot countries, other interested countries, and stakeholder groups, including civil society and women's groups, private sector and others.

### **D. Development impacts**

#### *CIF Principle*

30. The CIF's underlying purpose is to provide additional financial resources to developing countries in order to help them integrate actions to mitigate and manage the challenges of climate change into their development activities. The CIF are designed as a mechanism to deliver strong development outcomes as well as strong climate outcomes.

#### *Measures to enhance performance*

31. Further work to develop **indicators of development or poverty reduction impacts** for each program/project to be funded by the CIF should be undertaken by the CIF Administrative Unit in collaboration with the MDB Committee. Efforts should be made in carrying out this work to make maximum use of existing methodologies and tools and to closely coordinate with on-going efforts at the country, regional and international levels.
32. The justification and need for the **additionality of the CIF to existing MDB portfolios** should be articulated in CIF project proposals. MDBs should be invited to report periodically to the CIF governing bodies on the increased percentage of climate-oriented lending as a proportion of their overall lending.

#### *Follow-up actions*

33. The CIF Administrative Unit should work with the MDB Committee to prepare indicators of development or poverty reduction impacts in the CIF funded activities, and such indicators should be included in proposals submitted for CIF funding **beginning in FY13**. Pending development of agreed indicators, each MDB should **immediately ensure** that program/project proposals submitted to the CIF governing bodies integrate and quantify or qualitatively describe the development impacts of the proposal to be funded by the CIF.
34. The MDBs are requested to submit information to the joint meeting of the Trust Fund Committees in **May 2012** on the additionality of the CIF to existing MDB portfolios.

## **E. Results**

### *CIF Principle*

35. Managing for results is a key element for assessing the success of the CIFs in the future. Monitoring and evaluation and dissemination of lessons will be critical for optimizing impacts.

### *Measures to enhance performance*

36. While results frameworks have been developed, early feedback from countries and MDB teams is that the results frameworks could usefully be simplified if they are to be efficiently and effectively applied.

37. CIF Administrative Unit should develop a ***web-based platform for accessing and sharing*** of (i) ***tools, methods, and methodologies to report on the different indicators*** of the four results frameworks of the CIF (the M&E sourcebook); and (ii) ***tools, methods, and methodologies used by pilot countries during the preparation and implementation of their investment plans and projects***. The objective of the platform should be to enable users to download and share methods, tools, and methodologies.

### *Follow-up actions*

38. ***Simplified results frameworks*** should be prepared for consideration by the governing bodies, taking into account feedback from countries and the MDB country teams. Three to five core indicators should be agreed for each program.

39. ***Clear tools and guidelines*** as to how the CIF results frameworks cascade to the country investment plan and project level should be available as early as possible, and ***no later than the end of calendar year 2011***.

40. A first version of the web-based monitoring and evaluation platform should be available on the CIF website ***by the end of calendar year 2011*** for testing and with the expectation that the platform would be updated continuously.

## **F. Good Governance and Transparency**

### *CIF Principle*

41. The CIF are to be supported by a broad-based and inclusive governance structure. Good linkages between the CIF and key partners are promoted through sound and transparent decision-making.

### *Measures to enhance performance*

42. Agreement should be sought to amend the rules of procedure for the CTF to eliminate closed executive sessions of the Trust Fund Committee unless requested by any decision-making

Committee member and agreed by the Co-Chairs without the objection of any Committee member. This would align the CTF Trust Fund Committee rules with those for the SCF.<sup>2</sup>

43. Membership of the joint meetings of the CTF and the SCF Trust Fund Committees should seek to maintain the principle of an equal number of seats for contributor countries and recipient countries. Currently, when joint meetings are held, the representation from contributor countries is less than that from recipient countries, since some contributor countries have a seat on both the CTF and SCF Committees. It is agreed that ***16 seats should be provided at the joint meeting for both groups of countries so as to enable recipient or contributor countries that are not represented on either of the two committees to participate in the joint meeting's strategic discussions on the CIF.*** If there are unfilled seats at the joint meeting for a group but more than 16 countries in the group, the group should agree upon how to fill the additional seats at the joint meetings.

44. The CIF Administrative Unit should seek to ensure that the CIF are in compliance with the International Aid Transparency Initiative.

#### *Follow-up actions*

45. The joint meeting of the CTF and SCF Trust Fund Committees recommended approval of amendments to the Governance Frameworks and approved the amendments to the Rules of Procedure proposed in document CTF-SCF/TFC.7/4 to give effect to the recommendations in paragraph 42 above.

46. The CIF Administrative Unit should take steps to ensure that at the joint meetings of the CTF and SCF Trust Fund Committees there is equal representation by recipient country members and contributor country members.

47. ***Comments*** of Committee and Sub-Committee members on proposed investment plans, programs and projects ***should routinely be made publicly available on the CIF website***

48. The CIF Administrative Unit should explore whether the CIF are currently in compliance with the International Aid Transparency Initiative and should report back to the Trust Fund Committees at their joint meeting in ***May 2012***. In reporting back, the CIF Administrative Unit should inform the Committees of any additional policies that may be necessary to ensure compliance.

#### **G. Operations**

##### *CIF Principle*

49. The CIF will utilize the skills and capabilities of the MDBs to raise and deliver concessional climate financing at a significant scale to unleash the potential of the public and

---

<sup>2</sup> The joint meeting approved amendments to the *Rules of Procedure for the CTF Trust Fund Committee* that give effect to this recommendation.

private sectors to achieve meaningful reductions of carbon emissions and greater climate resilience.

#### *Measures to enhance performance*

50. The countries and the MDBs should be encouraged to consider the ***broader use of instruments*** available through the MDBs, such as ***development policy loans, country trust funds, and results based financing to channel CIF funds***.

51. Ensuring ***funding is delivered expeditiously at the project level*** is important to ensure that the CIF demonstrate success and provide useful models for climate financing, including the Green Climate Fund, recognizing that there is a trade-off between quick disbursement and the potential for the CIF to innovate and pioneer transformation and innovative financing, in consultation with diverse stakeholders.

#### *Follow-up actions*

52. The MDBs are invited to further explore innovative and streamlined financing instruments to advance the objectives of the CIF, and to report back to the joint meeting of the Trust Fund Committees in ***May 2012***. At least one example of each of the above instruments should be included in the CIF portfolio. Regarding the piloting of the use of development policy loans, it will be important to ensure that provisions are made to measure their impacts and to describe their compatibility with CIF criteria.

53. Consideration should be given to setting a ***target for submitting project proposals for approval of CIF funding after endorsement of an investment plan and for beginning disbursement after MDB approval*** of CIF-funded projects. The CIF Administrative Unit and the MDBs are requested to prepare a proposal concerning the establishment of targets for consideration by the Trust Fund Committees at their joint meeting in ***May 2012***. The proposal should take into account experience of the MDBs in developing public and private sector programs and projects, CIF experience to date, and the trade-offs between speed, complexity, innovation and risks.

54. Monitoring and reporting on this target, including reporting on reasons for any delays, should be achieved through ***transparent reporting on the pipeline and its management***.

## **H. Gender**

### *CIF Principle*

55. The CIF should demonstrate strong leadership in mainstreaming gender considerations

#### *Measures to enhance performance*

56. The countries and the MDBs are requested to ***mainstream gender considerations with (i) clients, (ii) projects, and (iii) at the country level***.

57. There is urgent need for more disaggregated data (both at the input and results side) and ***more indicators should be developed and deployed on gender.***

*Follow-up actions*

58. ***Experts with gender expertise should be included in missions and in project preparation*** to ensure gender considerations are sufficiently incorporated. Experts with gender expertise should be involved at all stages, but particularly during the design stage of projects.

59. ***At least one indicator*** disaggregated by gender should be included in each project.

60. A ***gender impact assessment review of the CIF should be undertaken***, building on the Strategic Environment, Social and Gender Assessment of the CIF prepared in 2010, and submitted to the CIF governing bodies in ***May 2012***. Such an assessment should identify where further progress is needed, including whether capacity should be built in the Administrative Unit and countries on gender.

***I. Partnership on a global level.***

*CIF Principle*

61. The CIF is a global partnership established to contribute to an efficient response to the different challenges climate change poses to development.

*Measure to enhance performance*

62. It is proposed that the CIF and the UNFCCC Secretariat seek to enhance information exchange and communication between the CIF and the UNFCCC, for example by ***voluntarily reporting by the CIF on its programs to the UNFCCC.***

*Follow-up action*

63. The CIF Administrative Unit should consult with the UNFCCC Secretariat to explore how the CIF may most effectively engage with the UNFCCC to share information on its programs.