

# CLIMATE INVESTMENT FUNDS

March 29, 2011

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## **PROPOSAL FOR THE PREPARATION OF INDEPENDENT TECHNICAL REVIEWS OF SCF INVESTMENT PLANS**



## BACKGROUND

1. At its meeting on June 24, 2010, the Forest Investment Program (FIP) Sub-Committee requested the CIF Administrative Unit (AU), in consultation with the Multilateral Development Bank (MDB) Committee, to prepare a paper exploring options to facilitate quality review of FIP investment plans.<sup>1</sup> Similar requests were made by the other Sub-Committees of the Strategic Climate Fund (SCF).
2. At its meeting on November 24, 2010, the SCF Trust Fund Committee (TFC) agreed that a focused independent technical review of proposed investment plans and strategies could contribute to enhancing the quality of the plans and strategies. It requested the CIF Administrative Unit, in collaboration with the MDB Committee, to prepare a proposal for the process and criteria for the preparation of an independent technical review of SCF investment plans and strategies. It also agreed that the proposal should explore the costs of the review and propose how resources can best be made available to cover such costs.<sup>2</sup>

## PROCESS FOR THE PREPARATION OF AN INDEPENDENT QUALITY REVIEW

### *Principles and Objectives*

3. An independent quality review will be undertaken for the FIP Investment Plans, PPCR Strategic Programs for Climate Resilience and SREP Investment Plans (hereinafter referred to as “investment plans”) under the SCF. Such a review should be independent and part of the process of developing these plans. The review should:
  - a) add value to the design process of the investment plan;
  - b) be part of the country-led preparation process of an investment plan;
  - c) reflect the objectives and investment criteria of the relevant program under the SCF; and
  - d) provide knowledge and experience for interested stakeholders, including the members and observers to the SCF governing bodies.
4. The main objective of the quality review is to support the development of a high quality investment plan. The review will be carried out by an independent expert. The review should assist countries in ensuring that their investment plans meet the objectives and requirements of the relevant program under the SCF and should facilitate the process of endorsement. The review

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<sup>1</sup> See paragraph 6 of the summary of the meeting, available at [http://www.climateinvestmentfunds.org/cif/sites/climateinvestmentfunds.org/files/Co-Chair%20summary%20FIP%20June%202010\\_revised\\_071310.pdf](http://www.climateinvestmentfunds.org/cif/sites/climateinvestmentfunds.org/files/Co-Chair%20summary%20FIP%20June%202010_revised_071310.pdf)

<sup>2</sup> See paragraphs 6 and 18 of the summary of the meeting, available at <http://www.climateinvestmentfunds.org/cif/sites/climateinvestmentfunds.org/files/Summary%20of%20SCF%20Co-Chairs%20November%202010.pdf>

would focus on technical aspects for quality enhancement while recognizing that the investments plans are country-owned.

### *Process Overview*

5. FIP Investment Plans, PPCR Strategic Programs for Climate Resilience and SREP Investment Plans will be subject to an independent quality review. This review should complement the existing quality assurance procedures of the multilateral development banks (MDBs).<sup>3</sup>

6. One expert reviewer will be appointed from a roster of experts to conduct the quality review. The reviewer will be identified by the pilot country and the relevant MDBs early in the preparatory process of the investment plan. The review will consist of the following tasks:

- a) The reviewer will review the first complete draft of the investment plan in accordance with the criteria contained in annex A and prepare a review with recommendations for consideration by the pilot country and the relevant MDBs in the preparation of the final version of the investment plan.
- b) The country and the MDBs may request a meeting with the independent reviewer to discuss the review.
- c) The country and the MDBs will prepare a note that describes how the suggestions and recommendations from the review have been considered in the final document. They may decide to share this note with the reviewer and, if required, they may also choose to revise the note after any discussion with the reviewer.
- d) The review and the note will be submitted to the relevant Sub-Committee together with the proposed investment plan when it is submitted for endorsement.

### *Establishment of a Roster of Experts*

7. For the PPCR and the SREP, the CIF Administrative Unit will establish and maintain a roster of expert reviewers.

8. For the FIP, the CIF Administrative Unit and the MDBs will use the roster of experts established by the Forest Carbon Partnership Facility (FCPF) to serve as members of the Technical Advisory Panel.<sup>4</sup> If necessary, the CIF Administrative Unit will explore with the FCPF opening a call for additional experts to join this roster.

9. In establishing the rosters for the PPCR and SREP, the criteria described in Annex B will be applied. The CIF Administrative Unit will:

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<sup>3</sup> Such procedures usually include decision meetings (a formal management led review with participation of independent reviewers), quality enhancement reviews (informal meetings of independent reviewers and experts to discuss the plan), public disclosure and consultations, as well as multiple reviews of individual projects.

<sup>4</sup> See <http://www.forestcarbonpartnership.org/fcp/node/23>

- a) keep an open online call for experts interested in becoming part of the roster;
- b) receive and screen applications, and forward applications of experts who meet the criteria to the MDB Committee with a request that the committee approve the expert's inclusion in the roster; and
- c) Maintain a database of the agreed roster of experts that will be available through the CIF website.

#### *Appointment of an Expert to Perform the Review*

10. The process to appoint an expert to perform a review should be initiated as early as possible after a country has been selected to participate in a program under the SCF. To this end, the pilot country and MDBs will select an expert reviewer from the relevant roster and inform the MDB Committee, through the CIF Administrative Unit, of the selection. In appointing experts, pilot countries and MDBs should avoid any conflict of interest that may arise from selecting the reviewer.<sup>5</sup>

11. The pilot country and MDBs will develop the terms of reference for the review on the basis of generic terms of reference to be developed by the CIF Administrative Unit and the MDB Committee, and will forward these terms of reference to the CIF Administrative Unit to enable it to take the necessary steps to complete a contract with the reviewer.

12. With regards to an approved request for a second review, as described in paragraph 24 below, the procedures identified in paragraphs 10 and 11 above will also be followed.

#### *Responsibilities of the Reviewer*

13. Reviewers will be appointed for a period of up to 10 working days, to be effective during a period to be agreed with the pilot country and the relevant MDBs. The pilot country and the MDBs will decide on the length of the appointment and specify this length and period within the terms of reference.

14. During this time, the responsibilities of the reviewer will include:

- a) conduct a review of the first complete draft version of the investment plan in accordance with the criteria contained in Annex A and using the template contained in Annex C.
- b) Submit a draft of the review to the pilot country and the relevant MDBs seven working days after receipt of the draft investment plan.
- c) Make all efforts to ensure a successful review whose main objective is to enhance the quality of the investment plans.

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<sup>5</sup> A potential conflict of interest exists whenever a reviewer, his or her family, or an associated entity of the reviewer possesses or appears to possess a financial or other interest in the outcome of the investment plan.

15. The independent reviewer will have the following obligations:
  - a) To protect any confidential information provided in the course of the review both during and after the term of service.
  - b) To work in his or her personal capacity and perform duties in an objective, neutral and professional manner.
  - c) To disclose any potential conflict of interest relating to review activities.
  - d) If requested by MDBs, to participate in MDB review meetings

#### *Responsibilities of Pilot Countries and MDBs*

16. Pilot countries and MDBs should involve the reviewer as early as feasible in reviewing the investment plan so that the review can be useful in shaping the final plan. For example, they could invite the reviewer to provide, as necessary, early comments to the development of the investment plan.
17. After selecting the expert reviewer, pilot countries and MDBs will agree with the reviewer on the terms of reference for the review as well as issues relating to the conduct of the review, including the need for, timing and objectives of a country visit.
18. As noted in paragraph 11 above, terms of reference will be developed by the pilot country and MDBs on the basis of generic TORs to be prepared by the CIF Administrative Unit and the MDB Committee. Once the terms of reference have been developed, the country and MDBs will forward them to the CIF Administrative Unit so that this unit may proceed with the administrative arrangements to contract the reviewer.
19. Pilot countries and MDBs will share the complete draft investment plan with the reviewer. The MDBs may choose to invite the reviewer to participate in any MDB review meetings.
20. After receiving the draft review, pilot countries and MDBs will review it and prepare a note that describes how the suggestions and recommendations have been considered in the final document. They may decide to share this note with the reviewer and, if deemed necessary, they may request a meeting with the reviewer to discuss the review.
21. The country and the MDBs will finalize the investment plan, taking into consideration the suggestions and recommendations from the review.
22. The review and the note should be submitted to the relevant Sub-Committee together with the investment plan when it is submitted for endorsement.
23. In the event that the review is considered to be unsatisfactory by the pilot country and/or the MDBs, a second review could be requested, subject to approval by the MDB Committee. To this end:

- a) Pilot countries, MDBs and the reviewer will make all efforts to ensure a successful review whose main objective is to support the development of high quality investment plans.
- b) If this is not achieved, the pilot country and MDBs will inform the CIF Administrative Unit that they consider the output of the reviewer to be unsatisfactory, and that they wish to undertake a second review. The request should specify the reasons why a second review is sought.
- c) The CIF Administrative Unit will inform the MDB committee and will add the request for a second review to the agenda of the next meeting of this committee.
- d) The MDB committee will consider the reasons for the request for a second review and, if agreed, approve it. The second review will be subject to the process referred to in paragraph 6 above.
- e) The review considered to be unsatisfactory together with an explanation of why it was considered to be so will be submitted the relevant Sub-Committee together with the second review and the proposed investment plan when it is submitted for endorsement.

### ***Budgetary issues***

#### *Expenses*

24. Expenses to undertake the review will include the following:

- a) Expert review fee
- b) If required, travel expenses.

25. With a view to decreasing cost, interaction with the reviewer as well as the participation of this reviewer in any MDB led review meeting should be done using audio/video conferences.

26. Costs for an individual review will depend on the agreed daily fee of the reviewer taking into account the expert's qualifications, the length of the review and the country where the review will take place. An estimate is presented in the following table:

<i>Item</i>	<i>Total estimated cost</i>
Expert Fee	\$2,500 - \$5,000*
Travel and subsistence	\$7,500 - \$10,000**
<b>Total</b>	<b>\$10,000 - \$15,000</b>

\* This range corresponds to a fee of \$500 per day for a period of five to ten days.

\*\* Travel and subsistence will only be necessary in case there is a need for a country visit.

### *Source of Funding*

27. It is proposed that resources to finance the expert review be included in the resources available through the CIF Administrative Budget for country programming. The pool of country programming funds requested through the CIF business plan and associated budget was established to fund the support of the MDBs to country-led preparation of strategic investment frameworks including the participatory processes, capacity building and technical assistance needs associated with these frameworks. These funds could be enhanced to cover the costs of the independent reviews, and the CIF Administrative Unit would need to be authorized to draw upon the funds to finance the independent experts. Resources for this purpose will be proposed in the FY12 CIF Administrative Budget.

## Annex A: Criteria for Undertaking the Review

In undertaking the review of an investment plan, expert reviewers will assess whether the investment plan:

### *General*

- complies with the principles, objectives and criteria of the relevant program
- takes into account the country capacity to implement the plan
- has been developed on the basis of sound technical assessments
- demonstrates how it will initiate transformative impact
- provides for monitoring and evaluation, prioritization of investments, stakeholder consultation and engagement, and adequate capturing and dissemination of lessons learned
- adequately addresses social and environmental issues, including gender

### *Specific to each Program*

#### *SREP*

- Catalyze increased investments in renewable energy in total investment: The investment plan describes how SREP investments will attract other public and private finance and lead to replication through demonstration effects, institutional learning, and increased investor confidence. The investment plan should leverage of additional resources from non-SREP sources, including lending operations of MDBs, complementary funds from other developmental partners such as bilateral, public sector resource allocations, and private sector commercial investments.
- Enabling environment: The investment plan presents the country's long term commitment to promoting renewable energy as part of its energy sector strategies and energy access goals. The investment plans also demonstrates how SREP support would assist pilot countries in strengthening their policies and institutions with a view towards enhancing the enabling environment for renewable energy investments.
- Increase energy access: Proposals for SREP funding result in increased energy access through the use of renewable energy by addressing in a programmatic manner the main barriers to expanding access.
- Implementation capacity: Programs will be executed through government and sub-sovereign agencies, financial intermediaries, private sector or civil society organizations. Programs will build local and national implementation capacity and institutions. Programs should address the viability of the proposed implementation model, including models to engage the private sector.

- Improve the long-term economic viability of the renewable energy sector: Funding should help provide reasonable return on investment so that renewable energy technology deployment is sufficiently attractive to bring in private sector participation, where feasible. The investment plan presents the country's strategy for private sector development in the renewable energy sector, particularly in terms of growth in enterprises in renewable energy generation, installation, and operation and maintenance services.
- Transformative impact: The investment plan demonstrates how it will initiate transformative change in achieving national-scale outcomes and the delivery of SREP aims and objectives.

### *PPCR*

- Climate risk assessment: The SPCR has been developed on the basis of available information on the assessment of the key climate impacts in the country; the vulnerabilities in all relevant sectors, populations and ecosystems; and the economic, social and ecological implications of climate change impacts.
- Institutions/ co-ordination: The SPCR specifies the coordination arrangements to address climate change: cross-sectoral; between levels of government; and including other relevant actors (e.g., private sector, civil society, academia, donors, etc).
- Prioritization: The SPCR has adequately prioritized activities taking into account relevant climate/risks and vulnerabilities and development priorities, sectoral policies; ongoing policy reform processes and existing, relevant activities and strategies.
- Stakeholder engagement/ participation: The SPCR has identified and addressed the needs of highly vulnerable groups.

### *FIP*

- Climate change mitigation potential: The investment plan should provide an estimate of the direct GHG savings.
- Demonstration potential at scale: The investment plan should support replicable pilot programs in order to demonstrate how to scale up public, private and other resources and activities so as to achieve transformational change. FIP investments should address REDD+ priorities as presented in national REDD+ strategies or action plans (or equivalents).
- Cost-effectiveness: The investment plan should leverage additional financial resources, including from the private sector where feasible. It should catalyze self-sustaining economically viable models for REDD+ at scale without the need for continuing subsidies and promotes coordination among relevant institutions at the country-level with respect to implementing and financing proposed investments.

- Co-benefits: The investment plan should consider the potential to contribute to the livelihoods and human development of forest dependent populations, including indigenous peoples and local communities, and to sustain biodiversity and ecosystem services and enhance the adaptive capacity of forest ecosystems and forest dependent communities to the impacts of climate change.
- Implementation potential: The investment plan should have a high potential for successful implementation.
- Natural forests: The investment plan should safeguard natural forests and should not support the conversion, deforestation or degradation of such forests, *inter alia*, through industrial logging, conversion of natural forests to tree plantations or other large-scale agricultural conversion.

## **Annex B: Eligibility Requirements for Expert Reviewers**

The following criteria shall be used for experts to join the roster of expert reviewers:

- a) University degree in the fields of economics, environmental science, forestry, engineering or other related discipline.
- b) Demonstrated experience with public policy in developing countries.
- c) Demonstrated experience with mitigation and/or adaptation technologies and practices.
- d) Demonstrated private sector experience or understanding of the private sector.
- e) Language proficiency in English.
- f) For the PPCR roster, demonstrated experience in developing and implementing adaptation policies and investment projects in developing countries.
- g) For the SREP roster, demonstrated experience in developing and implementing renewable energy policies and investment projects in developing countries.

## Annex C: Outline of the Review

The review should normally be a maximum of five (5) pages.

1. Title of the investment plan.
2. Program under the SCF.
3. Name of the reviewer.
4. Date of submission.
5. Part I: General criteria.  
*Please comment on whether the investment plan complies with the general criteria indicated in Annex A of the “Proposal for the preparation of independent technical reviews of SCF investment plans and programs”.*
6. Part II: Compliance with the investment criteria or business model of the relevant program.  
*Please comment on whether the investment plan complies with the criteria specific for the relevant program, as indicated in Annex A of the “Proposal for the preparation of independent technical reviews of SCF investment plans and programs”.*
7. Part III: Recommendations.  
*Please provide any recommendations that could enhance the quality of the investment plan.*