

CLIMATE INVESTMENT FUNDS

CTF-SCF/TFC.6/CRP.1

June 27, 2011

Joint Meeting of the CTF and SCF Trust Fund Committees
Cape Town, South Africa
June 27, 2011

Agenda Item 3

NOTE ON THE 2011 PARTNERSHIP FORUM

1. The 2011 Partnership Forum, hosted by the African Development Bank, was held in Cape Town, South Africa, from June 24-25, 2011.
2. The Forum was opened by Mr. Bobby Pittman, Vice-President of the African Development Bank, who delivered a statement on behalf of the Bank's President, Mr. Donald Kaberuka. Honorable Pravin Gordhan, Minister of Finance, South Africa, delivered a keynote address.
3. Ms. Renosi Mokate, South Africa, was elected Co-Chair for the Forum. As provided in the Governance Frameworks of the CTF and SCF, Mr. Andrew Steer, SCF Co-Chair, also served as a Co-Chair.
4. The Forum consisted of a half day plenary in which feedback and lessons on the work undertaken by the CIF were presented and discussed. This included feedback from the pilot countries, the presentation of two learning briefs on the preparation of investment plans under the CTF and PPCR, a panel discussion on governance in the CIF, and a panel discussion on the work of the Expert Groups responsible for recommending pilot countries under each of the SCF programs.
5. The plenary session was followed by eight sessions in which experts and stakeholders presented ideas and led discussions on technical, financial, and policy issues related to climate finance. These included:
 - a) Tapping growth potential in climate change through innovative partnerships,
 - b) Putting science to work: state of the art in climate modeling and its role in the CIF,
 - c) Financing transformation,
 - d) Greening clean energy success: managing the social and biodiversity trade-offs for wind energy,
 - e) Why adaptation should be a priority for the private sector: perspectives for the PPCR,
 - f) Greening growing cities: the challenge of climate-smart mobility,
 - g) Leap into green growth: promoting clean technology manufacturing,
 - h) How can we get it done? Working as partners at the country level.
6. UNEP organized a symposium on the opportunities for near-term climate projection and air quality benefits.
7. At the closing plenary, the highlights of each of these sessions were presented to the participants in the Forum. The presentations are annexed to this note.
8. The Honorable Maite Nkoana-Mashabane, Minister of International Relations and Cooperation, South Africa, delivered the closing statement.
9. Complete proceedings of the Forum will be published and posted on the CIF website.
10. The following is a summary of the key lessons and messages emerging from the plenary session.

Pilot Country Feedback Session

11. Pilot country representatives reflected on the exchanges during the pilot country meetings and shared some of the key points from the CTF as well as the three SCF—FIP, PPCR and SREP—meetings. Representatives shared experiences and key issues from the implementation of CIF funds over the past year during the opening plenary.

Leadership, Country Ownership and Coordination

12. Pilot countries stressed the importance of leadership, country ownership and coordination. Coordination needs to occur at many levels and with diverse stakeholders - within governments, across ministries, with donor partners and with stakeholders.

Setting Priorities

13. Given that the needs are great and funds are limited, it was recognized that it is important to set priorities when considering how to invest CIF resources. Priorities will differ between countries based on each country's circumstances. It was recalled that it is a difficult task to set priorities – especially when so many stakeholders have different perspectives and interests.

Enhancing institutional and human capacity

14. Countries need to build social capital so that people develop the knowledge and acquire a commitment to address climate change. In order to engage stakeholders, it is important to enhance climate change literacy from local communities to federal governments so as to create an understanding of the issues and a “demand” for climate change action.

15. Countries indicated that, when engaging consultants, it is important to engage local consultants so as to build their capacity and to benefit from local and traditional knowledge.

Enhancing capacity to access and use technical and other information to develop policies and actions

16. Countries identified technical skills and understanding as critical elements needed to build the capacity to assess and use technical and other information. They also indicated that it was important for stakeholders to understand risks, costs and tangible benefits if they are to engage.

Engagement of stakeholders

17. Governments recognized the need to win over all constituencies if solutions are to be sustainable, but they also see engagement of stakeholders as a major challenge which needs to happen at all stages of engagement - from design to implementation to monitoring and evaluation.

18. There was also recognition that engagement of the private sector is critical to success, but particularly challenging and provision of incentives are required for the private sector to engage.

Access to Finance

19. Countries need access to finance to assist in achieving long term sustainable development goals.

Emerging Lessons: CIF Learning Briefs

20. Sharing knowledge and promoting learning about effective responses to the challenges of climate variability and change are at the core of the CIF's mission. The CTF and PPCR learning briefs offer lessons based on the experiences of stakeholders at the country level that were closely involved in the programming processes of the Clean Technology Fund (CTF) and Pilot Program for Climate Resistance (PPCR).

21. The goal of the learning briefs is to provide lessons in a way that can be transferred to countries and diverse stakeholders and lead to effective delivery of low-carbon and climate-resilient projects that bolster country-led development and poverty reduction.

22. The presentation of the learning briefs was followed by a discussion among representatives from two pilot countries and participants at the Forum. The following lessons were highlighted in the learning briefs and during the session.

Clean Technology Fund

23. Countries agreed that alignment of investment plans with national development strategies strengthens country ownership and allows for early identification of priorities and investments.

24. Eliminating barriers to low carbon market growth requires demonstration of feasibility, reducing costs and increasing national capacity which contributes to strengthening policy and regulatory frameworks.

25. One positive benefit of CIF investment plans and identification of investments is that it has helped catalyze coordination with other development partners working on climate change in the country.

26. It is important to engage the private sector in the design of the investment plan – both to better inform planning and selection of investments and to provide early incentives for the private sector to engage.

27. Meaningful outreach and consultations with stakeholders requires sufficient time and there is a need to balance urgency to act with building broad-based support and ownership.

Pilot Program for Climate Resilience

28. Noting that development of PPCR Strategic Programs took longer than the development of the CTF Investment Plans, it was recognized that there is a steep learning curve within

countries in understanding vulnerabilities to the impacts of climate change and in agreeing upon priority actions to be undertaken.

29. The PPCR requires adaptive management as addressing climate change is a learning process for all partners, including governments, MDBs, other donors, civil society and the private sector. This will be crucial as countries move into implementation of their strategic plans.

30. Adapting to climate change has cross-cutting, multi-sectoral implications. Hence, there is a crucial need for strong leadership to ensure continuous coordination and outreach. The dialogue must be often and meaningful throughout the process.

31. There is a critical need for information to be disseminated to the grassroots level and widely dispersed through civil society and the private sector while recognizing that a different approach may be needed for the private sector from the approach used to consult with civil society.

32. Transformational change must be defined in the context of each country's circumstances and vulnerabilities.

Emerging Lessons: Governance

33. A panel composed of former and current co-chairs of CIF decision-making bodies and members of the Sub-Committees discussed their experiences. The panelists reflected on the operations of the committees and how successful they were in addressing their mandates. Highlights of their discussion and comments by the participants are as follows.

34. The equitable governance structure of the CIF was working well, and the structure was perceived as being speedy and efficient.

35. Members of committees have an important responsibility for decisions with significant financial implications.

36. Engagement of recipient country representatives in the Trust Fund Committees and Sub-Committees varied, and ways should be sought to facilitate active engagement of all members in the committees.

37. There is room for improvement in the governance structure. For example, consideration should be given to appointing members to represent constituencies of countries so as to enlarge the voice of countries to include those who are not sitting on the Committees.

38. It is important to bring into the committees the views, perspectives and experiences of the pilot countries in order to inform decision making with information from on-the-ground action.

39. The involvement of observers from civil society, private sector, indigenous peoples, UN and others has enhanced the work of the Committees.

Emerging Lessons: Expert Groups

40. This session briefly introduced participants to the role that Expert Groups played in recommending pilot countries for CIF funding under the FIP, PPCR and SREP programs. Panelists included experts who had served on the expert groups as well as co-chairs of the Sub-Committees who had received the recommendations of the expert groups. They reflected on the experiences and challenges in making recommendations that served as the basis for the selection of pilots. Highlights of their discussion are as follows.
41. Expert groups were an important tool to assist the Sub-Committees to select a few pilot countries from a long list of those interested in engaging with the CIF.
42. The guidance provided by the Sub-Committees on the composition of the expert group and the criteria for recommending countries were considered very useful, but it was noted that it would have been helpful to provide more specificity on the expectations of the Sub-Committees as to the information to be included in the final report.
43. It was critical that the experts participating in the groups had diverse knowledge, perspectives and experiences which strengthened the group's collective ability to carry out the process.
44. The groups worked within a very short timeframe, and the limitations on time meant the groups had to rely upon their collective knowledge and experience as well as the information provided to them. It would have been helpful if countries had been invited to present more extensive information on their country circumstances and proposals for taking action under a program. More information from the countries would have enhanced the group's assessment of the country needs, preparedness, and capacity to engage.
45. Expert groups would have been interested in providing advice on the use of resources and potential investments that may usefully be undertaken rather than limiting their mandate to recommending countries.



Summary of Opening Plenary Session

June 25, 2011



Pilot Country Feedback



- Importance of leadership, country ownership and coordination
- Importance of prioritization
- Need to enhance:
 - institutional and human capacity
 - access to, and use of, technical and other information to develop policies and actions
 - stakeholder engagement
- Importance of financing

Emerging Lessons from CTF



- Alignment of CIF investment plans with development strategies
- Removing barriers
- Catalyzing coordination with development partners
- Private sector and other stakeholders should contribute to design of investment plans
- In-depth outreach requires adequate time

Emerging Lessons from PPCR



- Steep learning curve in understanding impacts of climate change and priority actions to be taken
- Adaptive management
- Need for strong leadership
- Need for information at grassroots level
- Engaging stakeholders may require different approaches
- Different definitions of transformational change

Emerging Lessons from Governance



- Governance structure of CIF speedy and efficient
- Committee members hold important responsibility
- Equitable governance structure is appropriate set-up
- Always room for improvement
- Experience from programs should inform Committees
- Involvement of stakeholders has greatly enhanced Committees

Emerging Lessons from Expert Groups



- Expert Groups effectively assisted Sub-Committees
- Guidance for Expert Groups and criteria were useful but more guidance needed on expected output
- Expert Groups strengthened by diverse expertise
- Expert Groups worked within tight timeframe
- More detailed information from potential pilot countries would have facilitated selection
- Mandate was limited to recommendations on country selection



Report from Partnership Forum Panel Sessions





Tapping Growth Potential in Climate Change through Innovative Partnerships



- Efficient low cost delivery to the poor is key whether it is delivered by private or public sector
- The quality of the “partner” is key to the “partnership”
- Parameters such as adequate regulator setting, transparent and consistent institutional arrangements on how private-public engage on procurement issues, are key to establish a private sector confidence
- Smart Public Private Partnership schemes are needed for climate change
- Scale PPPs are more cost effective given transaction cost. However, there is space for small scale PPP schemes

- The technology dimension is important, and PPPs have to leverage and connect with innovation centers
- The value proposition of a private partner in a PPP is that it optimises financing, operates more efficiently, and creates a balanced risk-reward models
- The value proposition of a public partner in a PPP is that if the “partnership” is well structured, it provides for a significant capital cost, consistent support, and honors its promises (guarantees) to ensure sustainable businesses parameters
- Guarantees within a PPP context are as important as concessional financing, and PPP could be an alternative to FiT

- Five key success factors :
 - Political stability
 - Regulatory support and consistent government support over time
 - Strong private sector
 - Quality of a “partner”
 - Economically/financially balanced structures and contracts based on risk-reward considerations



Putting Science to Work: State of the Art in Climate Modeling and the CIF (Climate Models to Serve People)



Access to information, and experts, is key for decision making

Planning and implementing adaptation and mitigation responses should be based on a **credible and defensible message about global, regional, and local climate change.**

This is possible by means of a combination of inputs:

- Consistent and complete weather/climate data series and climate phenomena
- Robust and high resolution climate projections from multiple credible models
- Analysis and projections of extreme events
- Scenarios relevant to the national and sub-national level
- Realistic perceptions about model accuracy and *in*-accuracy
- Capacity building

Messages about regional changes should tell a story relevant to the stakeholders

The ultimate beneficiaries of climate information:

- Should be those that would generate responses to mitigate and adapt to climate change.
- Climate information should be tailored to the needs of users, from local farmers to large energy companies.
- It should empower and enable them to make right decisions without overburdening them.

Partnerships enable access to information to those that need it most

Cooperation between the scientific community, the government and the private sector is essential to increasing the quality and accessibility of climate information.

Financial support and knowledge accumulated through experience could lead to better methods and tools to understand past, current and future climate at higher temporal and spatial resolutions.



Financing Transformation

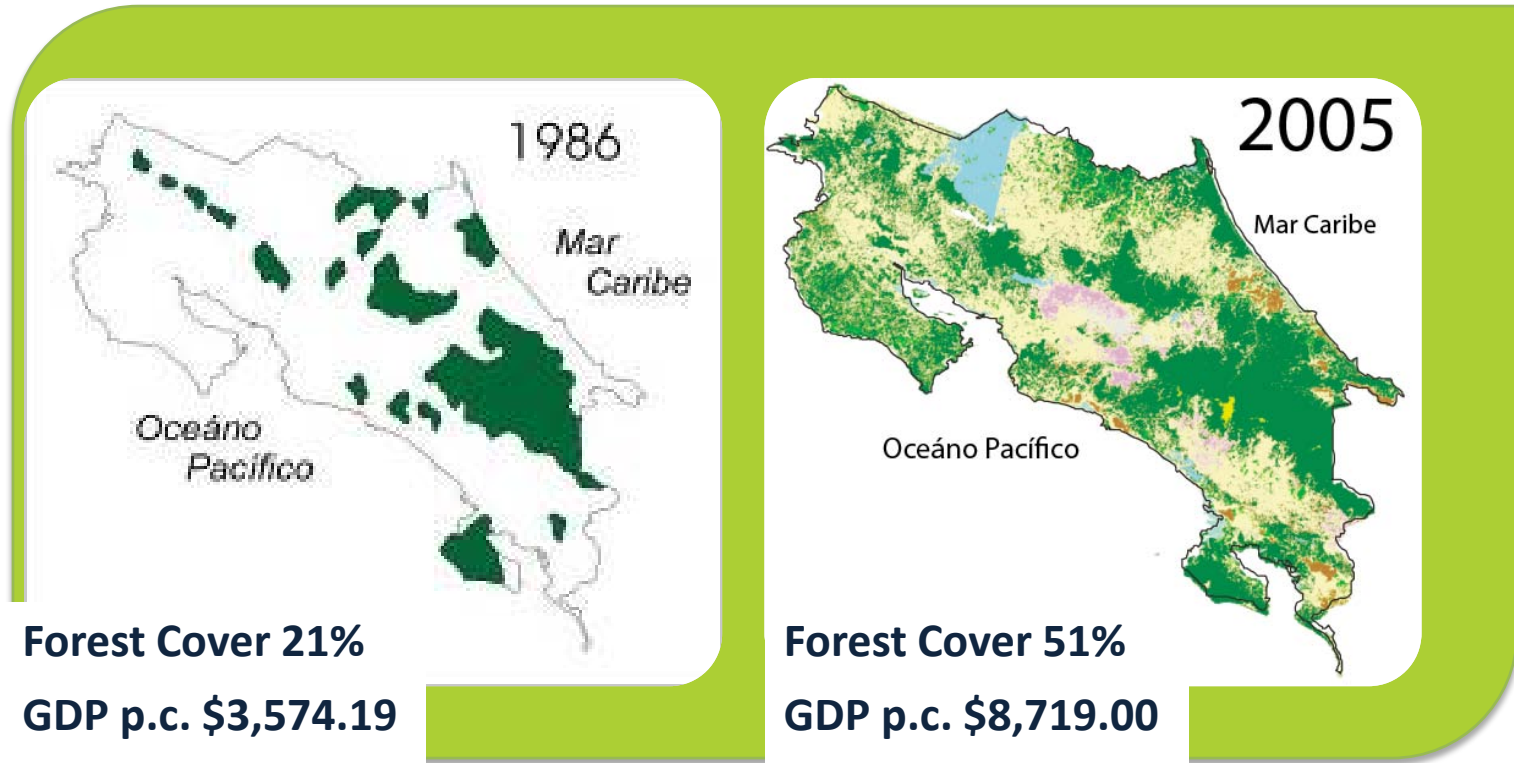
CIF Partnership Forum Panel Recap

Hela Cheikhrouhou
Director, Energy Environment and Climate
Change Department
African Development Bank



Transformation through Good Policy & Incentives

(Mr. Carlos Manuel Rodriguez)



In the Case of Costa Rica, the lesson learned is that **good multi-sectoral public policies, elimination of perverse incentives and the payment for environmental services** has proven to be successful for stopping deforestation and for forest restoration, even while promoting solid economic growth.

Views on the Green Climate Fund:

(Ms. Naoko Ishii)

- Need to accelerate the pace and amounts to be mobilized from public and private sources
- Mind the gap: keep support flowing while waiting for the GCF
- Need to build potential recipient countries' readiness to implement national programs in responding to CC
- Governance, tools and eligibility in the GCF to be driven by recipients' priorities and to leverage private resources

Examples of Low Income Household Mass-delivery of result-specific finance (Mr. Hussain & Mr Aritho)

- Global Program for Output Based Aid: delivering, measuring and verifying against reimbursement of costs incurred to acquire basic services (electricity, water)
- Mobile Banking in Kenya: prepaid water and crop insurance among tens of other applications...





Greening Clean Energy Sources: Managing the Social and Biodiversity Trade-Offs for Wind Energy



- **Renewable, low-carbon, and “clean” energy** sources such as wind power can have significant environmental and social impacts
- **Environmental and social issues** that may require special attention include
 - (i) **biodiversity impacts**
 - (ii) **local nuisance impacts; and**
 - (iii) **socio-economic and cultural issues**

- **Good practice measures** are available and need to be applied systematically,
- Careful **selection of sites** for wind farms:
 - High-risk areas versus low-risk areas
- Use of **planning tools** such as maps
- Use of **low-risk technology**
- **Participatory approach**: planning and benefit-sharing
- Use of **innovative approaches**: conservation offset mechanisms

Messages to the Climate Investment Funds:



- 1 - Pilot country governments and partners should ensure that any significant environmental and social issues will be appropriately addressed throughout the full project cycle with projects and programs subject to strategic and project-specific environmental and social impact assessments.
- 2 – Governments and partners should to prioritize the development of environmental sensitivity maps and zoning maps as an essential tool for wind project site selection, including time and space considerations for migratory species.
- 3 – Where impacts on bird and bat populations might be significant, wind farms should be operated in ways that minimize bird and bat mortality (such as short-term shutdowns and higher turbine cut-in speeds).
- 4 – Post-construction monitoring of environmental and social impacts, including bird and bat mortality, should be a standard requirement for wind power projects.
- 5 - The financial and economic implications of sound environmental and social management of wind power projects should be assessed in advance so that wind project planners and investors can make informed decisions.



Observer Engagement with the Climate Investment Funds



Individual observer perspectives on their experiences



- Inclusion of civil society, indigenous peoples and the private sector in the governance of the CIFs is an innovative effort to include new perspectives at an operational level
- Need to inform and capacitate observers to engage with the intricacies of CIF' operations
- Convey technical concepts in more accessible terms that can be easily communicated back to constituencies

Strengthening Observer Engagement and Selection



- Proactive engagement of civil society and private sector stakeholders at the national and sub-national level in designing and implementing CIF programs is crucial
- A key observer function is to bring local realities and experiences to bear on decision-making.
- The process by which observers are selected is significant to ensure a range of stakeholder views and experiences are represented. The process itself is currently under review. The results of a TI survey that sought to solicit views on this process will soon be available as a full report.
- A parallel efforts are underway to build a consensus view on strengthening observer selection stressing:
 - substantive knowledge and experience
 - links to civil society at the regional, national and sub-national level



Why Adaptation should be a Priority for the Private Sector



Climate change poses high risks for the sustainability of private business, this also translates into opportunities

Impacts of climate change could negatively affect the assets, costumers, supply chain and reputation of companies and private individuals. The private sector has an enormous potential for leveraging action and finance:

- Reactive responses include expanding risk assessment and management to include climate change (e.g. climate proofing, hedging).
- Proactive responses exploit the potential for innovation to develop goods and services for climate resilience, including R&D for adaptation technologies

Right market signals are required for the private sector to scale up proactive approaches. Profit opportunities will enhance the effect of these signals.

Governments create enabling conditions for exploiting the potential of the private sector

- The private sector is composed by a heterogeneous set of actors with different capacities and interests. Understanding its own private sector and engaging with private sector actors will enable the government to provide the right mix of incentives, including:
- Information as the key driver for action
 - Regulation, starting with the setting of a national adaptation agenda and its objectives
 - Programs for raising awareness
 - Targeted finance while preventing the crowding out of incentives and avoiding harmful market distortion

SPCRs are an ideal means for governments to explore incentives for increased action on adaptation by the private sector

The process of developing and implementing SPCR brings several opportunities for governments to leverage innovation and finance by the private sector, including:

- Engaging in a dialogue with the private sector to identify priorities and identify business opportunities
- Investing in knowledge and climate information products beneficial for a wide range of actors
- Offering tailored finance to reduce the risk perceived in adaptation investments, using local institutions
- Establishing partnerships for research and development of adaptation technologies.
- Putting in place a regulatory framework and build capacity for implementation



Greening Growing Cities: Delivering Climate-Smart Mobility



Model



- **A**void – the need for travel
 - Cape Town: integrated land use approach
- **S**hift – more efficient mode of transport
 - Lagos: Bus Rapid Transport system
- **I**mprove – vehicle, engine and fuel technologies
 - Philippines: e-tricycles
- **F**inance – climate funds for transport
 - CTF is expected to finance more GHG emission reductions from transport than CDM and GEF combined

BARRIERS



- LANGUAGE – speaking the same language
- MONITORING – level of accuracy
- SEAT-at-TABLE – transport not represented in early stages of climate finance mechanism development

KEY MESSAGES



- Transport sector needs to start to tell the story
- 4-5 good models need to be developed - Scalable, replicable for transformation
- Develop acceptable monitoring methodologies to bring down the monitoring costs



Leap into Green Growth: Promoting Clean Technology Manufacturing



KEY MESSAGES



- Requirements and challenges for a country to promote clean technology manufacturing:
 - regulatory frameworks, access to financing, markets, policies like feed-in tariffs vs. renewable portfolio standards (RPS), energy actions.
- Slow process but can be gradually introduced within the supply chain for clean technology manufacturing
- Need for fostering innovation systems at government level to support entrepreneurs

KEY MESSAGES



- Demand for manufacturing and services in developing countries has risen significantly
- How climate funds can support governments to engage private sector to promote manufacturing opportunities
=> JOBS
- Need to reflect upon procurement process to allow for local demand (Prequalification criteria on local content)
- Some markets in developing countries are perceived as risky for potential investors – (Institutional, fiscal and legal framework, skill labor, clear government visions on the sector)

KEY MESSAGES



- Create sustainable ecosystem based on clean technology solutions => support economic development and help meet local needs for basic services

- How to support small and medium enterprises
 - Funding to allow entrepreneurs prove that a business idea/model is feasible
 - Need for seed funds to finance for start-up companies to assist them move from the project concept stage to sustainability

- Clean technology solutions contribute to poverty alleviation by providing services



How Can We Get It Done? Working as Partners at the Country-Level



- Partnership building is a complex issue
- Rapid delivery of results poses challenges for an in-depth stakeholder consultation
- There are institutional capacity constraints at the national and local levels
- Coordination at the national level is challenging when responsibilities are fragmented and/or competing
- Often, donors are not sufficiently coordinating at the country level
- Private sector needs to be included in dialogue and coordination (e.g. PPPs)

- Programmatic approach provides an opportunity for coordination of various partners
- Need for self-organization driven by government in establishing architectures for partnership and stakeholder involvement
- Need for common platforms for communication to ensure transparency and access to information
- Governments need to focus on inter-ministerial coordination
- Local communities, and vulnerable groups in particular, need to be enabled to participate and to benefit
- Public-private partnerships are a tool to crowd-in the private sector