

Strategic Environment Assessment of the Climate Investment Funds
Terms of Reference (Final-May 26, 2010)

Context

The Climate Investment Funds (CIF) are a unique pair of financing instruments designed to pilot what can be achieved to initiate transformational change towards low-carbon and climate-resilient development through scaled-up financing channeled through the Multilateral Development Banks (MDBs): African Development Bank, Asian Development Bank, European Bank for Reconstruction and Development, Inter-American Development Bank, and World Bank Group. The CIF were set up in 2008 and were designed as an interim measure to strengthen the global knowledge base for low-carbon and climate-resilient growth solutions. Donor countries have pledged over US\$6 billion from ODA to the CIF.

The two CIF funds are the **Clean Technology Fund (CTF)**, financing scaled-up demonstration, deployment and transfer of low-carbon technologies for significant greenhouse gas (GHG) reductions within country investment plans; and the **Strategic Climate Fund (SCF)**, financing targeted programs in developing countries to pilot new climate or sectoral approaches with scaling-up potential.

Targeted programs under the SCF include:

- **The Forest Investment Program (FIP)**, approved in May 2009, aims to support developing countries' efforts to reduce emissions from deforestation and forest degradation by providing scaled-up financing for readiness reforms and public and private investments. It will finance programmatic efforts to address the underlying causes of deforestation and forest degradation and to overcome barriers that have hindered past efforts to do so.
- **The Pilot Program for Climate Resilience (PPCR)**, approved in November 2008, was the first program under the SCF to become operational. Its objective is to pilot and demonstrate ways to integrate climate risk and resilience into core development planning, while complementing other ongoing activities.

- **The Program for Scaling-Up Renewable Energy in Low Income Countries (SREP)**, approved in May 2009, is aimed at demonstrating the social, economic, and environmental viability of low carbon development pathways in the energy sector. It seeks to create new economic opportunities and increase energy access through the production and use of renewable energy. The SREP program became effective only in December 2009.

The Clean Technology Fund (CTF) and the Strategic Climate Fund (SCF) are each governed by a separate Trust Fund Committee having equal representation from contributor and recipient countries. The CTF Trust Fund Committee oversees the Fund's operations, provides strategic direction, and also approves and oversees its programming and projects. The SCF Trust Fund Committee approves the establishment of its targeted programs and advises on strategic direction. SCF targeted programs include the Forest Investment Program (FIP), Pilot Program for Client Resilience (PPCR), and Scaling-up Renewable Energy Program (SREP), each of which is governed by its own Sub-Committee. "Active" observers from the UN, GEF, UNFCCC, civil society, and indigenous people and the private sector are invited to participate in meetings of the Trust Fund Committees and Sub-Committees. Decision of the Trust Fund Committees and Sub-Committee are made by consensus.

The CTF and the three targeted programs under the SCF are all at different stages of development and implementation, with the CTF being the most advanced. Each of the programs has taken an approach to programming which emphasizes country ownership and leadership (in the form of preparation of a country-level investment or strategic plan) and joint work across all the MDBs (who work closely with the country in preparing the plan through joint missions). All the investment plans for the CTF (corresponding to 13 countries) have already been approved by the CTF committee. Only two phase 1 grant proposals to develop the Strategic Program for Climate Resilience (SPCR) have been approved by the PPCR sub-committee but it is expected that at least three more will be approved within the SEA period. The FIP and SREP programming process/cycle are still under development, with the FIP being more advanced than the SREP.

The main tool for monitoring and evaluation of the CIF and each of the programs by their respective sub-committees is the Results Framework. The methodological approach to the Results Framework for the CIF and for each of these programs has been recently approved, but the detailed indicators of the Results Framework are still under development. These indicators focus on environmental aspects, but also social aspects and measures of sustainable development and poverty reduction. This reflects the complex and dynamic system within which the CIF investments are being planned, and the close relationship between climate and development. This also reflects that the funds pledged to the CIF are from ODA, and hence the importance of maximizing co-benefits linked with climate actions and development outcomes for both donor and recipient countries.

In that context, a Strategic Environmental and Social Assessment will be conducted to provide targeted information to TF committee and sub-committee members to help them in their decision making on CIF processes to ensure that positive environmental and social effects are being fully enhanced and that any potential negative effects are being monitored and managed appropriately. The SEA will focus in particular at the programming stage, as well as on the monitoring and evaluation stage in each of the CIF programs. Given that each CIF program is at different levels of development, the SEA would mainly focus on key decision-making points over the next six months and aim to provide information specifically related to these points, rather than be comprehensive in scope.

Objective

The objective of the Strategic Environmental and Social Assessment (SEA) of each of the CIF programs would be to assess the related environmental and social opportunities and challenges associated with related climate investments, and provide guidance on how best to maximize these opportunities and better manage related challenges. In doing so, the SEA team would draw upon existing CIF experience, as well as broader good practice experience from similar programs.

The objective of the Strategic Environmental and Social Assessment of the CIF (as a whole) would be to assess whether any of the CIF programs could adversely affect accomplishment of other CIF programs' objectives (i.e. if there is mal-adaptation), and if so, provide recommendations on how to better monitor and manage this risk.

The recommendations of the SEA will therefore primarily focus on how to strengthen CIF criteria, indicators and processes (such as the results framework, the programming cycle approach, etc.) so that there is improved management of environmental and social challenges and opportunities. The information in the SEA report would also be useful for countries to be aware of related environmental and social opportunities and challenges associated with investments and thus maximize their ability to better take advantage of opportunities and manage challenges.

At the project implementation level, the responsibility for adequate environmental and social assessment and management of each investment operation lies with the collaborating MDBs. It is therefore important to note that individual operations will not be subject to this SEA as they are covered by standard safeguard procedures of the MDBs. In addition, the SEA will be closely coordinated with results monitoring efforts to ensure that relevant strategic procedures and assessments are embedded within the existing framework. This SEA is not intended to develop new institutional structures.

Methodology

The SEA methodology should consist of several iterative steps that rely on both analysis and stakeholder consultation to identify the priority environmental and social effects related to the CIFs and to assess the institutional procedures in place to ensure that positive synergies are enhanced and negative effects are managed adequately.¹

¹ In elaborating the methodology for this SEA, the team has drawn heavily on the OECD DAC's good practice guidance in applying SEA, in particular the questions posed on pages 107-108 of Applying SEA: Good Practice Guidance for Development Co-operation)

This would entail the following specific steps:

I Assessment of relevance of environmental and social issues towards the objective of achieving a shift to clean technologies

This analysis would provide information on areas of focus for the results framework indicators for the CTF and the SREP programs in particular. This would be conducted as follows:

- Identify published literature reviews and annotated bibliographies (in either peer reviewed journals or in the development literature), documented case studies and project impact evaluations that describe the environmental, social and gender aspects linked to clean technologies that may be financed under the CTF and the SREP programs (i.e. renewable energy, energy efficiency and urban transport).² If no literature reviews exists, carry out a quick review of key documents and prepare an annotated bibliography based on these sources.
- Using these sources, prepare an Issues Table that draws together this information. Each statement in the Issues Table should be substantiated with a published reference. Identify whether (i) these environment or social (incl. gender) considerations are essential to achieve the technological shift; (ii) the technological shift generates environmental or social co-benefits; (iii) the technology shift is neutral in terms of environment or social considerations; and (iv) the technological shift is achieved at an environmental or social cost.
- Share Issues Table with MDB committee, CSO observers, and TF committee members for their feedback.
- Update Issues Table based on feedback.

II Review of good practice mechanisms to include environmental and social aspects at the programming level

² The proposed list of technologies is detailed in Annex 1.

This review would draw from good practice examples of CTF Investment Plans, emerging practice in assessing environmental and social issues in the PPCR program, but also from other similar programs underway. It would provide useful information that could be included in the CIF programming documents to enhance the handling of environmental and social effects. This assessment would be useful to the CTF, SREP, PPCR, and FIP, in particular.

- Identify good practice CTF Investment Plans and the environmental and social approach being applied to the PPCR overall strategic plans.
- Identify similar programs and review their assessments focusing in particular on the handling of environmental and social aspects and the mechanisms used and their level of implementation success.
- Prepare a short report which presents the different mechanisms available for ensuring that environmental and social aspects are adequately addressed and related costs (including time requirements). This could include, among others, effective ways to share information with, consult and involve vulnerable stakeholders in decision-making, mechanisms to ensure social accountability, analytical tools that include valuation of environmental and social costs and benefits when alternatives are considered and programming is underway, strategic environmental and social assessments, and incentive mechanisms embedded within programs to ensure adequate consideration of environmental and social aspects.
- Share report with MDB committee, CSO observers, and TF committee members for their feedback.
- Update report based on feedback.

III Recommendations to maximize environmental and social co-benefits and minimize related challenges in the CIFs going forward

This analysis would provide information to (i) help refine indicators related to development impact in the overall CIF Results Framework and the Results Framework for each program; (ii) identify possible enhancements to CIF investment criteria and programming guidelines, in

particular for the SREP, PPCR, and FIP programs; and (iii) facilitate the scoping of environmental and social issues to be assessed at the project level for the CTF program, in particular. In formulating the above recommendations, the SEA team will draw upon the information collected under Steps I and II above.

IV Overall CIF level assessment (limited in scope)

This analysis would focus on the CIF level as a whole. It would assess whether any of the CIF programs could adversely affect accomplishment of other CIF programs' objectives (i.e. if there is mal-adaptation), and if so, provide recommendations on how to better monitor and manage this risk. It would also assess the processes in place at the level of implementation of the CIF Results Framework to verify that appropriate environmental and social aspects (that are key to achieving overall program objectives) are in place. This information would feed into the design of the Results Framework, which would be the main management monitoring tool for the CIF. The detailed design of this step would only be finalized following analysis of the results of steps I to III and following consultation with the MDB Committee and the CIF TF members and observers in June 2010.

- Review the potential social and environmental aspects associated with implementing each of the CIF programs, based on a desk review of the published literature.
- Identify particular cases that could potentially lead to mal-adaptation.
- Assess if progress in one program could facilitate the handling of environmental and social aspects in another program.
- Review the proposed processes related to the use of the Results Framework as the main management tool, drawing on the experience of other similar programs.
- Prepare report with findings and recommendations
- Share report with MDB committee, CSO observers, and TF committee members for their feedback.
- Update report based on feedback.

Consultation Process

Consultations are a crucial part of any SEA. The SEA will rely heavily on e-mail consultations with CIF TF members and observers, the CIF MDB committee members, and to reaching out to a broader distribution through the CIF website. Given resources, no country visits are planned, though reviews may be supplemented with phone and Skype interviews, with country officials, and, in particular, with more vulnerable and directly affected stakeholder representatives, such as developing country NGOs in relevant CTF IP countries. In addition, CIF TF committee meetings in June and November would be opportune moments to consult on emerging information, as well as to share information with TF committee and sub-committee members and observers. The actual SEA will also look at the consultation process by the countries and MDBs in preparing their CIF investment plans.

Time Table

The SEA process is expected to be completed by September, 2010. A mid-term review of SEA progress and findings will be held on June 21, 2010 prior to the CIF Committee Meetings.

Team

The SEA team will consist of Kulsum Ahmed (Lead Environment Specialist, World Bank and Team Leader), Guido Geissler (Senior Knowledge Management Officer, CIF), Andrew Clayton (Social Development Advisor, DFID), Nilufar Ahmad (Senior Gender Specialist, World Bank), and Gernot Brodnig (Senior Social Development Specialist, World Bank). They will work closely with environment and social sector specialists across the MDBs to ensure that both environmental and social (including gender) aspects are adequately addressed in conducting the SEA.

Annex 1: Clean Technologies to be included in Issues Table

Urban Transport

Bus Rapid Transit

Metro

Light rail

Fuel switching in transport sector/Biofuels

Renewable Energy

Geothermal

Wind

Small hydro

Concentrated Solar

Photovoltaics

Landfill gas capture and use

Biomass for cogeneration

Improved cookstoves

Solar water heaters

Solar cookers

Energy Efficiency

Through Demand Side Management

Lighting and Appliances

Industrial Applications