



## FOREWORD

2015 was an incredible year for international development and climate change. World leaders committed to 17 new Sustainable Development Goals and an action agenda for development financing with commensurate ambition. The UN Conference on Climate Change in Paris achieved an agreement reflecting the scale of the climate challenge and opportunity. Maintaining momentum in 2016 and beyond will be crucial as countries strive to make the visions of their Intended Nationally Determined Contributions a reality and bring their new climate economies to life. We have no time to lose.

Since 2008, the Climate Investment Funds (CIF) have mobilized significant climate finance to developing countries to support high impact investments in renewable energy, energy efficiency, sustainable transport, climate resilience, and sustainable forest management. With \$8.3 billion in resources expected to attract at least an additional \$58 billion in co-financing for over 300 projects in 72 developing countries, the CIF is already helping to empower a greener future. We are well placed to share our wealth of experiences, innovation, and knowledge on how communities and countries are making investments to meet their development aspirations while contributing to the global climate good.

The CIF is demonstrating the power of concessional financing and the use of riskier financing instruments to catalyze investment, move markets, and affect change both large and small. Our unique business model—underpinned by a programmatic approach implemented at scale through an effective partnership of multilateral development banks with government and business stakeholders—brings strategic value and financial leverage to CIF recipient countries.

This report details five important ways that CIF action is making transformational change locally, nationally, regionally and globally:

- Driving down the costs and learning of promising but expensive renewable energy technologies
- Breaking down barriers inhibiting the development of climate-friendly markets and industries
- Linking policies and investments to strengthen investor-friendly enabling environments
- Strengthening institutional arrangements and stakeholder capacity to ensure effective planning and implementation
- Influencing behavior changes through leadership on private sector, gender and stakeholder engagement

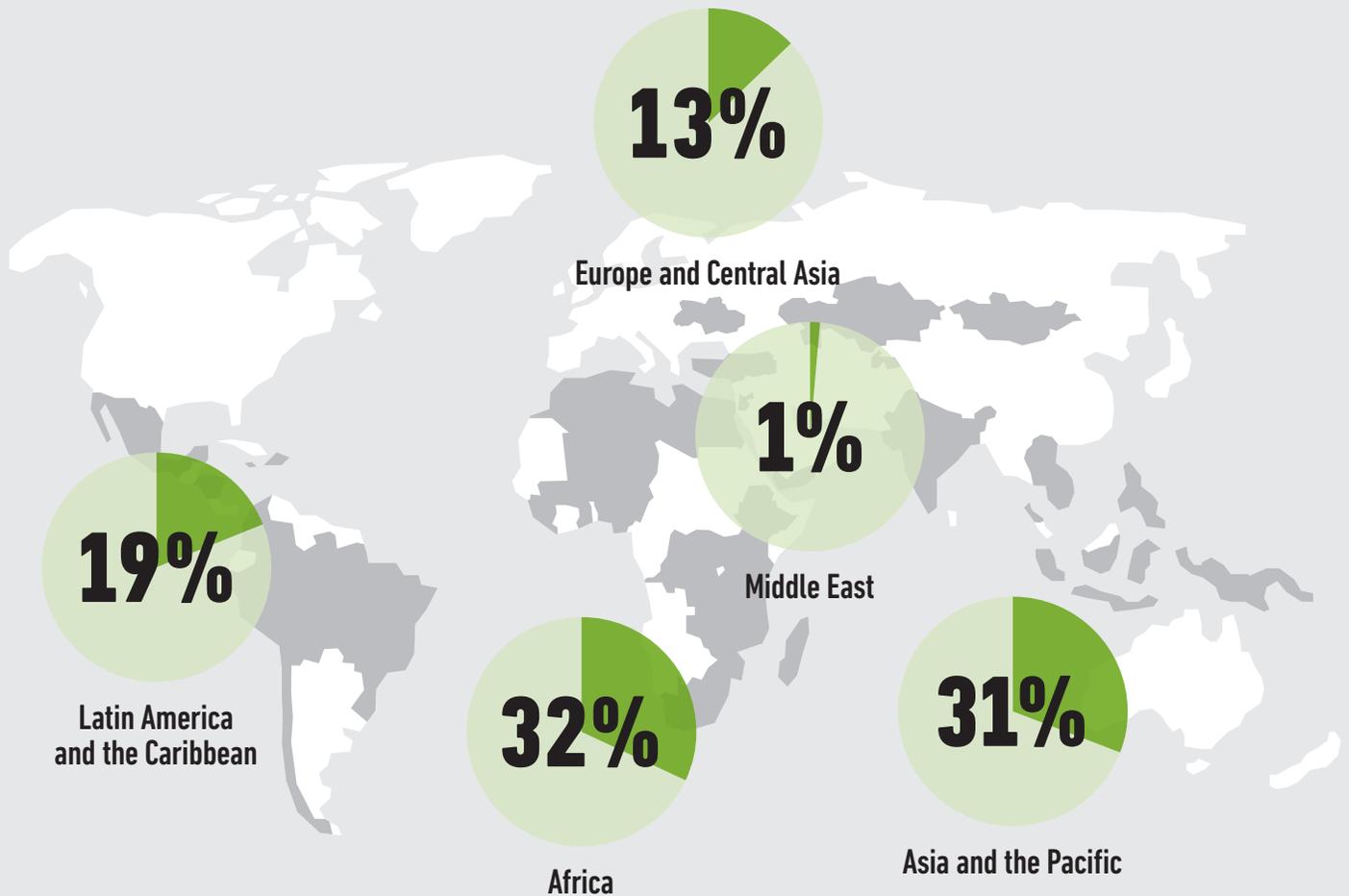
Governments and industry leaders around the world are moving more proactively and collectively to combat climate change. As a “living laboratory” for climate finance, the CIF remains agile and ready to serve this new resolve. We are examining the evolutions within the climate finance landscape to ensure the CIF continues to bridge hard-to-fill financing and learning gaps.

This is the moment to build on the success and experience of the CIF and other development partners. As we move from the rhetoric of commitment to the reality of delivery, we must all come together to put climate-smart solutions at the heart of international development. We have the knowledge, the tools, and the will. Let’s raise our ambition level and put our ideas for a more sustainable, greener future into practice!



**Mafalda Duarte**  
*CIF Manager*

# CLIMATE INVESTMENT FUNDS



**MDB PARTNERS**



Note: Fund pledges are based on exchange rate provided by the CIF Trustee on December 31, 2015.

**CTF**

CLEAN TECHNOLOGY FUND

**\$5.6B**

SCALING UP THE DEMONSTRATION, DEPLOYMENT, AND TRANSFER OF LOW CARBON TECHNOLOGIES IN RENEWABLE ENERGY, ENERGY EFFICIENCY, AND SUSTAINABLE TRANSPORT

—  
Chile / Colombia / Egypt / India / Indonesia / Kazakhstan / Mexico / Morocco / Nigeria / Philippines / South Africa / Thailand / Turkey / Ukraine / Vietnam / Middle East and Northern African Region: Algeria / Egypt / Jordan / Libya / Morocco / Tunisia

DEDICATED PRIVATE SECTOR PROGRAMS

**\$467M****SREP**

SCALING UP RENEWABLE ENERGY IN LOW INCOME COUNTRIES

**\$780M**

DEMONSTRATING THE ECONOMIC, SOCIAL, AND ENVIRONMENTAL VIABILITY OF RENEWABLE ENERGY IN LOW INCOME COUNTRIES

—  
Armenia / Bangladesh / Benin / Cambodia / Ethiopia / Ghana / Haiti / Honduras / Kenya / Kiribati / Liberia / Lesotho / Madagascar / Malawi / Maldives / Mali / Mongolia / Nepal / Nicaragua / Rwanda / Sierra Leone / Tanzania / Uganda / Yemen / Zambia / Pacific Region: Solomon Islands / Vanuatu

PRIVATE SECTOR SET-ASIDE

**\$92M****PPCR**

PILOT PROGRAM FOR CLIMATE RESILIENCE

**\$1.2B**

MAINSTREAMING RESILIENCE IN DEVELOPMENT PLANNING AND ACTION INVESTMENTS

—  
Bangladesh / Bhutan / Bolivia / Cambodia / Ethiopia / Gambia / Honduras / Kyrgyz Republic / Madagascar / Malawi / Mozambique / Nepal / Niger / Philippines / Rwanda / Tajikistan / Uganda / Yemen / Zambia / Caribbean Region: Dominica / Grenada / Haiti / Jamaica / St. Lucia / St. Vincent and the Grenadines / Pacific Region: Papua New Guinea / Samoa / Tonga

PRIVATE SECTOR SET-ASIDE

**\$65M****FIP**

FOREST INVESTMENT PROGRAM

**\$771M**

REDUCING EMISSIONS FROM DEFORESTATION AND FOREST DEGRADATION, SUSTAINABLY MANAGING FORESTS, AND ENHANCING FOREST CARBON STOCKS

—  
Bangladesh / Brazil / Burkina Faso / Cambodia / Cameroon / Democratic Republic of Congo / Ecuador / Ghana / Guatemala / Guyana / Honduras / Indonesia / Ivory Coast / Lao People's Democratic Republic / Mexico / Mozambique / Nepal / Peru / Republic of Congo / Rwanda / Tunisia / Uganda / Zambia

PRIVATE SECTOR SET-ASIDE

**\$20M**

# EMPOWERING A GREENER FUTURE



## TECHNOLOGIES

Driving down the costs and learning of promising but expensive renewable energy technologies



## MARKETS

Breaking down barriers inhibiting the development of climate-friendly markets and industries



## POLICIES

Linking policies and investments to strengthen investor-friendly enabling environments



## INSTITUTIONS

Strengthening institutional arrangements and stakeholder capacity to ensure effective planning and implementation



## BEHAVIOR CHANGE

Influencing ideas and actions through leadership on gender, private sector, and stakeholder engagement

# DELIVERING MORE RESOURCES TO CLIMATE-SMART INVESTMENTS THAN ANY OTHER MULTILATERAL FUND

As of December 31, 2015, the CIF has received approximately \$8.3 billion in pledges from 14 contributor countries to support large-scale, high impact investments in renewable energy, energy efficiency, sustainable transport, climate resilience, and sustainable forest management in 72 developing countries.

A total of \$4.9 billion in CIF funding (59 percent of total pledged resources) is approved by the MDBs, along with an additional \$36 billion in co-financing from other sources, to implement 167 projects (of 310 in the portfolio). The CIF is achieving an overall co-finance ratio of 1:7 on approved funding, meaning that for every CIF dollar, \$7.00 is being invested by others.

The level of CIF disbursement is significant, with \$1.8 billion—over one-third of the approved funding amount—disbursed through December 31, 2015.<sup>i</sup>

**\$8.3B CIF**

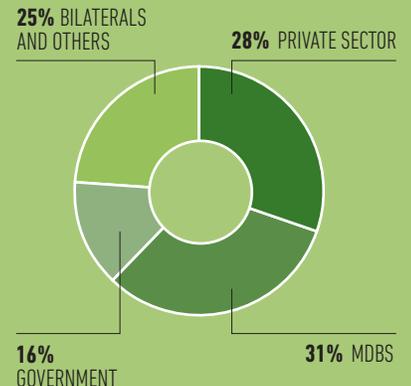
310 projects / 72 countries  
\$58B expected co-financing

59% APPROVED AND UNDER IMPLEMENTATION

**\$4.9B**

167 projects / 49 countries  
\$36B co-financing

## CIF CO-FINANCING SOURCES

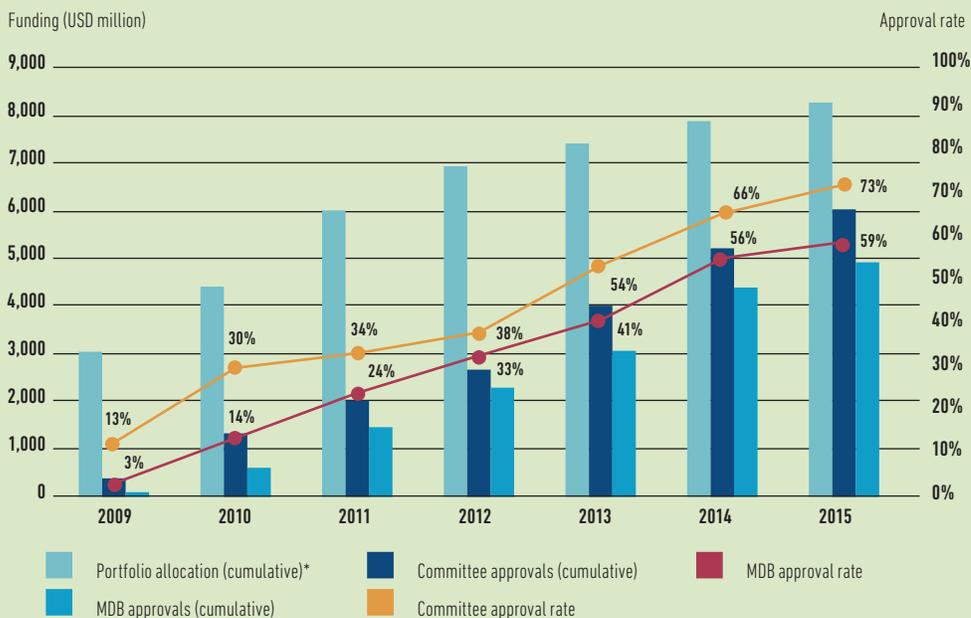


**1:7**  
financial leverage

Note: Fund pledges are based on exchange rate provided by the CIF Trustee on December 31, 2015.

Note: The CIF tracks a two-step approval process: First, the appropriate CIF trust fund committee or sub-committee approves CIF funding for a project or program. Second, the implementing MDB approves the project or program to commence implementation and disbursement.

## CIF FUNDING APPROVAL CONTINUES TO GROW



\* Allocations to country and regional investment plans and private sector umbrella programs.

# EMPOWERING A GREENER FUTURE

Since the Climate Investment Funds (CIF) were established in 2008, the world has seen all too often the devastating effects of climate change, but also the opportunities that solutions present. Now more than ever, countries and businesses recognize that low carbon, climate resilient economies can increase growth, deliver more jobs, enhance social and gender inclusion, and reduce climate impacts. Achieving a greener future is possible, but it requires investment on the order of hundreds of billions of dollars to flow to areas of the world hardest hit by climate change. Multilateral funds like the CIF play a critical role in ramping up climate finance to catalyze transformational change in developing countries.



Peru is among the CIF's 72 recipient countries.

The CIF's concessional financing helps lower the high costs of capital and absorb risks that other financiers may not be willing or able to bear in mitigation and adaptation actions. The CIF offers flexibility to test new business models and approaches, build track records in unproven markets, and boost investor confidence to unlock additional finance from other sources, particularly the private sector and the multilateral development banks (MDB) that implement CIF funding. Total CIF pledges of \$8.3 billion as of December 31, 2015 are expected to attract an additional \$58 billion of co-financing for a portfolio of over 300 projects and counting.

To ensure these public resources are strategically deployed to achieve maximum results, the CIF adopts a programmatic approach to investing. This flexible approach enables

countries to strategically plan a series of investments that mutually reinforce each other rather than one-off projects. It links investments with other actions (such as policy and regulatory reform and capacity building) and the activities of other partners to effect nation- or sector-wide transformation. Countries can tailor the CIF programmatic approach to fit their context and national priorities by targeting specific technologies, geographical regions, vulnerable groups including women, or development approaches through multiple MDB partners. The CIF has also created dedicated programs to encourage private sector participation in priority areas.

This business model is unique in the global climate finance architecture and is delivering important results and learning on low carbon, climate resilient development. After seven years on the job, the CIF is tried, tested, and trusted and highly sought after by developing countries.

In 2015, the CIF welcomed 10 new countries to the Pilot Program for Climate Resilience (PPCR) and 15 to the Forest Investment Program (FIP)—from a pool of over 70 applicants—to **expand the CIF's global** reach to 72 countries.<sup>ii</sup> Selected on pre-established criteria including climate vulnerability, these new PPCR and FIP countries are now embarking on developing investment plans. The 14 countries that joined the Scaling Up Renewable Energy in Low Income Countries Program (SREP) in 2014 also continue to advance in that process.

## CIF BUSINESS MODEL IS UNIQUE

- **Programmatic approach with MDBs as implementing agencies** to enable countries to strategically plan a series of investments that mutually reinforce each other and link to other actions in priority areas; draw on the comparative strengths of different MDB partners; and benefit from MDBs' ability to leverage financing, mobilize other actors, and harmonize policy support
- **Use of concessional finance** to crowd-in private sector financing and promote long-term sustainability
- **Learning by doing** to serve as a living laboratory for climate finance, including testing and refining financing models and sharing lessons and results
- **Unprecedented scale** in the form of a large CIF envelope (\$8.3 billion), augmented by substantial co-financing (\$58 billion)

## WHAT IS CONCESSIONAL FINANCE?

- **Grants or transfers made in cash, goods, or services for which no repayment is required (100 percent grant element)**
- **Concessional loans extended on terms substantially more generous than market loans. The grant element measures the concessionality of a loan.**
- **Other instruments (e.g., risk mitigation instruments) extended on terms more favorable than the market**

*Source: OECD Glossary of Statistical Terms and CIF website*

Generous new pledges received in 2015 from the United Kingdom, Norway, and Sweden totaling \$305.6 million are another vote of confidence in the work of the CIF. Despite these new contributions, supply does not meet demand. Significant funds are needed to support many of the anticipated projects and programs of new PPCR, FIP, and SREP countries, as well as some projects under the Clean Technology Fund (CTF).<sup>iii</sup>

New CIF countries are encouraged to develop investment plans that exceed current funding envelopes and actively seek resources from other bilateral or multilateral sources. However, a key

lesson learned with the initial group of PPCR and FIP pilot countries is that a sizeable and predictable envelope of resources is an important incentive for countries as they begin the challenging

work of establishing the institutional and policy structures they need to mainstream climate resilience and mitigation in development action.

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## CIF OUTREACH

- 7,000 Twitter followers—up from 400 in 2014
  - 15,000 people from 150 countries now visit the CIF website every month—more than doubling website visitors in one year
  - 20,000 views of the **Noor Concentrated Solar Power Complex video**
- 



Completed in 2015, the 100 MW KaXu concentrated solar power (CSP) plant in South Africa is the first operational private sector utility-scale CSP plant with storage in the developing world. Supported by \$26.5 million from the CTF channeled by IFC, which provided \$81.8 million from its own resources, the plant is on track to generate enough renewable energy to power 80,000 South African households and mitigate an estimated 250,000 tons of CO<sub>2</sub> equivalent each year.

## BUILDING ON MOMENTUM

Climate change threatens our common future, and the urgency that sparked the creation of the CIF continues to fuel it. The experience and results of the CIF show that transformation can be achieved and momentum can be maintained—and increased—with global collaboration and complementary efforts. As countries and business leaders take a more aggressive stance against climate change, they can look to the CIF for examples and lessons on maximizing the impact of climate finance in five key ways:

### 1. TECHNOLOGIES

The adoption and widespread deployment of technologies for low carbon development and climate resilience is a key aspect of transformational change in recipient countries. The CIF is the only existing climate fund that provides large-scale funding to specific technologies, particularly in renewable energy. CIF concessional financing is supporting the first use of key technologies in some countries, while facilitating MDB collaboration to expand deployment more broadly in others and across regions.

Turn to page 15 to learn how the CIF is driving investments in concentrated solar power and geothermal power, and how investments in hydro-meteorological and climate services are building the foundation for climate resilience.

## CIF IMPACT IS TRANSFORMATIONAL AND GLOBAL



Over the lifetime of endorsed investments, the CTF expects to deliver **emissions reductions** of approximately 1.5 billion tons of CO<sub>2</sub>e. Already 20 million tons of CO<sub>2</sub>e have been achieved, comparable to taking 4.5 million cars off the road or shutting down six coal-fired power plants.



CTF projects are contributing to **energy savings** of over 3,900 GWh per year, mostly in the Europe and Central Asia region. This is roughly equivalent to taking over half a million passenger vehicles off the road.



More than 900,000 men and women have already been **directly supported by climate resilience projects** in seven PPCR countries, with numbers expected to swell to over 30 million as more countries launch more projects and report on results.



**Geothermal and concentrated solar power** are important parts of the CIF portfolio, and CIF investments of \$1.8 billion are expected to contribute to 1 GW of CSP and 3.6 GW of geothermal power, more than one-quarter of the current global installed capacity for both technologies.



SREP investments will **increase new or improved energy access** to 16.8 million people, approximately the population of Malawi.



Twelve FIP projects aim to **improve land management** of 27 million hectares of forest—equivalent to the size of Burkina Faso—and support 671,000 people. These numbers will increase dramatically as more projects get underway.

Source: **2015 Results Reports** of the CTF, SREP, FIP, and PPCR which include data through 2014.



Women within 35,000 Tajik households are spending 75 percent less time collecting water thanks to their participation in local water user associations to improve water management for agricultural and non-agricultural uses. This is a direct benefit of Tajikistan's Pyanj River Basin Project, supported by PPCR \$21.6 million implemented by the ADB.

## 2. MARKETS

The creation of viable markets helps to ensure sustained transformation toward low carbon, climate resilient economies in both developed and developing countries. CIF-financed interventions target barriers inhibiting market development, including lack of familiarity among investors with new technologies and the risks they present, high upfront capital costs, and lack of access to financing at favorable terms.

Turn to page 21 to read how the CIF is encouraging first movers and supporting innovative financing mechanisms and local financial institutions that are increasing access to financing to stimulate green market growth.

## 3. POLICIES

A main feature of the CIF programmatic approach is linking investments to policy and regulatory reforms supported directly by the CIF or through complementary interventions led by the MDBs with support from other sources. By linking policies and investment through the public and private sectors, CIF-financed activities are helping to create strengthened enabling environments that are critical to achieving transformational change.

Turn to page 27 to see how the CIF is collaborating on reforms, road testing regulations, and strengthening policy frameworks to support sustained climate action.

#### 4. INSTITUTIONS

Strong institutions with the mandate and capacity to plan, enable, and manage policies and investments that support climate-smart development are an essential building block of low carbon, climate resilient societies. The CIF programmatic approach helps recipient governments establish a process for high-level coordination across relevant ministries and sectors to develop and implement a strategic investment plan. This extends to include cooperation among national and subnational actors and with civil society groups and other stakeholders.

Turn to page 31 to learn how the CIF is supporting capacity building to strengthen coordination and collaboration, as well as research and analyses to deepen understanding of climate risks and investment priorities.

#### 5. BEHAVIOR CHANGE

The CIF supports actions intrinsic to achieving transformation toward climate-smart development by influencing behavior change among stakeholders. Evidence ranges from strong country ownership of CIF investment plans to governments'

implicit and explicit recognition of non-state actors' contributions to the climate change agenda. There is also growing awareness among the private sector of the benefits of taking actions to increase climate resilience, and governments and MDBs increasingly recognize the ways in which climate change affects men and women differently.

Turn to page 37 to read how the CIF is working to enhance stakeholder engagement and private sector participation and foster gender-responsive approaches across the CIF portfolio.



With \$1.5 million in CIF support, Invema, a recycling company based in San Pedro Sula, Honduras, installed 928 kW of solar PV panels on the roofs of its buildings to produce electricity for self-consumption. As one of the first movers in the roof top market, this project can motivate other similar projects and help develop a solar panel installation market in Honduras.

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## **MDBS REINFORCE AND AMPLIFY CIF BENEFITS**

Multilateral development banks (MDBs), together with other public development finance institutions, play a leading role in deploying scarce public resources and leveraging much larger private investments to implement mitigation and adaptation actions in developing countries. The CIF is the only fund to work exclusively with MDBs as implementing agencies. The CIF MDB partners are the African Development Bank (AfDB), Asian Development Bank (ADB), European Bank for Reconstruction and Development (EBRD), Inter-American Development Bank (IDB), and World Bank Group, including the International Finance Corporation (IFC).

### **COUNTRIES BENEFIT FROM GREATER COORDINATION, COOPERATION, AND FINANCIAL FLOWS**

The CIF programmatic approach provides a platform for recipient governments to draw on the comparative strengths of different MDB partners. This approach has greater impact than stand-alone actions, generates synergies through complementary actions, and improves harmonization of development assistance. CIF countries benefit from the MDBs' ability to leverage significant resources from their own balance sheets, as well as through mobilizing other financial actors. When multiple MDBs coordinate their support to specific projects, even more resources are enabled to flow.

### **MDBS BENEFIT FROM GREATER FLEXIBILITY AND FINANCING FOR FRONTIER INVESTMENTS**

Multilateral funds provide much-needed concessional resources for adaptation and mitigation activities in developing countries. The CIF is currently the largest multilateral source of concessional financing for MDB mitigation and adaptation investments. The CIF provided \$3.5 billion, or 44 percent, of the nearly \$8 billion in external resources (concessional resources provided to MDBs by donors or multilateral funds) delivered by the MDBs from 2011 to 2014.<sup>iv</sup> CIF financing of \$3.5 billion attracted close to \$8 billion in financing from MDBs' own resources. Concessional financing catalyzes climate-smart investments in a number of ways:

- Buys down the cost for strategically important but high-cost technologies
  - Takes on risk that MDBs could not using their own funds
  - Allows MDBs to test new products and business models that they can then replicate using their own resources
  - Breaks the cycle of loans with short tenor and high interest rates that prevails in many emerging markets
  - Expands the pool of resources available to low income countries and countries at high risk of debt distress
  - Enables MDBs to learn internally on a wide range of issues from multi-sectoral planning to monitoring and evaluation to improved gender integration
-