

LEARNING BY DOING

THE CIF'S CONTRIBUTION
TO CLIMATE FINANCE



CLIMATE
INVESTMENT
FUNDS

**A FIVE-YEAR RETROSPECTIVE REPORT ON
THE CLIMATE INVESTMENT FUNDS**

COMPANY PROFILE

Vivid Economics is a leading strategic economics consultancy with global reach. We strive to create lasting value for our clients, both in government and the private sector, and for society at large.

We are a premier consultant in the policy-commerce interface and resource- and environment-intensive sectors, where we advise on the most critical and complex policy and commercial questions facing clients around the world. The success we bring to our clients reflects a strong partnership culture, solid foundation of skills and analytical assets, and close cooperation with a large network of contacts across key organizations.





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Note: All currencies denoted by \$ are in U.S. dollars unless otherwise stated



Photo: Abengoa



Foreword

There is no down-time in the race against climate change. Anyone who works with the Climate Investment Funds (CIF) at any level knows that we are caught up in the run. There is always something to do, and we are always looking ahead to the next step. It is a rare moment when we can slow down and take stock of what we have achieved. This retrospective report, *Learning by Doing: The CIF's Contribution to Climate Finance*, is one of those moments.

This report highlights some of the milestones we have achieved over the last five years in our pursuit of initiating transformational change in developing economies. It describes how we are fostering partnerships to ensure the CIF's programmatic approach to climate action takes root deeply and broadly, delivering investments to extend the reach of the \$8 billion pledged to the CIF. More importantly, this report captures our experiences in learning by doing and our efforts

to continuously evolve as we apply what we learn both from our successes as well as from our wrong turns and missteps. While we are nowhere near the finish line, we have made a strong start.

The race against climate change is a marathon, not a sprint, requiring sustained energy and commitment over time. We hope you come away from reading this report not only understanding the inner workings of the CIF and the complex dynamics of climate finance, but also the passion and determination that 48 pilot countries, 14 contributing countries, five multilateral development banks, the CIF Administrative Unit, and countless stakeholders share in keeping the CIF moving forward to achieve climate-smart development.

Patricia Bliss-Guest

Program Manager, Administrative Unit, CIF



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THE CLIMATE INVESTMENT FUNDS

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ACRONYMS

ADB	Asian Development Bank	MidSEFF	Mid-size Sustainable Energy Financing Facility
AfDB	African Development Bank	MOPAN	Multilateral Organization Performance Assessment Network
CIF	Climate Investment Funds	MtCO₂e	million tons of carbon dioxide equivalent
CSEF	Commercializing Sustainable Energy Finance	MW	megawatts
CSO	civil society organization	MWh	megawatt hours
CSP	concentrated solar power	NAPA	National Adaptation Programs of Action
CTF	Clean Technology Fund	NCCP	National Climate Change Program
DFID	UK Department for International Development	ND-GAIN	Notre Dame Global Adaptation Index
DGM	Dedicated Grant Mechanism	NGO	non-governmental organization
DPSP	Dedicated Private Sector Program	OECD	Organization for Economic Co-operation and Development
EBRD	European Bank for Reconstruction and Development	PPCR	Pilot Program for Climate Resilience
EDF	Électricité de France	PPP	public private partnership
FCPF	Forest Carbon Partnership Facility	PSREEE	Private Sector Renewable Energy and Energy Efficiency Project
FIP	Forest Investment Program	REA	Rural Electrification Authority
FY	financial year	REDD+	Reduced Emissions from Deforestation and Forest Degradation
GCCA	Global Climate Change Alliance	SCF	Strategic Climate Fund
GCF	Green Climate Fund	SPCR	strategic program for climate resilience
GEF	Global Environment Facility	SREP	Scaling Up Renewable Energy in Low Income Countries Program
GHG	greenhouse gas	SUNGO	Samoan Umbrella for Non-Governmental Organizations
GIZ	Gesellschaft für Internationale Zusammenarbeit	tCO₂e	tons of carbon dioxide equivalent
GSP	Global Support Program	TurSEFF	Turkey Sustainable Energy Financing Facility
GWh	gigawatt hours	UN	United Nations
IATI	International Aid Transparency Initiative	UNDP	United Nations Development Program
IBRD	International Bank for Reconstruction and Development	UNEP	United Nations Environment Program
IDA	International Development Association	UNFCCC	United Nations Framework Convention on Climate Change
IDB	Inter-American Development Bank	UN-REDD	United Nations Collaborative Program on Reducing Emissions from Deforestation and Forest Degradation in Developing Countries
IFC	International Finance Corporation	USAID	United States Agency for International Development
IPCC	Intergovernmental Panel in Climate Change	WBG	World Bank Group
KEPSA	Kenya Private Sector Alliance	WRI	World Resources Institute
KIPPRA	Kenya Institute for Public Policy Research and Analysis		
MAR	Multilateral Aid Review		
MDB	multilateral development bank		



Photo: Thomson Reuters Foundation

Executive Summary

The Climate Investment Funds (CIF) is one of the world's largest and most important climate finance mechanisms. Founded in 2008, the CIF represents one of the first efforts by the international community to place a scaled-up amount of resources in a dedicated funding vehicle, accessible through the multilateral development banks (the MDBs)¹, to support developing and emerging economies in adopting a low carbon and climate resilient development trajectory.

The CIF pilots a distinctive approach to climate finance.

- The CIF makes \$8 billion² in pledged resources available in select pilot countries, for public and private sector activities, on a highly concessional basis, providing more favorable terms and conditions than would be available in international capital markets. These resources are used to support low carbon or climate resilient investments and activities that, due to their cost or risk, would not otherwise be chosen. CIF funding is split among four funding windows with distinct objectives to advance clean technology in middle income countries, renewable energy in low income countries, sustainable management of forests, and climate resilient development.
- In contrast to a project-by-project-based approach, the CIF delivers its resources in a programmatic fashion through an investment plan. Developed by the pilot country in partnership with many stakeholders, the plan identifies a coherent set of interventions that collectively aim to tackle some of the greatest challenges and exploit some of the greatest

opportunities relating to low carbon or climate resilient development in that country.

- The CIF provides climate finance for interventions on a scale not achieved to date. It intends to demonstrate how the provision of a significant amount of resources can make a meaningful impact in the overall development trajectory of an economy by reducing technology costs or prompting institutional innovation. To do so, the CIF focuses its limited resources on a limited selection of countries rather than providing resources to all emerging and developing economies.
- CIF interventions are implemented through the MDBs which, working collaboratively within a country, blend CIF resources with their own internal resources. The MDB partnership was formed both to increase the scale of resources that could support projects and to allow for quick implementation through harnessing the existing MDB experience and infrastructure for project management. For some of the CIF's architects, increasing the attention that the MDBs give to climate change, and leveraging their expertise, is an objective of the CIF itself.

This report considers the first five years of the CIF (from 2008 to 2013) and its impact across three themes: fostering partnerships, delivering investment, and learning by doing to achieve results. The CIF experience has achieved some notable successes and provides important learning for the international community. It points to some enduring challenges that the international community will need to consider as it seeks to scale up its efforts to support developing and emerging economies in their response to the threat of climate change.

FOSTERING PARTNERSHIPS

The CIF's pioneering programmatic approach—encapsulated in the investment plan—provides a basis

1. CIF partner MDBs are the African Development Bank (AfDB), Asian Development Bank (ADB), European Bank for Reconstruction and Development (EBRD), Inter-American Development Bank (IDB); and the World Bank Group - including the International Bank for Reconstruction and Development (IBRD) and the International Finance Corporation (IFC).

2. Fund pledges are based on exchange rates on the initial CIF pledging date of September 25, 2008. However, these figures are likely to change when calculated using current exchange rates on any given date until all the pledged funds are received.



for enduring partnerships within the CIF community while supporting pilot country ownership of activities.

The investment plan provides a focus and coherence for the CIF's interventions. As a result of its development being led by pilot country governments, the CIF is typically complementary to country development objectives. The CIF's success in ensuring country ownership can be seen in the synergies and integration of CIF investment plans and country climate change strategies, in the level of government co-financing that the CIF has acquired, and in the way that non-CIF countries have shown interest in the CIF and emulated its procedures.

In many countries, the CIF has also been able to promote broader country ownership of CIF investment plans and subsequent activities.

The CIF emphasizes the need for pilot countries to engage stakeholders throughout the country—including civil society, the private sector, and indigenous communities—in the development and implementation of CIF interventions. In some countries this has led to broad-based support (as seen in Kenya) and to improvements in the structure and design of CIF programs (as seen in Peru).

Cooperation and partnership between the MDBs represents a growing area of success for the CIF.

Typically, multiple MDBs are involved in the implementation of CIF activities within a country. This allows countries to benefit both from greater financing and from the comparative advantages of the respective organizations. Over time, the working relationship between the MDBs at the country level has improved, leading to reduced transaction costs for pilot countries and quicker decision making. Strong cooperation between the MDBs is even more marked at the global level, where the CIF has provided a platform to facilitate stronger joint efforts at tackling climate issues. Those include cooperation between the MDBs on issues such as tracking climate finance and accounting of greenhouse gas emissions.

A key institutional challenge relates to harmonization of MDB procedures and the reduction of transaction costs.

A key advantage of the initial formulation of the CIF was that it could make use of existing MDB policies and procedures. This facilitated quick disbursement where conditions were favorable. However, experience in pilot countries indicates that some of the advantages of multiple MDBs working in the same country are reduced due to differing MDB policies and procedures. Such inconsistencies raise the transaction costs of engaging with the CIF. While some of these problems have been resolved by closer in-country MDB collaboration, pilot countries continue to express concern. Questions that may need further exploration include: Is greater effort needed to harmonize the procedures of different MDBs? What would be the costs and benefits of such harmonization? And how would these be distributed?

A related challenge is the development of an appropriate role for national institutions in project implementation.

The use of the MDBs as the implementing partners may help to explain the considerable donor support given to the CIF and may be particularly important in catalyzing private sector projects. However, in other climate funds there has been an increasing use of direct access by national institutions to financing, an approach that has been credited with improving national ownership. Yet the success of the CIF in stimulating MDB coordination and mobilizing additional resources through the MDBs may be more difficult to sustain with a wider variety of implementing agencies.

Partial or ineffectual stakeholder engagement can lead to delays and other challenges.

There have been cases where the level of stakeholder engagement in the CIF investment planning process was less than expected. In some cases there were high-profile problems and significant delays in the approval of investment plans (for instance, in the Philippines). Some stakeholders have expressed concerns that a failure to undertake appropriate consultation at the



investment plan stage contributes to subsequent challenges in project development and implementation. CIF decision-making bodies have therefore placed greater emphasis on securing broad-based participation in the investment plan and project development process. Implementation of this requirement can be a challenge in many countries where the CIF operates, and, especially in relation to the investment plan, there may be lack of clarity as to who is accountable for ensuring robust consultations. Effective engagement may take longer and require more resources than originally envisaged. Opportunities for greater interaction between the CIF and bilateral partners may be valuable in supporting these activities.

The governance arrangements of the CIF have been praised for helping to foster partnerships; other institutions have used them as a model. The CIF governance arrangements include equal representation of developed and developing countries, consensus decision making, and active observer status for civil society, private sector, and indigenous peoples representatives. These are a significant departure from the traditional arrangements within the MDBs. This approach has been praised for reflecting the principle of equity and has now been adopted in other climate finance organizations, such as the Green Climate Fund. The CIF is striving to ensure that the arrangements work in practice in the same way that they appear on paper.

DELIVERING INVESTMENT

The CIF, especially the Clean Technology Fund (CTF), is succeeding in its ambition to provide climate finance resources to projects on an unprecedented scale. The average investment size per approval³ in the CTF is almost five times greater than in other multilateral climate finance

3. In the case of the CTF, approval refers to the point of MDB approval. See section 2 for more discussion on the CIF project cycle.

vehicles focused on mitigation. Funding amounts in the Pilot Program for Climate Resilience (PPCR) are smaller, but still larger than those provided by comparable multilateral funds. Stakeholders report the scale of the CIF's (potential) disbursements is crucial in acquiring the required interest of key country stakeholders and in making a significant difference in risk perception and costs or in prompting institutional change. However, even greater success may have been possible within the CTF if there had been greater opportunity to combine concessional financing resources with complementary grant-funded technical support.

The CIF is also achieving impressive levels of co-financing.

As of the end of December 2013, projects approved by the MDBs are expected to attract more than \$18.2 billion of additional resources at a ratio of around 7:1. This co-financing comes from a variety of sources including the MDBs, pilot country governments, bilateral partners, and the private sector. These high co-financing ratios have been facilitated by the design characteristics of the CIF, including:

- The use of the MDBs as implementing partners with knowledge of the country-specific operating environment. This has promoted selection of projects with a high potential for transformation and leverage;
- The development of investment plans that lead to pilot country ownership and identification of opportunities for partnership with bilateral development partners, aided by concerted CIF efforts to engage the private sector. Such efforts have been successful in a number of countries, such as Turkey, where there have been key successes in engaging banks and leasing companies in energy efficiency investment, and Mexico, where the CTF has played a pivotal role in unlocking private investment in the wind sector.

However, the process of preparing a country investment plan is not always conducive to engaging and ultimately

leveraging private sector investment. Reasons for this include: the length of time and transaction costs that it can impose on parties; the reluctance of some governments to allocate resources to private sector projects; and the challenges that governments face in identifying which sectors to target for private sector investment. To respond to some of these challenges, in 2013 the CIF created dedicated windows for private sector funding: the Dedicated Private Sector Programs for the CTF, and set-asides for the FIP, PPCR, and SREP.

There is an ongoing tension between donors' risk appetite and the likely success in engaging private sector investors, especially in countries with less favorable enabling environments. A number of previous CIF learning products, studies, and stakeholder interviews point to challenges in engaging the private sector that often stem from donor unwillingness to accept a higher level of risk on their taxpayers' resources. The development of an Enterprise Risk Management framework, as well as greater disclosure about the concessionality of CIF finance provided to the private sector, may allow for a more informed discussion about the CIF's exposure to risk. Still, a trade-off will remain and needs to be assessed.

ACHIEVING RESULTS

CIF investments are beginning to deliver results on the ground. Disbursement is most advanced in the CTF. As of December 2013, \$624 million in CTF financing had been disbursed to 23 projects and programs in countries like Morocco, Mexico, and Turkey. While disbursement is lower in the other CIF programs, progress is being made. FIP implementation activities are commencing in Mexico and the Democratic Republic of Congo; PPCR projects are launching in countries as diverse as Cambodia, Niger, and

Tajikistan; and SREP financing is supporting exploratory drilling for geothermal resources in Kenya.

Development and implementation of projects that seek to facilitate transformational change can take time, although efforts have been made to speed up processes.

Various stakeholders have expressed concern about the perceived slow speed of disbursement of CIF resources. To a large extent, this reflects the significant challenges in delivering novel, risky interventions in enabling environments that may not be adequately supportive. In addition, MDBs have faced a learning curve and have had to adapt internal processes for the CIF. The MDBs also point to the time needed to undertake due diligence, including in relation to environmental and social safeguards. In order to achieve quicker disbursement, the CTF and SREP have adopted over-programming—including more projects in the pipeline than there are resources available. This appears to be supporting faster project development, although it has not been adopted in the PPCR and FIP.

The monitoring of CIF outcomes is facilitated by a results management framework that offers important insights for the broader climate finance community. The CIF has made significant revisions to its results management framework in recent years in order to provide a streamlined approach that yields important information that can be used to track and manage performance. These frameworks are providing a valuable public good to others grappling with the same issues.

The CIF's focus on learning and knowledge management has achieved some notable successes, with pilot country meetings widely perceived as both innovative and effective. Consistent with its status as a 'living laboratory' in the delivery of climate finance, the CIF places a heavy emphasis on promoting learning and sharing knowledge. Many stakeholders identify pilot country meetings, which



provide an opportunity for different countries within each program to meet and share experiences and ideas, as a particularly strong success in this regard, fostering continued South-South cooperation on a number of areas of mutual interest.

The CIF provides a valuable repository of information on the challenges in—and appropriate responses to—disbursing climate finance at scale. The CIF represented a step-change in the way that the international community sought to provide climate finance. It was inevitable that in scaling up these resource flows, mistakes would be made and lessons learned. What is important is that these lessons are absorbed and changes made accordingly—something that the CIF has consistently demonstrated.

With limited official development assistance for climate finance, the international community will need to continue to make difficult decisions about which countries should receive resources. The case of the CIF illustrates that there will sometimes be trade-offs between

initiatives in diverse countries. In some, absorptive capacity is higher, enabling environments are more favorable, and hence the scope for achieving both substantial emission reductions and transformative change (with potential for replication) is greatest. In other environments, the potential for development gains may be greatest but achieving scale is more difficult, or progress slower. Such trade-offs can emerge for all climate finance projects but may be particularly acute in the case of private sector projects.

Many of the same issues and tensions also arise at the project level when donors have multiple objectives. For instance, some donors may require CIF projects to demonstrate their impact on development or gender, as well as immediate climate benefits. While these trade-offs do not exist in relation to every intervention or in every country, there are many cases where they do exist, and forthright discussions on the priorities for the CIF—or other climate finance instruments—may help to manage these trade-offs more effectively. The appropriate response may vary between mitigation and adaptation.



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1. INTRODUCTION

One of the world's most ambitious experiments in delivering climate finance

1.1 OBJECTIVE OF THIS REPORT

Founded in 2008, the Climate Investment Funds (CIF) represents one of the first efforts by the international community to place a significant amount of resources in a dedicated funding vehicle to support developing and emerging economies in adopting a low carbon and climate resilient development trajectory. This report takes stock of the distinctive role that the CIF has played in the climate finance landscape, and the lessons that can be learned for the future. Much uncertainty surrounds climate investment in developing countries. After significant growth in recent years, the most recent evidence suggests that flows of investment have stalled, both globally and within developing countries (Climate Policy Initiative, 2013). Similarly, the climate finance institutional architecture is in a state of change and uncertainty. The Green Climate Fund (GCF) has been established but its detailed design and procedures are unclear. At the same time, the scientific evidence on the human contribution to climate change becomes ever more conclusive (Intergovernmental Panel on Climate Change, 2013), and warnings of the impact of climate change on wellbeing and development become increasingly stark (World Bank, 2012).

This makes it an appropriate time to consider what the CIF, one of the largest and most ambitious multilateral efforts to address climate change to date, has achieved in the five years since its foundation in 2008, and what lessons can be taken from this experience. This report is not intended to be a formal evaluation of the CIF. Rather, it identifies some of the key experiences of the CIF and their wider implications as global efforts to scale up climate finance increase.

The work has been informed by a desk review of literature and interviews with a selection of key individuals. In addition to extensive literature produced by the CIF and external commentators, this work has benefitted from in-depth discussions with representatives from the five multilateral development banks (the MDBs) that implement CIF financing,⁴ as well as certain key individuals who were involved in the establishment of the CIF. A full list of interviewees is provided in the Acknowledgments section.

1.2 THE ESTABLISHMENT OF THE CIF

The CIF emerged from recognition by world leaders that climate change and development are inextricably intertwined. The G8 *Gleneagles Communiqué on Climate Change, Clean Energy and Sustainable Development* (2005) was seminal in its recognition of climate change as both an environmental and development issue, calling for “a new framework for clean energy and development, including investment and financing,” a move which directly led to the founding of the CIF. This intertwining is explored further in Box 1.

The creation of the CIF also recognized that there was a need to fill a gap in the international climate finance architecture—to deliver climate-smart investment at scale and allow lessons to be learned. At the time of the CIF's establishment, there was increasing recognition

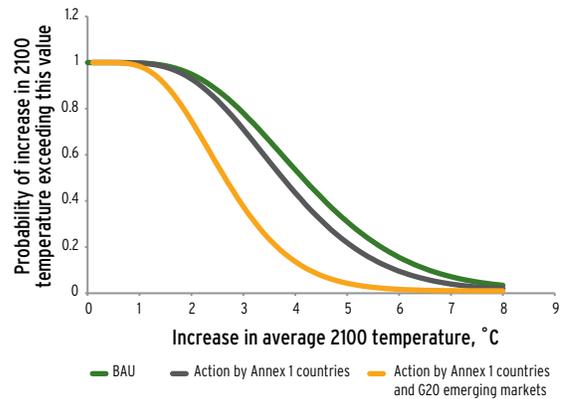
4. CIF partner MDBs are the African Development Bank (AfDB), Asian Development Bank (ADB), European Bank for Reconstruction and Development (EBRD), Inter-American Development Bank (IDB), and the World Bank, including the International Bank for Reconstruction and Development (IBRD) and International Development Association (IDA), and the International Finance Corporation (IFC).

BOX 1. THE INTERTWINING OF CLIMATE CHANGE AND DEVELOPMENT

Developing countries, especially emerging markets, have a crucial role to play in reducing the risk of irreversible impacts of dangerous climate variability and change, as demonstrated by previous Vivid Economics analysis (Ward et al., 2012). Figure 1 shows the possible distribution of temperature increases with or without action by emerging markets within the G20^a—without their action, the probability of temperature increases exceeding 2°C is 94 percent.

Previous studies have also made clear, “[although] no nation will be immune to the impacts of climate change ... the distribution of impacts is likely to be inherently unequal and tilted against many of the world’s poorest regions, which have the least economic, institutional, scientific and technical capacity to cope and adapt” (World Bank, 2012). This is illustrated below using the “vulnerability” metric from the Notre Dame Global Adaptation Index (ND-GAIN).^b In this analysis, countries are grouped into quintiles, with the least vulnerable countries colored green and the most vulnerable countries colored red. It shows the striking asymmetry in climate vulnerability, with all of the most

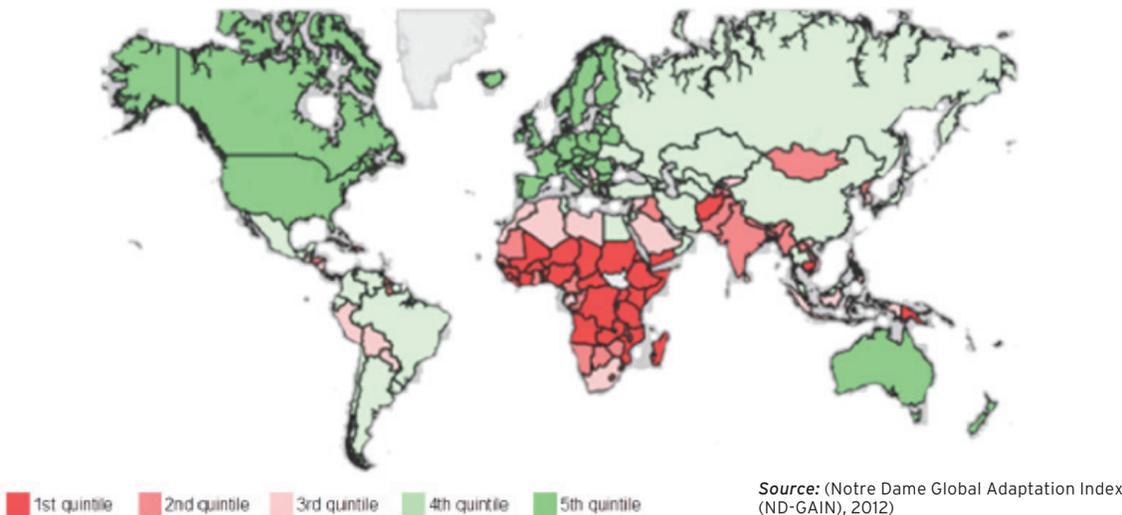
Figure 1. Action by developing countries, especially emerging markets, is crucial for avoiding climate risks



Note: Annex 1 action assumes that developed countries commit to reduce emissions by 80 percent on 1990 levels by 2050; G20 emerging market action assumes that emerging markets also commit to ensuring that emissions (except from land use change) are at 2005 levels by 2050 and that emissions from land use change fall by 50 percent on 2005 levels.
Source: Ward et al. 2012

vulnerable countries either low-income or lower-middle-income countries.

Figure 2. African and South Asian countries are the most vulnerable to climate-related hazards



a. Of the nine G20 emerging markets, six have programs under the CIF: Brazil, India, Indonesia, Mexico, South Africa, and Turkey. Collectively, these countries accounted for more than 15 percent of global GHG emissions in 2010, including from land use change. More generally, countries having CIF programs with a mitigation objective (in other words, excluding the PPCR) accounted for 22 percent of global emissions, including land use change, in 2010 (WRI CAIT, 2012).

b. ND-GAIN is a composite measure of a “country’s exposure, sensitivity and ability to cope with climate related hazards, which also accounts for the overall status of food, water, health, and infrastructure within the nation” (ND-GAIN, 2012).

of the scale of the climate change investment challenge. Some institutions already had a mandate to address these challenges—for example the Global Environment Facility (GEF)—but key stakeholders were concerned that such bodies neither had a singular focus on the climate challenge, nor would be well equipped to provide the necessary scale of resources required. While discussions within the United Nations Framework Convention on Climate Change (UNFCCC) about a new financial mechanism were ongoing,⁵ there was a concern that these discussions would not lead to concrete action in the near term. As such, key stakeholders aligned around the creation of a new instrument that could provide concessional resources to support climate investment in developing and emerging economies at scale. The objective was to provide a showcase for what climate finance might achieve, and crucial early lessons about how to make this support most effective.

The need for action led to rapid progress. Following the initial request from the G8, the work was taken up by the World Bank Group and regional development banks. There was a strong desire by donors to demonstrate concrete progress ahead of the 15th meeting of the Conference of the Parties (COP) in Copenhagen in 2009. By February 2008, Japan, the United Kingdom, and the United States formally announced their intention to create the funds. The subsequent design and creation of the CIF proceeded quickly, with the first design meeting taking place in March 2008. By May 2008, 40 developing and industrialized countries reached agreement on the funds' design. The World Bank's Board of Directors gave formal approval for the CIF in July 2008.

1.3 THE DESIGN OF THE CIF

1.3.1. The core structure

The CIF consists of two funds, the Clean Technology Fund (CTF) and the Strategic Climate Fund (SCF). Both use concessional resources provided by donors⁶ to help finance

5. A sunset clause for the CIF was agreed to in recognition that this financing gap may subsequently be filled by a financial mechanism established through the UNFCCC. However, the founding documents also stipulate that the CIF may be continued "if the outcome of the UNFCCC negotiations so indicates."

6. See the Appendix for a full list of the donors to the CIF, the support they have provided, and on what terms.

country-specific investment projects aimed at achieving nationally defined objectives consistent with the objectives of the funds. Resources are channeled through the MDBs that work with national governments, private sector project sponsors, financial institutions, development partners, and other stakeholders to, first, prepare investment plans, and then to implement the individual components within those plans. These investment plans are expected to be country-led and to support the national development agendas of the participating countries.

The CTF promotes scaled-up financing for demonstration, deployment, and transfer of low carbon technologies that have significant potential for long-term greenhouse gas emissions reductions. Its focus is on renewable energy, energy efficiency, and clean transport in middle-income countries.

The SCF provides financing to pilot new development approaches or to scale up activities, and consists of three programs.

- **The Forest Investment Program (FIP)** supports developing countries' efforts to reduce deforestation and forest degradation, and promotes sustainable forest management that leads to emission reductions and the protection of carbon reservoirs (REDD+). It provides grants and concessional loans, specifically targeted to fill a gap between resources available from existing readiness programs (i.e., Forest Carbon Partnership Facility and the UN-REDD initiative), and an expectation from some stakeholders that it will be possible to move to performance-based payments for reduced or avoided emissions.
- **The Pilot Program for Climate Resilience (PPCR)** aims to help developing countries to mainstream climate resilience into development planning and offer additional funding to support public and private sector investments for implementation. Priority for PPCR resources is given to highly vulnerable least-developed countries.
- **The Scaling Up Renewable Energy in Low Income Countries Program (SREP)** aims to stimulate energy access and economic activity by working with governments to: build renewable energy markets, including improved renewable grid-connected generation;

attract private investment; and target renewable energy technologies that allow for the productive use of energy in households, businesses, and community services.

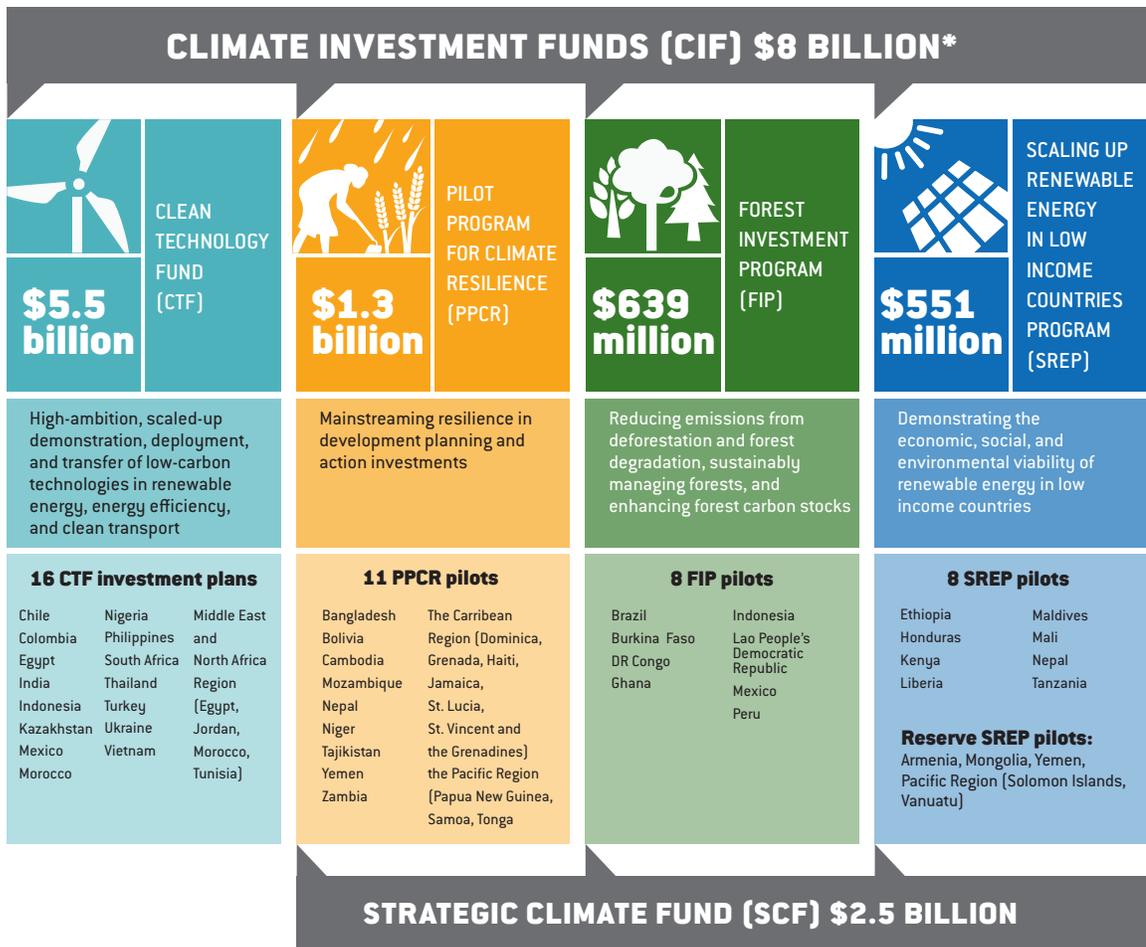
The scale of the climate finance challenge provoked a strategic decision to focus CIF resources in a relatively small number of countries to help support transformational change.⁷ Data from the Intergovernmental Panel on Climate Change (IPCC) suggests additional investment needed in non-OECD countries in electricity generation and energy efficiency

7. Indeed, some of the initial designers of the CIF anticipated resources of around \$1-\$2 billion. The CIF has been much more successful than this, receiving more than \$7 billion by the initial pledging date, September 25, 2008. Nonetheless, this is still only a small proportion of the total climate finance investment required.

sectors alone may be around \$350 billion a year between 2010 and 2029 (IPCC, 2014). The hope was to initiate transformational change within a country by using resources at sufficient scale to bring down the costs of deployment of a particular technology, or to alter investor risk perception of a technology in that country. Over time, an initial focus on clean energy technology expanded to include forestry and adaptation considerations. The number of countries supported by the CIF also expanded. Nonetheless, the objective of concentrating resources relatively narrowly to achieve scale within a country—rather than distributing resources across a large number of countries—was retained.

The CIF is active in 48 countries across Africa, Asia and the Pacific, and Latin America and the Caribbean.

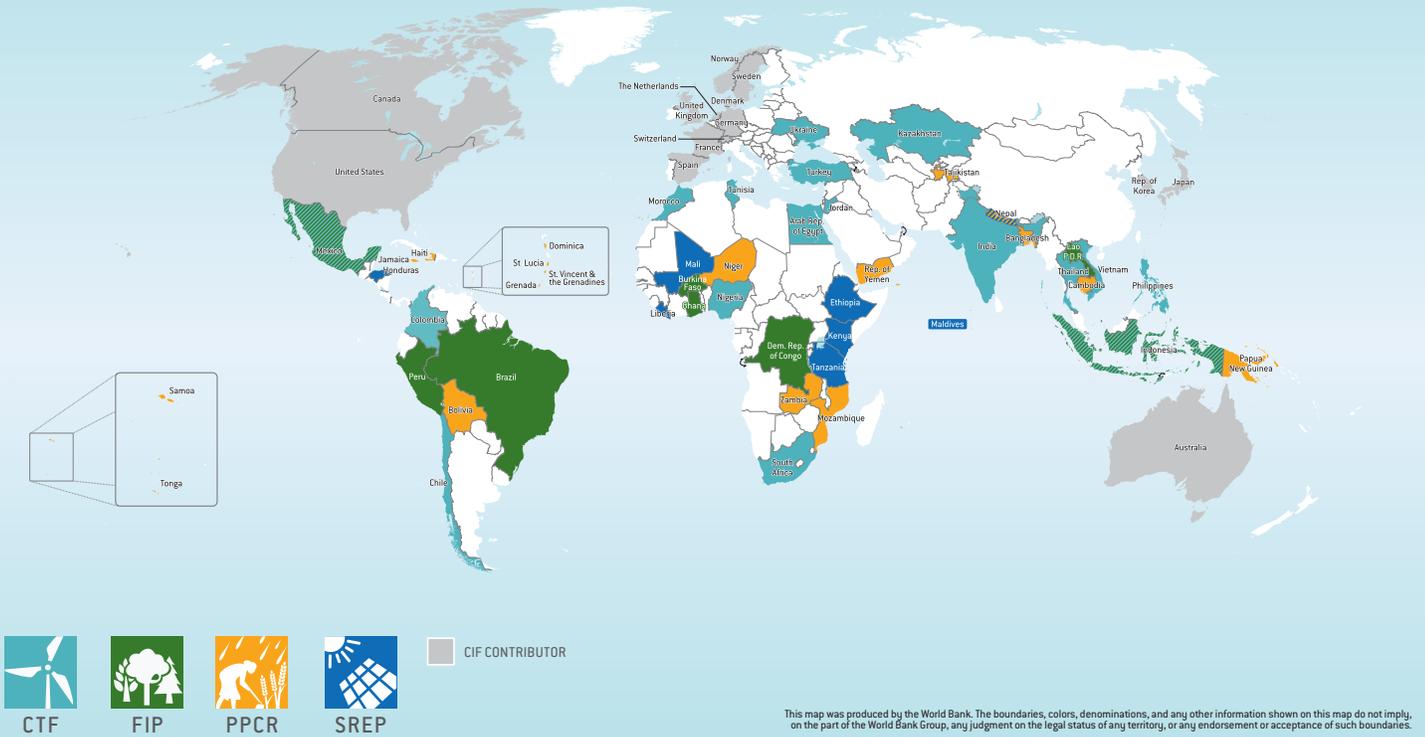
Figure 3. The CIF has \$8 billion of resources: \$5.5 billion in the CTF and \$2.5 billion between the three programs of the SCF



* Fund pledges are based on exchange rates on the initial CIF pledging date of September 25, 2008. However, these figures are likely to change when calculated using current exchange rates on any given date until all the pledged funds are received.
Source: CIF Administrative Unit



Figure 4. The CIF is active in 48 countries across Africa, Asia, and Latin America



This map was produced by the World Bank. The boundaries, colors, denominations, and any other information shown on this map do not imply, on the part of the World Bank Group, any judgment on the legal status of any territory, or any endorsement or acceptance of such boundaries.

The majority of pilot countries have only one CIF program, but a few (Nepal, Indonesia, and Mexico) participate in more than one. While the focus of the CIF is deliberately restricted to a limited number of countries, the diversity of its programs gives significant geographical reach and allows the CIF to gain and share experiences in a variety of investment contexts.

The scale of the climate challenge also led to the use of the MDBs as implementing agencies of the CIF. The CIF’s founders expected that using the MDBs would allow the CIF’s concessional resources to go further since they could be complemented by the MDBs’ own resources. The founders also hoped that the MDBs would have the ability and scale required to match financing support with the policy and institutional engagement needed to promote low carbon and climate resilient investment. Furthermore, using the MDBs was intended “to boost ... [their] ability to

help developing countries tackle climate change” (Paulson, Darling, & Fukuda, 2008).

1.3.2. Governance structure

An inter-organizational network governs the CIF. The bodies within this network have a variety of roles and responsibilities and are composed of a diverse range of CIF stakeholders.

- The CTF and SCF Trust Fund Committees and PPCR, FIP, and SREP Sub-Committees are the governing bodies of the CIF. They oversee and make key decisions on the operations and activities of each of the funds and programs. Developed and developing countries have equal representation within these committees. There is also a joint CTF-SCF Trust Fund Committee to take decisions with a bearing on both funds, also with equal developed and developing country representation.

- *Official Observers* attend Trust Fund Committee and Sub-Committee meetings. These representatives from 32 organizations from the private sector, civil society, and indigenous peoples and local communities serve three-year terms as liaisons between their regional constituents and the CIF's national and global decision makers. They help ensure that information, ideas, and perspectives flow both ways and that investments are socially and environmentally sustainable. Various UN agencies also have Official Observer status to promote coordination across the climate finance and development architecture including the United Nations Development Program (UNDP), the United Nations Environment Program (UNEP), the UNFCCC, the GEF, and the GCF. The composition of Observers of each Trust Fund Committee and Sub-Committee differs slightly according to the focus of the committee.
- The *MDB Committee* facilitates collaboration, coordination, and experience-sharing among the MDB partners. This includes: identifying specific areas for potential MDB collaboration; working with the CIF Administrative Unit on developing program criteria and priorities and the activity cycle; monitoring progress on implementing programs and roles; reviewing annual consolidated reports on CIF activities, including information on implementation status, funding allocation, project pipeline, and administrative costs; and advising the CIF Administrative Unit on its work program, including the implementation of a comprehensive knowledge management system, results measurement system, and learning programs.
- The *CIF Administrative Unit* supports the work of the CIF, the Trust Fund Committees and the MDB Committee. Its responsibilities include: preparing documentation required by the Trust Fund Committees and servicing these meetings; making recommendations on program criteria and priorities and the activity cycle (in consultation with the MDB Committee); conducting background research and analysis; preparing an annual consolidated report on the activities, performance, and lessons from the CIF; managing a database of CTF and SCF activities as well as a knowledge management system, results measurement system, and learning program; and managing partnerships and external relationships.
- As *Trustee*, the World Bank holds in trust the funds, assets, and receipts of the trust funds. In accordance with the terms of the contribution agreements and the availability of funds, the Trustee makes commitments and transfers of CIF resources, with the approval of the Trust Fund Committees.

1.4 STRUCTURE OF THIS REPORT

The analysis is structured around the three themes that the CIF considers guiding principles: (Climate Investment Funds, 2013a).

- *Fostering partnerships:* The response to climate change will require all members of society—governments, civil society, the private sector, and development partners—to work together in a coordinated fashion. To reflect this, the CIF aims to foster country-owned development strategies and to help developing countries to build knowledge and capacity, while building international partnerships both among MDBs and between the CIF and other multilateral bodies, such as the UN and the GEF. The governance arrangements of the CIF aim to further cement this approach.
- *Delivering investment:* The CIF aims to provide developing countries access to financial resources for climate action and to stimulate transformative investments by supporting the mobilization of new and additional financing, particularly through the private sector. It strives to achieve this through stimulating markets, increasing investment potential, and improving investment returns to climate-friendly enterprises.
- *Learning by doing to achieve results:* The CIF emphasizes its role as a “living laboratory” for climate finance, helping the global community to understand which approaches to climate-smart development work and which do not, and aiming to disseminate this knowledge. This report considers the early results of the CIF to date in pursuit of this goal.





Photo: IDB



Photo: Thomson Reuters Foundation

2. FOSTERING PARTNERSHIP

The CIF provides a platform to encourage stakeholders to collaborate in addressing the climate challenge

2.1 THE NEED FOR PARTNERSHIP TO DELIVER TRANSFORMATIONAL CHANGE

Responding to the climate change challenge will require fundamental economic and social change. The scale of the response required to address the climate change problem has led some commentators to describe it as “a new industrial-energy revolution” in a sense similar to the oil, automobile, and mass production revolution of the first half of the twentieth century, and the more recent information and telecommunications revolutions (Stern, 2012). To achieve this, profound changes across the entire economy will be required, not only in energy production but also in industry, buildings, transportation, agriculture, and forestry. Furthermore, adaptation to respond to the climate change that is already “locked in” will require further, often fundamental, changes in patterns of behavior and investment.

Against this backdrop, exclusive project-by-project mitigation action, without attention to linkages and synergies between projects, is unlikely to be successful for a number of reasons:

- The demonstration effect of any individual project may be small.
- Understanding relationships between different projects could help increase the effectiveness of each individual project (e.g., investment in grid improvement can help increase the utilization of renewable power plants).
- It may be more difficult to take advantage of lessons learned on one project to improve other, similar projects.

Likewise, a project-by-project approach to adaptation may also fail to deliver long-term resilience as synergies with broader development objectives may be overlooked.

Adaptation and development are often operationally indistinguishable. This means that mainstreaming adaptation within broader development activities and objectives can help significantly reduce transaction costs. For example, it can avoid the need for one funding modality that supports baseline infrastructure expenditure and a separate funding modality that provides resources to improve that infrastructure's resilience to extreme weather events. Moreover, close integration between development and adaptation can help finance ministries and central banks develop the national policies needed to support increases in finance from other countries and multilateral agencies.

Recognizing these imperatives in relation to both mitigation and adaptation, the CIF aims to deliver programmatic interventions. These are interventions that

are characterized by the emphasis they place on delivering systemic and transformative change, with benefits extending beyond the initial project. The objectives of this programmatic approach differ somewhat between the programs:

- *CTF*: the penetration of low carbon technologies to achieve transformation in the energy and transport sectors;
- *FIP*: the reduction of deforestation and forest degradation by focusing attention on underlying drivers;
- *PPCR*: the mainstreaming of climate risk and resilience into core development planning and implementation;

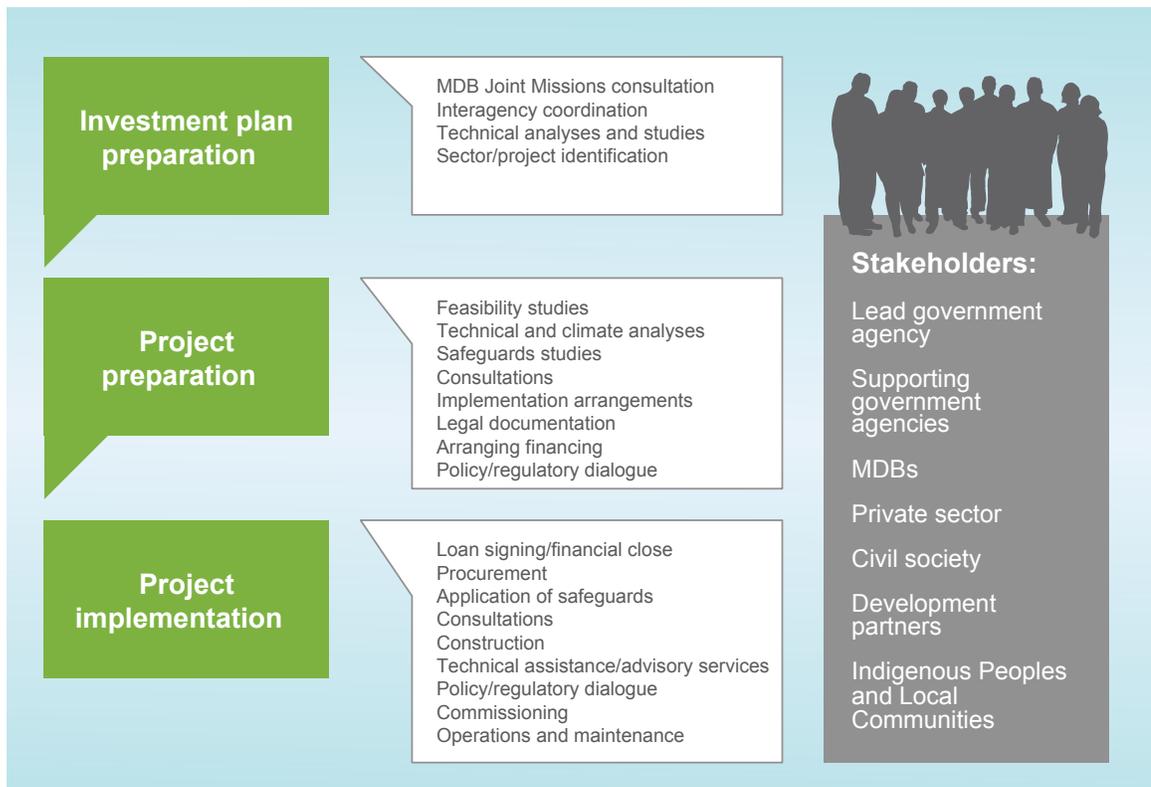
- *SREP*: an increase in renewable energy technologies (including grid-connected renewables) to support energy access and economic activity.

2.2 PARTNERSHIPS WITH NATIONAL GOVERNMENTS TO PLAN AND DELIVER INVESTMENTS

Such ambitious programmatic interventions necessitate a partnership approach. The transformative change that the CIF seeks to accomplish is more likely to be successful when undertaken in partnership with national governments, civil society, development partners, indigenous peoples, the MDBs, and the private sector. These partnerships can help identify the most salient barriers to low carbon, climate resilient development, and the appropriate interventions to overcome them. Partnerships are also essential to give the interventions broad-based legitimacy. Figure 5 identifies some of the key stakeholders with whom the CIF engages throughout the project cycle.

Investment plans (or strategic programs for climate resilience under the PPCR) represent one of the most important and distinguishing elements of the CIF approach. The investment plan is a strategic document that identifies the coordinated interventions that the CIF will help to finance in a country or region in order to best deliver on each program’s mandate. Plan priorities are drawn up in the context of a country’s development objectives, following a detailed evaluation of the key opportunities and barriers to increasing low carbon or climate resilient investment. The plan also takes account of the existing pattern of development partner interventions. The investment plan provides a platform for a structured dialogue to identify a coherent set of interventions.

Figure 5. Stakeholders are engaged with the CIF throughout its project cycle



Source CIF Administrative Unit

2.2.1. Preparing investment plans

The development of the investment plan is undertaken in partnership between national governments and the MDBs.

In line with international resolutions on aid effectiveness,⁸ the CIF investment plan is a country-owned document developed jointly by the recipient government and the MDBs with input from a wide array of stakeholders. The investment plan aims to build on existing climate change strategies and plans. A government focal point agency is designated to lead the development of the investment plan, coordinating across different sectors and ministries. Approximately half of these focal points are located in ministries of finance, economics, or planning and half are in environmental or energy ministries, with some countries opting for two or more focal points. The focal point is supported in this role by the MDBs, which undertake joint missions together with government officials from multiple agencies and key stakeholders such as other development partners, civil society, and the private sector. Crucially, it is the government that presents its investment plan for endorsement to the relevant CIF committee. A number of stakeholder interviews identified this as having a valuable role in ensuring government ownership of the investment plan.

Successful partnerships lead to interventions clearly aligned with national priorities. Fifteen of 16 CTF investment plans explicitly coordinate with national climate plans. Of the 14 CTF investment plans containing renewable energy generation projects, 13 link those projects explicitly to national strategies or action plans (ICF International, 2013). Similarly, the PPCR program is explicitly designed to build upon domestically developed National Adaptation Programs of Action (NAPAs). Mexico's Ecocasa housing program—recognized by the UNFCCC in 2013 as a “Lighthouse Activity”—offers a good example of alignment between CIF and national objectives (see Figure 6).

National government co-financing illustrates the success of the CIF in working in partnership with governments.

Each of the four programs has secured government co-financing, with governments typically contributing on a significant scale to CTF, FIP, and SREP projects (see Table 1).

8. The importance of country ownership is explicitly stated in the Paris Declaration on Aid Effectiveness in February 2005, Accra Agenda for Action (2008), and the Fourth High Level Forum on Aid Effectiveness (2011).

The willingness of governments to accept credits for PPCR projects also demonstrates country ownership of the investment plans and the associated projects.

The provision of loans and credits for adaptation interventions has been controversial across the climate finance discussions (Tan & Third World Network, 2008, Jubilee Debt Campaign, 2011). Despite these concerns, it is clear that some developing countries recognize that the projects that such loans will support are consistent with their national development objectives. More than \$160 million of credits (near-zero interest rate loans) for adaptation projects have been approved by the MDBs under the PPCR, with examples across Asia, Latin America, the Caribbean, and Sub-Saharan Africa.

Table 1. More than \$4 billion of national government co-finance is expected from CIF-approved projects, at a leverage ratio of more than 1:1.4

CIF PROGRAM	CIF-APPROVED FUNDING, \$MILLION	NATIONAL GOVERNMENT CO-FINANCING, \$MILLION	LEVERAGE RATIO
CTF	2,300	3,564	1.55
PPCR	523	71	0.14
FIP	106	338	3.19
SREP	45	244	5.42
Total	2,974	4,217	1.42

Note: Figures taken from the 2013 CIF Annual Report. Approved funding refers to funding for projects that have been approved by CIF partner MDBs.
Source: Climate Investment Funds, 2013b

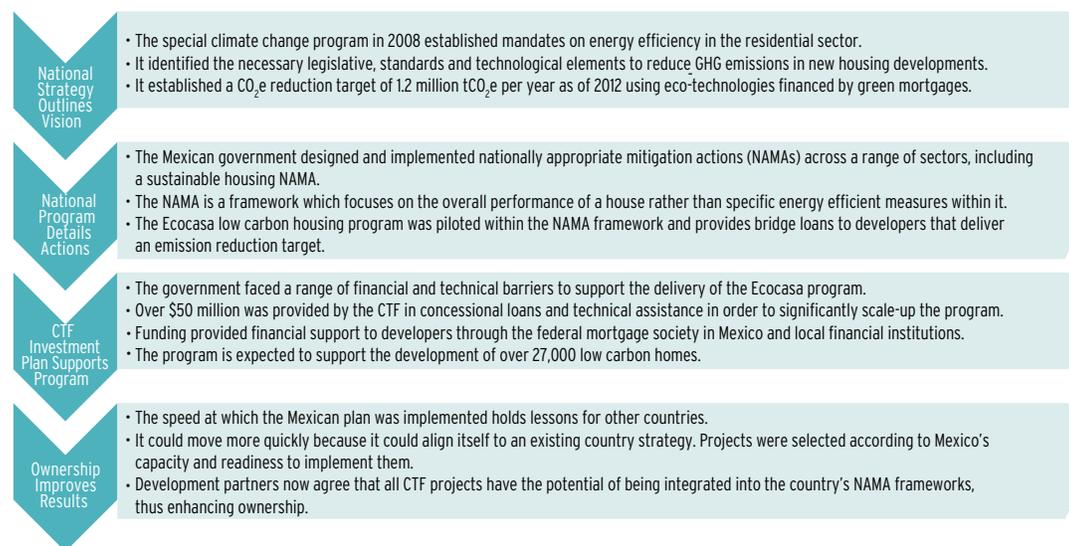
Interest in, and emulation of, the CIF model further supports the view that the CIF has helped to foster national ownership in many cases.

Since its establishment, the CIF has received 82 further requests for support, both from countries without any current CIF program and from countries seeking to access resources through another CIF program, in addition to an existing package of support. The broad-based support for the investment plan approach is indicated by the case of Belize, whose government developed its National Climate Resilience Investment Plan using the PPCR consultative and participatory approach as a model (Locke, 2013).

However, the extent to which partnership with national governments has led to their ownership of investment plans has varied.

Stakeholders identify a number of factors that help to explain the varying degrees of success in ensuring government ownership of the process of preparing the investment plan:

Figure 6. The CTF co-financing of the Mexican Ecocasa program built on work completed by the government



Source: Vivid Economics/IDB

- *The engagement of the right ministries.* A 2011 CTF review suggested that country ownership was stronger when finance and planning ministries played a leadership role, in collaboration with sectoral agencies and multiple levels of government (Climate Investment Funds, 2011a).
 - *Amount and concessionality of money.* With some important exceptions, the greater the likely size of the CIF allocation to a country, the easier it has been to generate government interest and ownership of the associated investment plan.
 - *The existence of prior relationships.* In countries where the MDBs had an existing relationship with relevant government officials, it was often much easier to establish processes that led to country ownership of the investment plan (Nakhoda & Amin, 2013).
 - *The extent of overlap between the CIF's sectoral focus and country development priorities.* In some cases the sectoral focus of the CIF has not been easy to align with government priorities, slowing the process of country ownership. For example, in some CTF countries, neither the renewable energy sector nor energy efficiency has been a development priority.
- *The capacity of the country.* The CIF has had success in engaging national ownership in some low-income countries that might be considered to have limited capacity, such as Zambia (see Box 2). However, in other countries the level of appreciation and understanding attached to climate change remains low and this has made development of a government-supported investment plan challenging. This presents a question for the CIF, and other climate finance instruments more generally to consider: Is it better to focus on countries that are already able to engage successfully with the international climate finance community—and therefore have relatively high capacity to absorb new finance productively—or to focus on countries where the needs may be high but the ability to absorb finance remains low?

2.2.2. Project preparation and implementation

Collaboration between MDBs and national government remains crucial throughout the project design, preparation, and implementation phases, especially for public sector projects. Following investment plan approval, focus switches to the detailed design of the individual projects and programs within the plan. These projects need to be approved by both the relevant CIF committee as well as the relevant MDB boards, at which point implementation

commences.⁹ The role and extent of the support provided by the MDBs in these processes varies across countries and over the project cycle, and depends on the capacity of the national government and other partners. A key role of the MDBs (in the case of public sector projects) is to provide technical support to help strengthen national governments' management capacity and improve self-sufficiency. The MDBs also channel resources to the projects—from the CIF and their own resources through co-financing—and take responsibility for monitoring their use as projects progress. Interviews with MDB focal points suggest that the role of the MDBs is typically more pronounced and “hands-on” in project preparation and implementation than in investment plan design.

The role of the MDBs in project implementation facilitated fast implementation in the right country circumstances.

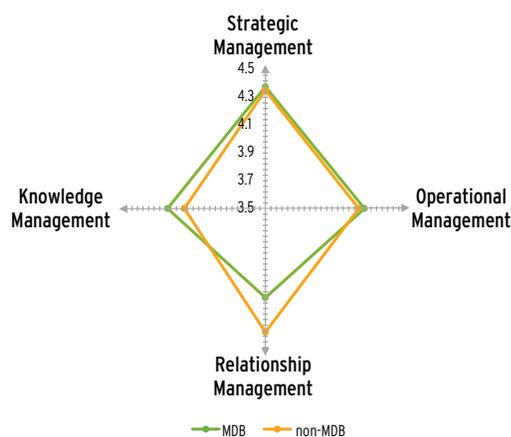
The integral role for the MDBs in project preparation and implementation was envisaged from the outset of the CIF (see section 1.1). It allowed the adoption of existing MDB infrastructure for managing the project cycle, including safeguard policies, monitoring and evaluation practices, disclosure schemes, fraud and corruption policies, and complaint and grievance mechanisms. In turn, this facilitated relatively rapid mobilization of resources. Within two years of the CIF's launch, \$170 million was disbursed—a record that compares favorably with other climate finance funds.

This also provides the CIF access to proficient organizations.

The Multilateral Organization Performance Assessment Network (MOPAN) carries out regular assessments of different multilateral organizations, including the MDBs. On the basis of stakeholder interviews, it scores each multilateral organization along four dimensions of organizational effectiveness. Aggregating the scores achieved by the MDBs that have been assessed over the period 2010-2013, and comparing these with other multilateral organizations, shows a stronger-than-average performance by the MDBs in three of the four dimensions: knowledge management, strategic management, and operational management (MOPAN Secretariat, 2013). In the fourth dimension, relationship management, the MDBs score less well. The high score for knowledge management is particularly noteworthy given the emphasis that the CIF

places on learning and knowledge-sharing (see Figure 7). Stakeholder interviews confirmed that the proficiency of the MDBs as financial intermediaries and implementing partners for the CIF played a crucial role in generating funding support from donors to the CIF.

Figure 7. The MDBs score higher than other multilateral organizations in three out of the four dimensions considered by MOPAN



Note: The MDBs assessed are ADB, AfDB, World Bank, and IDB. *Source:* Vivid Economics, based on the latest MOPAN evaluations in period 2010-2013

In many CIF pilot countries, country coordination mechanisms promote partnership across all stakeholders during project preparation and implementation.

This mechanism is a platform responsible for managing the planning and implementation of the investment plan at the country level. The country coordination mechanism encourages dialogue across stakeholders; facilitates progress in the implementation of CIF programs; monitors and reports on performance results; and promotes information and lesson-sharing among stakeholders. The goal is to ensure that the overall vision and programmatic nature of the CIF's intervention in the country is maintained during project preparation and implementation. There are two broad types of coordination mechanism: a *dedicated mechanism*, which is a group of actors put together with the objective of implementing a country's investment plan; and *component mechanisms*, which refer to a group of actors that (usually) already exists and coordinates both the CIF investment plan process and subsequent implementation.

9. In the case of private sector projects, the CIF committee approves programs. The MDBs then develop sub-projects under the umbrella of the approved program. The sub-projects are not reviewed by the committee.

The precise role and composition of coordination mechanisms differ across countries, but they often consist of multi-sectoral committees. These committees may have different modalities to carry out their particular coordination roles, such as project implementation and political coordination. For example, PPCR pilot country Tonga has a component mechanism in which the finance and planning ministry has responsibility for financial management and administration and the environment ministry has responsibility for overall PPCR project coordination and monitoring, although they share responsibility for integrating climate risk into the country's national action plan. In other PPCR countries, such as Tajikistan and Yemen, committees within a dedicated mechanism draw members from many ministries to ensure inter-sectoral coordination of project activities (Climate Investment Funds, 2013b).

The majority of FIP, PPCR, and SREP pilot countries incorporated country coordination mechanisms into their investment plans and have subsequently received funding to support their establishment. Country coordination mechanisms were not a focus in many CTF investment plans, and consequently they are not as widespread in this program.

The importance of the country coordination mechanism in the PPCR and the FIP is widely recognized. The PPCR's broad cross-sector focus, often in the most vulnerable low-income countries with weak local capacity, makes coordination particularly challenging, and the role of the country coordination mechanism significant. Previous analysis suggests that the involvement of the central finance agency has often been particularly effective (Climate Investment Funds, 2013b). Regardless of the bodies, stakeholder interviews confirmed the importance of the mechanism in facilitating project implementation, ensuring a continued focus on the overall strategic focus of the PPCR intervention and in promoting country ownership. Country coordination mechanisms have also been valuable in FIP programs, where there are typically a broad range of stakeholders, and often a significant number of REDD+ initiatives already in place (Climate Investment Funds, 2012a).

The appropriate role of the country coordination mechanism with the CTF may warrant further attention. The stakeholder interviews conducted for this report

revealed a considerable discrepancy in views among the CIF community about the value and merit of the country coordination mechanism within the CTF. Some judge that its role was equally, if not more, important than in the other programs. They emphasized that the role of the CIF is in part to build capacity for low carbon development within countries and that the coordination mechanism is an effective way of achieving this, as well as helping to share lessons as new technologies penetrate. Others concluded that the country coordination mechanism is redundant in countries with relatively greater institutional capacity. They also found that *ad hoc* consultations between the MDBs and established departments are more effective at expediting project implementation. The role of the mechanism in private sector projects, which are more prevalent in the CTF, was also questioned. This subject deserves further attention as the CTF increasingly focuses on project implementation.

There may be opportunities to identify greater roles for national institutions in project preparation and implementation in the future. In some cases, national institutions may have a comparative advantage in some of these activities. For example, World Resources Institute states some stakeholders consider that national institutions and country systems in Brazil may have a comparative advantage relative to the MDBs in monitoring FIP activities (Patel & Brown, 2013). Likewise, the *Landscape of Climate Finance* reports that national development banks (development-focused finance institutions based almost exclusively in non-OECD countries) already intermediate almost twice as much climate-related finance as do multilateral development banks—\$69 billion compared with \$38 billion (Climate Policy Initiative, 2013).

This echoes a broader discussion in the climate finance debate. There has been growing attention to the use of national implementing entities (direct access) in the Adaptation Fund and the GCF. The funds are, or are expected to be, provided directly to national bodies to manage project preparation and implementation activities. In cases where countries have national institutions that have successfully navigated the associated accreditation process,¹⁰ this has been broadly recognized as supporting country ownership as well as increasing the importance attached to enhancing institutional capacities (Adaptation Fund Board, 2012).

10. Currently, direct access is operational only in the Adaptation Fund.

BOX 2. ZAMBIA'S PPCR PROGRAM SHOWS HOW NATIONAL INSTITUTIONS AND THE MDBS CAN ACHIEVE CLOSE COLLABORATION

The Ministry of Finance and National Planning was the initial focal agency for the PPCR. Working closely with the MDBs and other stakeholders, it developed Zambia's Strategic Program for Climate Resilience (SPCR), which was closely integrated into the country's own National Climate Change Program. This established critical processes that laid the groundwork for a comprehensive, sustainable approach to climate resilience in the country.

Zambia's SPCR was endorsed by the PPCR Sub-Committee in June 2011. It focuses on three program areas, with each program developed by the national government in coordination with a different MDB as implementing partner:

- \$34 million to support strengthening climate resilience in Zambia and the Barotse sub-basin, in partnership with the World Bank
- \$38 million to support strengthening climate resilience in Kafue River basin in partnership with the AfDB
- \$15 million to promote private sector engagement in partnership with the IFC

In October 2012, Zambia established an Interim Inter-Ministerial Secretariat for Climate Change as the country coordination mechanism. It comprises officials from key ministries directly affected by climate change and works to establish the long-term institutional arrangements for overseeing climate change programs and coordinating the implementation of activities. A steering committee of permanent secretaries oversees the work of the Secretariat, and a Technical Committee of government officials and representatives from civil society and the private sector provides technical and policy guidance. Stakeholders within Zambia consider this level of coordination to be one of the key benefits of the PPCR, enabling the country to initiate processes for applying for climate finance from other funds (Climate Investment Funds, 2013c).

The success that the SPCR has had in developing government ownership on climate resilience can also be seen in the integration of climate resilience into both the country's medium-term development strategy, the Sixth National Development Strategy, and its long-term strategy, Vision 2030.

There are a number of examples from the CIF portfolio where national institutions are already playing a leading role in project development and implementation. For example, the CTF development policy loan to the Indian state of Himachal Pradesh will support hydropower development led by the government without direct involvement of the partner MDB, while a number of CTF programs in Latin America already involve partnership with national development banks. At the same time, in other climate funds it has sometimes been challenging for institutions to meet the accreditation criteria to become national implementing entities.

2.2.3. Key findings/lessons

1. In many cases, the CIF has been successful in fostering country ownership of its interventions, a fundamental

tenet of the CIF. Evidence for this success can be seen in the close integration between the CIF and many existing climate strategy documents; the extent of government co-financing that the CIF has secured; the willingness of PPCR pilot countries to take credits to finance adaptation activities; and the interest other countries show in the CIF.

2. The investment plan (or strategic plan for climate resilience) has been instrumental in solidifying country ownership by providing a mechanism to ensure that the CIF interventions are firmly embedded within each country's own development plans.

3. There have been some countries where government ownership has been more difficult to secure, resulting in delays. Some of the key factors that explain divergent success include: the extent to which key convening ministries

have been involved in the CIF; the level of “climate-capacity” within the country; whether there was a prior relationship between the relevant MDBs and officials in the country; the amount of resources that the CIF provides to the country; and the extent to which CIF priority sectors and interests align with the development objectives of the country.

Some of these factors point to a need for donors to make tough decisions between supporting countries where absorptive capacity is high (and thus the potential for global demonstration is greatest) or supporting countries that may have greater needs but have weaker absorptive capacity.

4. Partnering governments with the MDBs for project preparation and implementation has provided the CIF with access to proficient organizations in which key donors have confidence. This helped secure donor support for the CIF and facilitated quick implementation and delivery of results where country circumstances were favorable.

5. The role of country coordination mechanisms has had notable successes in maintaining country ownership of CIF interventions, especially in the PPCR and FIP. The role and purpose of such a mechanism in the CTF remains more ambiguous and may warrant further attention.

6. There may be opportunities for the CIF, building on existing initiatives, to explore greater use of national institutions in the preparation and implementation of public sector projects—in line with the broader discussion on direct access within the climate finance community. This would require careful consideration of the fiduciary capacities of such bodies and may be more effective in some countries than others. The impact on MDB collaboration would also need to be considered.

2.3 PARTNERSHIPS WITH CIVIL SOCIETY, INDIGENOUS PEOPLES, AND THE PRIVATE SECTOR

In addition to ensuring national government ownership, the CIF aims to engage with other stakeholders throughout the project cycle. Civil society organizations often play a key role in shaping effective interventions

by scrutinizing proposed programs and holding those responsible for their design and implementation to account. Their input can be valuable throughout the project cycle, to ensure that those affected by programs, both directly and indirectly, are represented. Similarly, indigenous peoples are often disproportionately affected by both climate change and the solutions proposed to adapt to its impacts, making it important that they are represented at all stages of relevant CIF programs. The key role played by the private sector in many CIF investments, including as co-financiers, makes engagement with this group important as well.

The CIF aims to foster engagement and partnership with stakeholders throughout the CIF project cycle¹¹ through:

- Information sharing—ensuring that civil society, indigenous peoples, and the private sector are fully informed of the CIF and its activities;
- Consultation—seeking input from civil society, indigenous peoples, and the private sector on CIF operational activities, results and impacts; and
- Joint working between the government, CIF implementing agencies, civil society organizations, indigenous peoples’ groups, and private sector partners on specific CIF projects and activities.

2.3.1. Information sharing

The CIF has made progress in its transparency and approach to information sharing and is now recognized as a leader within the climate finance community. In the early stages of the CIF there were concerns about the extent to which information was disclosed. For example, there were some closed CTF committee meetings where the design of investment plans and project proposals were being discussed, and limited reporting on disbursement activity (ICF International, 2013).

Today, closed executive sessions of the Trust Fund Committees have been eliminated, unless requested by the co-chairs and without objection from any committee member. The CIF also provides interpretation services for all Trust Fund Committee meetings in English, French,

11. Engagement is also sought at the level of the governance of the Fund. This is discussed separately in section 2.5.

and Spanish. The CIF policy on information sharing stipulates that the CIF Administrative Unit must disclose any document or information in its possession, unless it is explicitly indicated that it will not be disclosed to third parties. All official Trust Fund Committee documents are posted and made publicly available on the CIF website. The major Trust Fund Committee documents are also made available in English, French and Spanish on the CIF website.

Furthermore, the CIF became the first climate fund to publish data with the International Aid Transparency Initiative (IATI) in October 2013, providing information on 104 projects and programs in 32 countries and one region, with a further update provided for 110 projects in February 2014. Consistent with this and other progress, donors have noted that: "There has ... been good progress over the year to improve transparency and inclusiveness of CIF governance" (DFID, 2012).

Some country programs have also developed their own websites to make information easier to access for local stakeholders. Tajikistan launched a website dedicated to sharing information about its PPCR program in 2011. Updated regularly with progress reports from projects and planning meetings, the website also makes it easier for individuals to contact the PPCR Secretariat, and lists contact details for consultants working on projects. Other PPCR countries, such as Cambodia and Nepal, have also developed program websites to help disseminate information.

At the project level, information sharing is governed by the policies of the individual MDBs, CIF operational guidelines, results frameworks, and other policy documents. Each MDB has an up-to-date disclosure policy, which can be found on the CIF website. One limit on information sharing, discussed further in section 3.3.2, relates to the disclosure of information on private sector projects. Concerns over commercial confidentiality limit the information disclosed about individual deals and, in particular, the level of concessionality embedded within investments.

There is a range of other mechanisms that support information sharing, including the CIF Partnership Forum and pilot country meetings. These also support learning and, as such, are considered in more detail in section 4.2.

2.3.2. Consultation

The CIF aims for broad-based consultation during investment plan development and implementation. There is an expectation that investment plans developed under all four programs will include stakeholder engagement, requiring documentation on how and where stakeholder consultation has been undertaken. CIF Trust Fund Committees have placed increasing weight on these requirements over time. At the project level, the MDBs are expected to follow their own procedures to ensure broad-based consultation. The CIF committees charged with approving projects often ask specifically about project-level stakeholder consultation.

Consultation efforts at the investment plan stage are led by national governments, with support from the MDBs. The principle of national ownership of investment plans implies that immediate responsibility for stakeholder engagement rests with the focal point agency in domestic governments, although the MDBs are expected to support and guide these activities as appropriate. There are resources available from both the CTF and SCF to support stakeholder consultation, although this has been taken up much more frequently in the SCF than in the CTF.

In some countries, extensive and rich stakeholder consultation has been relatively easy to secure, leading to robust, broadly owned investment plans. Kenya's SREP investment plan was formulated with continual consultation with stakeholders. Consultation meetings during the SREP scoping mission involved the private sector, particularly the Kenya Private Sector Alliance (KEPSA); civil society, including organizations such as the Kenya Institute for Public Policy Research and Analysis (KIPPRA); and development partners. The Ministry of Finance also organized a Stakeholder Consultation Workshop, constituting national institutions and authorities, development partners, civil society, local communities, and the private sector. When the draft investment plan was published, public comments were invited from all stakeholders present in the planning process. These consultations played a particularly important role in ensuring the selection of the three priority projects with the highest transformative impacts, with support from key stakeholders (Government of Kenya, 2012). A Learning Workshop in Kenya concluded that:

Through back and forth communication and review, the Kenyan team was able to involve the stakeholders in the whole process and [create] a broad sense of ownership with the projects... There was a high level of ownership from stakeholders and the government team in preparing the Kenya IP. (Climate Investment Funds, 2012b)

In other countries, there has been more of a challenge in consulting stakeholders but, ultimately, the CIF has achieved positive results. The CIF's strong emphasis on stakeholder engagement has been credited with increasing awareness among some developing country governments of the importance and benefits of stakeholder consultation. Interviews with MDB focal points identified a number of cases where an initial skepticism was replaced with a more open approach that ultimately benefitted the investment plan, including in Indonesia, Tanzania, Tajikistan, Maldives,

and Peru. Box 3 provides more details about the approval of the investment plan in Peru.

Ensuring stakeholder consultation may add significantly to transaction costs and the length of time before projects can begin, and the CIF is currently considering the best way to facilitate these activities. In countries where broad-based stakeholder consultation is not as deeply rooted as the CIF expects, ensuring this engagement has added time and cost implications. Governments may sometimes lack core aspects of the infrastructure needed to ensure stakeholder consultation, such as lists of key representatives and organizations. The additional time and costs involved in overcoming these challenges are now compounded by considerable pressure on the CIF to increase the speed of disbursement (see section 3.2.2). In part, this is an inescapable trade-off. However, there may be opportunities to manage it, and the CIF

BOX 3. EXTENDED STAKEHOLDER ENGAGEMENT IN PERU'S FIP INVESTMENT PLAN ULTIMATELY LED TO POSITIVE RESULTS

Peru's FIP experience began in 2011 with its first scoping mission. Not long after, the national indigenous Amazon organizations expressed concern with the way the investment plan was developing and the lack of stakeholder engagement. Both they and the FIP Sub-Committee applied pressure for more meaningful consultation. This prompted four MDB joint missions over three years, and the inclusion of the two main indigenous groups in the FIP Investment Plan Inter-Ministerial Committee. There were more than 20 meetings held across three phases:

- Phase 1: general topic discussions, including diagnosis, approaches, areas of prioritization in the form of meetings, workshops, and dissemination of conclusions through ministry websites.
- Phase 2: specific topic discussions, presentation of and consultation on the proposed investment plan and of the ideas for projects, also with meetings and dissemination.
- Phase 3: final presentation of the document and collection of contributions, including the final FIP investment plan.

Although it was a long process, stakeholders appear to be satisfied with the results. Gabriel Quijandría, Peru's Vice Minister of Strategic Development of Natural Resources in the Ministry of the Environment, concluded that:

We have had an intense consultation and participation process, including the two major Amazonian indigenous peoples groups, NGOs, and the private sector. The process has taken more time than originally expected, but, in the end, has produced a more legitimate and technically strong document. (Climate Investment Funds, 2013d)

For continued stakeholder engagement across the implementation stages of the investment plan, a Stakeholder Involvement Plan has been developed within the framework of project design, and includes guiding principles to ensure that stakeholders remain actively informed and involved. For example, the national indigenous Amazon organizations will continue to serve on the Inter-Ministerial Committee.

has recently committed to explore further ideas to strengthen stakeholder engagement at the country level in a forthcoming paper (Climate Investment Funds, 2013a). In this context, there may be scope to explore opportunities for greater coordination between the CIF (and other multilateral approaches) and other forms of (bilateral) support. Pilot countries may be reluctant to devote CIF resources to “soft” activities like improving governance and stakeholder engagement processes, while some MDB focal points have suggested that this may not represent a comparative advantage of their organizations. The use of bilateral development partner funding to fill this gap could be complementary in these cases.

There have also been cases where best-practice stakeholder engagement has not been followed, leading to substantial problems. In the case of Mozambique, not all in-country stakeholders agreed with the priorities of PPCR investments proposed by the MDBs, which contributed to delays to Phase 1 of the SPCR and a perception that country ownership of the investments is weak (Chambote & Shankland, 2011). Another example is provided by the 2011 revision of the Philippines’ CTF investment plan to replace a solar energy project with an “e-Trikes” project, which would increase the adoption of electric tricycles for public transport. Some stakeholder consultation accompanied this proposed change. However, as noted by an ADB report:

While these consultations responded directly to the needs of the project design team, they did not accord fully with ADB guidelines. No comprehensive stakeholder analysis was made and no clear consultation plan was evident. As a result, the consultations did not appropriately include important stakeholders such as transport consumers or relevant CSOs. Their participation might have provided a richer context for the project design and enabled the identification of implementation partners or alternative approaches.... CTF funding provides the Philippines with an important opportunity to strengthen its planning for clean energy development and to jump-start transformative action in the energy and sustainable transport sectors. Holding consultations on the Investment Plan and its revision only when pressed to do so and revising the plan with only limited consultation diminished this opportunity. (Asian Development Bank, 2013)

The experience has subsequently been thoroughly documented by the ADB and, as a result, it has identified various recommendations in relation to its own guidance and procedures. It also recommended that the CIF provide clearer guidance regarding the expected or minimum level of consultation that is required in the development of investment plans and their revision.

The CIF has consistently undertaken a number of other activities to support stakeholder engagement. During the second Partnership Forum in Manila, Philippines in 2010, as well as the third Partnership Forum in Cape Town, South Africa in 2011, the CIF provided space for observers to meet and discuss issues of mutual interest. This was formalized and better structured into the Civil Society Forum, the first being held in November 2012 in Istanbul, Turkey as part of the fourth Partnership Forum. It offered a chance for civil society organizations to review best practices for engaging stakeholders and stimulating public participation, and to identify collaboration opportunities with other participants. The creation of a stakeholders’ webpage on the CIF website has facilitated the dissemination of information. The CIF has also sought to enhance the role of civil society observers in its governance, as explored further below.

2.3.3. Joint working

A final aspect of CIF stakeholder engagement is for the CIF to support civil society organizations and other stakeholders in undertaking projects and activities that support its mandate. In the right context, this can represent the most effective modality for delivering CIF resources to promote the desired results, while simultaneously building capacity among the recipient organizations.

Samoa’s Enhancing the Climate Resilience of Coastal Resources and Communities Project shows how this might be effectively achieved. A key component of this project is to provide support to non-governmental organizations, academic institutions, media organizations, and other key civil society actors in helping to meet the wider project objectives and enhance these groups’ work in climate resilience. The activities that this \$21.7 million project will support include community-based adaptation, community awareness raising and education, and climate-change-related advocacy work that promotes the interests and inclusion of women, youth, and other marginalized groups.

These activities are complemented by the role of civil society organizations on Samoa's PPCR Steering Committee. In initial discussions, NGOs and CSOs highlighted concerns about their limited capacities, especially with respect to raising awareness and assisting communities in addressing climate concerns. As a result, the Samoan Umbrella for NGOs (SUNGO) was invited to become a member of the PPCR Steering Committee to gauge stakeholder views on how the PPCR can best tackle these concerns. This has proven effective in terms of information sharing, consultations, and forming partnerships in support of the PPCR.

The Dedicated Grant Mechanism (DGM) within the FIP was established to take advantage of the opportunities provided by working with civil society and representatives of indigenous peoples and local communities. This aims to increase the engagement of indigenous communities in FIP investment plans and projects, but also to allow these communities to identify activities, for implementation by themselves, that will support the objectives of the FIP.

The results of these pioneering approaches will be monitored carefully. While they are likely to represent only a small proportion of the total amount of CIF funding, projects implemented jointly with civil society and indigenous communities offer opportunities to work closely with some of those most affected by climate change and efforts to respond to its threats, and to exploit local knowledge and understanding to deliver stronger results. As implementation of the CIF increases, close monitoring of these projects will provide a rich evidence base from which to judge their success.

2.3.4. Key findings/lessons

- 1. There have been many important successes in building partnerships with key stakeholders from civil society, indigenous peoples, and the private sector.** This has led to widespread information sharing and hence enhanced understanding (as in Tajikistan), investment plans that are broadly owned (as in Kenya), and innovative joint-working practices that cost-effectively deliver on the CIF's mandate and also enhance institutional capacity (as in Samoa).
- 2. In some of these areas, the CIF has demonstrated its ability to learn and respond to challenges so as to improve its practices.** Early practices were not as

BOX 4. FIP'S DEDICATED GRANT MECHANISM

The Dedicated Grant Mechanism for Indigenous Peoples and Local Communities (DGM) will provide grants to these communities in support of activities addressing the drivers of deforestation and forest degradation as well as the sustainable management of forests. It is expected to be a valuable mechanism for supporting indigenous peoples' and local communities' participation and ensuring that their voices are heard in the design of FIP interventions and national REDD+ activities, as well as in supporting their forest stewardship roles and traditional forest management systems.

Provisionally, \$50 million in FIP grant funding has been allocated to this program, with eight DGM national programs and the global component at various stages of preparation. DGM Framework Operational Guidelines have been completed, and Conservation International (USA) has been selected through a competitive process to serve as the executing entity for the global component. Of the eight DGM national programs under development, Brazil and Ghana are the most advanced and are expected to be operational in spring 2014. The country component in each FIP country consists of:

- a grant mechanism to allow indigenous peoples and local communities to bid, on a competitive basis, for funds to promote activities of their choice and within the overall framework of the DGM; and
- support for capacity-building activities for regional organizations.

The global component allows for the exchange of knowledge, capacity building, and strengthening networks and partnerships among organizations of indigenous peoples and local communities in the pilot countries and beyond.

transparent as they are now with respect to information sharing. Greater attention and emphasis, as well as resources, have been given to facilitating broad-based stakeholder consultation following some well-publicized failings. Consistent with this, the United Kingdom's Multilateral Aid Review (MAR) reports that the CIF has taken "a number of steps to strengthen country-level partnerships and collaboration," and concludes that "since 2011 there is more evidence on working with stakeholders as the CIF moved from the design to implementation phase." (DFID, 2013a).

3. In some countries, especially where norms of stakeholder consultation are not embedded, stakeholder consultation may add significantly to the time taken before resources can be disbursed.

Complementary interventions by (bilateral) development partners may be valuable. Cases like Peru show how the pursuit of rich stakeholder consultation can result in a more robust investment plan, but doing so takes additional time and effort. Donors need to be aware of this inevitable trade-off. The CIF is already intending to investigate ways to mitigate this trade-off, both in the investment plan and project development phases. One option that may be especially pertinent to the development of any future investment plans would be to explore greater coordination between the CIF and bilateral development partners.

4. The CIF is pioneering the use of partnerships with indigenous and local communities to implement projects and activities. This approach, such as in the DGM, holds much promise. The efficacy will become clearer as progress is made on implementation.

2.4 PARTNERSHIPS AMONG THE MDBS AND BETWEEN THE CIF AND THE WIDER CLIMATE FINANCE ARCHITECTURE

2.4.1. MDB collaboration within the CIF

A key feature of the CIF is that more than one MDB is typically involved in an investment plan. Around half of all endorsed investment plans have been prepared with the support of three or more MDBs, while only around 10 percent have been prepared by a single MDB (ICF International, 2013).

This collaboration by the MDBs has been described as both groundbreaking and valuable (Radner, 2010). There are multiple potential benefits to the pilot country.

- The MDBs can complement each other, reflecting their comparative advantages. In the PPCR program in Mozambique, the AfDB's comparative advantage relates to agricultural adaptation and irrigation systems, while the World Bank has more expertise in urban adaptation and responding to threats from a rise in sea level.
- A key benefit of the CIF is that it can leverage further co-financing from the MDBs' own resources. Involving more than one MDB spreads risk and increases the opportunities for co-finance. Concentrated solar power projects in Morocco and South Africa have benefitted from CTF backing being able to attract co-financing from both the AfDB and the World Bank Group.
- The collective weight of the MDBs brings considerable convening power. They jointly committed over \$90 billion in financial assistance to developing and middle-income countries in 2012 (Congressional Research Service, 2013). This weight can increase the interest among key ministries (such as the Ministry of Finance or Ministry of Planning) in the CIF intervention which has helped drive country ownership and ultimately, the likely success of the interventions.

In the early stages of the CIF, MDB collaboration was often a challenge. The MDBs typically perceive themselves as competitors. Stakeholder interviews provide anecdotal evidence of acrimonious relationships and a perception among some MDBs that the allocation of CIF resources across the MDBs was not balanced in the early stages of the CIF.

There has been significant progress in promoting MDB collaboration in project planning and implementation. In response to concerns that MDB collaboration was essential to the legitimacy and success of the CIF, considerable management effort has been devoted to improving MDB collaboration. This has been most successful at the global level, where the CIF coordinators in each of the MDBs are widely perceived to share common goals and interests. The CIF has provided a platform for the MDBs to significantly improve collaboration.

At the country level, one of the pioneering institutional aspects of this was the designation of a lead MDB for each country at the investment planning stage. Under this approach one MDB takes the leadership role for the CIF program within a country, with responsibility for facilitating CIF engagement in that country such as communication with the focal point, organizing missions, recruiting consultants, and helping government focal points fulfill CIF requirements. The lead MDB alternates across countries. This approach has been successfully implemented in the investment planning stage, but it is too early to judge its success during implementation.

MDB coordination has also been enhanced at the CIF governance level by an MDB committee for each CIF funding window as well as the core MDB committee. The benefits from this enhanced coordination can be seen in a number of aspects of the CIF's operations.

- The MDBs have been able to better tailor the design of their interventions to take account of other projects. In Tajikistan, for example, coordination between the EBRD and the World Bank enabled the EBRD to tailor its work with the state electricity utility to make sure that it could become a more effective user of hydro-meteorological capacity being strengthened with support from the World Bank.
- At the request of pilot countries, it has been possible to reduce transaction costs. For example, in Zambia, at the request of the government, a World Bank-implemented project preparation grant was used for project preparation of two similar projects in different regions, one carried out by the World Bank and the other by the AfDB.
- It has been possible to delegate greater day-to-day decision making to the MDBs, allowing for efficient progress on project development and disbursement. For instance, under the CTF Dedicated Private Sector Programs, the CTF Trust Fund Committee delegated certain decisions concerning allocation of resources between different geographic regions to the MDBs in recognition of both their greater understanding of opportunities on the ground and the strong collaboration ethic among the MDB representatives to the CIF.

MDB representatives stressed in interviews that there would likely always remain some tensions in the day-to-day working

relationships between different MDBs at the country level, noting that in many circumstances this was a function of a healthy level of competition between the organizations

There may still be scope for deeper MDB collaboration, at the cost of changes to MDB systems. While harnessing existing MDB infrastructures helped to make early implementation possible in some pilot countries, there is concern that other countries may be burdened by insufficient harmonization among different MDBs' processes. For example, the UK Department for International Development (DFID) reports that differing procurement procedures can lead to high transaction costs, delays, and uncompetitive prices (DFID, 2012). This may be a key challenge for the CIF as it seeks to balance the benefits from using existing processes and maintaining competition between the MDBs with the pressures to improve harmonization to reduce burdens on pilot countries.

2.4.2. Collaboration outside the CIF

MDB collaboration within the CIF has promoted broader MDB engagement on climate issues. Stakeholders consistently cite cooperation with the CIF and the creation of the CIF platform as playing an important role in wider joint efforts by the MDBs to tackle climate issues. Key innovations include the establishment of semi-annual MDB vice president meetings on climate-related issues. A number of MDB representatives say that regular MDB contact through the CIF platform has facilitated joint MDB work on tracking climate finance flows and ongoing efforts to harmonize work on greenhouse gas emission accounting.

In some cases, the MDBs' role as implementing entities to the CIF has altered their broader approach to addressing climate change. At the very least, as was intended at the outset, the CIF's concessional resources have allowed them to pursue a wider range of more innovative and risky low carbon and climate resilience investments than would otherwise have been possible. Beyond this, stakeholders suggest that there has been a wider impact on the approach of the MDBs to climate-related issues. For example, the IDB points to how they and the IFC have jointly financed two wind power projects in Mexico with their own resources, helped by learning from earlier CTF-supported experience. Others suggest that the decision by the World Bank to aim to undertake climate resilience work at scale in 25

countries, as part of its IDA replenishment concluded in late 2013, could be partly attributed to an understanding of the development benefits of these interventions that it has acquired from the PPCR. Similarly, ongoing discussions within the ADB to access at scale external financing support exclusively related to climate change have been stimulated by its involvement with the CIF.

The CIF has also actively engaged with other elements of the multilateral climate finance architecture. For example, various observers from other international institutions sit on the Trust Fund Committees; there is explicit close collaboration between the FIP, the Forest Carbon Partnership Facility (FCPF), and UN-REDD program work; and the CIF Administrative Unit, in collaboration with the MDBs, has been responsive to requests to share lessons with experts working on the Business Model Framework for the GCF. Consistent with this, Australian Aid ranks CIF performance on contribution to the multilateral system as “very strong” (Australian Aid, 2012).

2.4.3. Key findings/lessons

- 1. Collaboration among multiple MDBs in implementing the CIF investment plan within a particular country is ground-breaking and offers many potential advantages.** It can ensure that the MDBs are matched closely to the projects where they have comparative advantages; it can increase the scale of co-financing resources that can be tapped; and it can increase the focus of pilot country governments on climate change.
- 2. While MDB collaboration requires considerable effort, it represents a key success of the CIF, with important spill-over benefits.** Following early challenges, the CIF has increasingly succeeded in bringing the MDBs together to deliver CIF interventions. This has required institutional innovations including the designation of a lead MDB and creation of MDB committees for each CIF program. There has been increasing success for each program in each country with the MDBs often now cooperating in a way that enhances the design and speed of delivery of CIF projects, and that has also yielded broader MDB collaboration on climate issues.
- 3. A significant challenge for the CIF moving forward will be to balance its desire to use existing MDB processes with pressure to further improve MDB harmonization.**

4. The CIF has also helped, in some cases, to change the way in which the MDBs perceive or address climate-related issues. While the MDBs were already responding to climate change prior to the CIF, and typically have an extensive portfolio of non-CIF-supported climate investments, the CIF may have contributed to a change in perception of both risk and development benefits from climate-related projects.

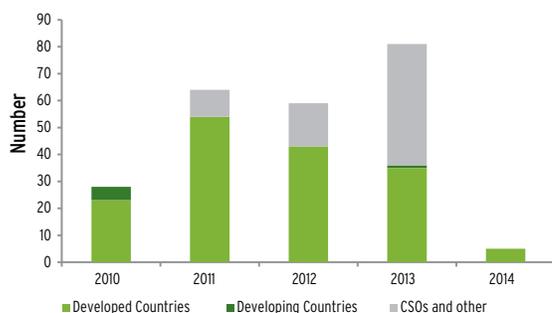
2.5 PARTNERSHIP AT THE GOVERNANCE LEVEL

The principle of partnership at the operational level is reflected in the governance arrangements for the CIF. CIF governance arrangements were built on a number of important pillars, including equal representation of developed and developing countries on CIF governing bodies, consensus decision making, and active observer status for civil society, indigenous community, and private sector representatives. While some stakeholders express concern that some of these procedures may diminish the quality of decision making, they reflect a widely supported principle of balanced voice and decision making authority among contributor and recipient countries. Australian Aid states that the CIF is “being used by many as a model for development ... in part because of its equitable and efficient governance arrangements.” (Australian Aid, 2012)

There have been concerns that while the CIF governance arrangements may reflect the principle of equity in their design, in practice developed countries have had far more active participation in decision making. One (imperfect) indicator of this identifies the number of written submissions made by different Trust Fund Committee members in relation to investment plans (see Figure 8). It shows that developed-country Trust Fund Committee members tend to be much more active when measured in terms of making written submissions. It should be stressed that this is only one indicator of participation within the Trust Fund Committee structures and that evidence from interviewees suggests that a number of developing-country representatives play an active role in meetings.

A number of reasons account for the challenges in ensuring the active engagement of representatives from developing-country governments and representatives

Figure 8. Developed countries have tended to be much more active than developing countries in making written submissions regarding investment plans



Note: 2014 data is partial, and includes submissions made up to and including February

Source: Vivid Economics based on data from the CIF website

from CSOs and indigenous communities based in developing countries. The most important include the following.

- *Lack of resources.* Typically the organizations or governments that these people represent are substantially under-resourced and committee members are unable to establish teams of support that they need to review documents.
- *High turnover.* Turnover of staff in developing-country governments is often high, meaning that individuals may not acquire the appropriate level of expertise and knowledge.
- *Language barriers.* The language (English, with interpretation and translation into French and Spanish) used in meetings and documentation can make full active engagement more difficult and represent a barrier to participation for some groups and representatives.
- *Use of digital media.* The CIF Administrative Unit primarily corresponds with committee members using electronic communication, which may not be as widely used by some representatives as it is in developed-country governments.
- *Fear of jeopardizing own projects and proposals.* A developing-country government may be concerned

that raising comments or objections regarding another country's investment plan or project may reduce the support it will receive from committee members for its subsequent proposals.

There have been efforts made to ensure that the principles of the CIF's governance procedures are reflected in practice. Provisions have been made to improve recipient country engagement through processes such as orientations for new committee members and briefings for recipient country committee members in advance of Trust Fund Committee and Sub-Committee meetings. Comprehensive briefings are also organized for new Observers. Anecdotal evidence suggests that this is having a positive impact on the level of engagement. Further benefits might be achieved through combining electronic correspondence to committee members with phone calls, although this would have resource implications.

Other challenges related to CIF governance involve balancing priorities and have no easy solution. Despite considerable progress in gaining greater transparency, there remains an inherent tension between transparency and commercial confidentiality, especially for private sector operations. Some contributors to the CIF have expressed concerns about whether the MDBs provide enough technical quality control and information to support decisions and evaluate risks at both the investment plan and project approval stages. There are ongoing discussions between Trust Fund Committee members, the MDBs, and the CIF Administrative Unit to clarify expectations in this regard. While such tensions may never be eliminated, explicit discussion and clearer guidance on the responsibilities regarding what information should be provided, and at what stage, can help reduce concerns.

2.5.1. Key findings and lessons

1. The CIF has pioneered a model of equitable governance for climate finance organizations. The principle of equal representation of developed and developing countries on CIF governing bodies, consensus decision making and active observer status for civil society, indigenous community, and private sector representatives are a significant departure from the governance arrangements within the MDBs. This helped increase the legitimacy of the CIF within recipient countries.

2. There have been challenges in reflecting the governance principles in actual decision making.

Various barriers account for a relatively lower level of engagement from developing-country representatives and representatives from some civil society and indigenous communities.

3. The CIF has taken action to improve engagement of these parties.

Anecdotal evidence suggests that actions such as briefings prior to governance committee meetings and orientations have led to an increase in the engagement of these representatives.



Photo: USD Reporting Services



Photo: IDB

3. DELIVERING INVESTMENT

The CIF provides resources at scale to secure substantial co-finance

3.1 INTRODUCTION

From the outset, the CIF was designed to deploy financial resources at scale. This was seen as a key feature distinguishing it from the climate financing instruments that had preceded it. While particularly salient in relation to the CTF, where scale is often a precursor to delivering transformational change, the scale of financial resources is also important in delivering on the objectives of the SCF. It is important to note, however, that in some cases a small amount of SCF, or CTF, investment can unlock significant change, as discussed further in section 4.

The role and success of the CIF in delivering investment can be assessed from two perspectives. First, there is a question of the speed and scale at which the CIF has disbursed its own resources. Second is the question of the extent to which the CIF has been able to successfully attract other sources of co-finance and extend its reach.

3.2 INVESTING THE CIF'S OWN RESOURCES

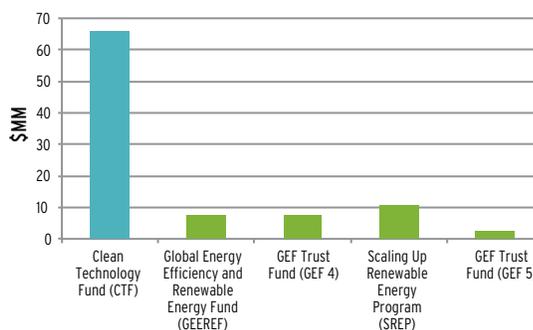
3.2.1. Scale of deployment

The objective of the CIF to deliver climate finance resources to investment opportunities at an unprecedented scale is being achieved. The CTF, in particular, was designed in the context of a concern that the financial support provided to clean technology up to that point had not been large enough to either make a significant impact on the costs of deploying that technology and mitigating its perceived risks, or to make clean technology anything other than of peripheral interest to key country policy makers. By focusing

support in a smaller number of countries, and focusing on larger transactions, or series of transactions, it was hoped that these problems would be overcome. Figure 9 shows that, in terms of investment size, the CTF differs significantly from other mitigation-focused, multilateral climate finance instruments, with an average investment size per approval more than five times greater than that of the other instruments considered.

The data also show that while the average investment size per SREP approval is significantly lower than for the CTF, it remains greater than that of other climate funds. The difference between the CTF and SREP investment size is related to the absorptive capacity of SREP countries, as well as the underlying characteristics of many SREP projects.

Figure 9. The average investment size per approval provided in the CTF is more than five times greater than in other multilateral climate finance vehicles



Note: Data extracted 13 May 2014. The data within the source database for the CIF programs may differ from those used elsewhere in this report. One source is used for all of the data in this diagram to promote consistency for this analysis. In this dataset, approval relates to MDB approval.

Source: Vivid Economics based on Climate Funds Update

The scale of the CTF may yield global as well as national benefits. In addition to the benefits to individual countries from the CTF providing resources at scale, the impact of providing such resources in multiple countries can provide further benefits. For example, the CTF has a presence in virtually every country that has an interest in, and significant potential for, concentrated solar power (CSP). By providing significant resources to a series of projects, there is a possibility for the CTF to drive down global costs of CSP deployment. Taking into account the SREP, the CIF also has the potential to drive significant learning and cost reductions in the deployment of geothermal technology.

With regard to scale, a similar picture can be seen when comparing the PPCR with other adaptation initiatives (see Figure 10). As the PPCR matures then average approval sizes may increase.

For the FIP, the pattern is not repeated, with average disbursement size per approval being similar to that of other initiatives, including the Congo Basin Fund. This partly reflects the relatively small number of large-scale, capital-intensive opportunities in the forestry sector.

3.2.2. Speed of disbursement

Some stakeholders have expressed concerns about the speed of disbursement of the CIF. As well as delivering an unprecedented scale of climate finance resources, there

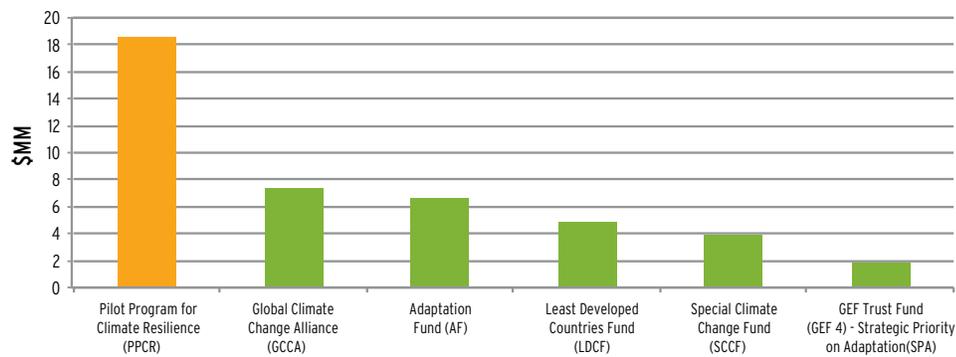
is also an expectation that the CIF can disburse them expeditiously. Although the speed with which the CIF was established has been widely praised, in some quarters this has been accompanied by concerns that there have been inappropriate delays in disbursing resources and delivering results on the ground.

Implementation of CIF projects typically consists of three phases: drafting of the investment plan; development of projects; and disbursement of resources/ implementation, including supervision. Timing of each phase varies greatly and depends on multiple factors.

1. Drafting the country or regional investment plan. It is difficult to generalize about the ‘appropriate’ length of preparation of the investment plan. While investment plans in some countries were able to advance quickly, this is most likely to be a reflection of the existing conditions in these countries, rather than stronger or weaker performance by the MDBs or other stakeholders (Radner, 2010).

On average, CIF investment plans take a little under two years to develop, but with a broad range of between two months (the CTF investment plans of Mexico and Turkey) to 40 months (the PPCR regional investment plans of the Caribbean and Pacific). Among all CIF programs, CTF investment plans have tended to be quickest, taking on average 11 months to achieve investment plan

Figure 10. Average approval sizes for the PPCR are greater than for other multilateral adaptation initiatives



Note: Data extracted 13 May 2014. The data within the source database for the CIF programs may differ from those used elsewhere in this report. One source is used for all of the data in this diagram to promote consistency for this analysis.
Source: Vivid Economics based on Climate Funds Update

endorsement from the time of country selection (ICF International, 2013). The FIP and PPCR have taken longest, reflecting the challenges associated with engaging a full cross-section of stakeholders (such as in Peru).

In general, the experience of the CIF shows that faster is not necessarily better in the investment plan phase. There is a potential trade-off between speed and the quality of country planning and scope for collaboration. Some stakeholders perceive that, in certain countries, an unduly rapid investment planning process may have contributed to delays in the subsequent phases of the project cycle. Nakhooda and Amin (2013) report that, in the case of the CTF, it is “widely accepted” by the MDBs and partner governments that delays in the implementation of some projects may be explained by the fact that some “investment plans that had been approved did not fit the national country context and implementation framework.”

2. Project approval. After an investment plan has been endorsed by the CIF, its projects are developed following the relevant MDB’s project cycle process. Projects are then subjected to a two-step approval process: first the approval of CIF funding by the relevant CIF committee¹² and then approval of the project by the MDB board. A CIF committee approval generally takes an additional three to four weeks, although in exceptional cases it has taken longer. Progress through the entire project approval phase is monitored by a traffic-light system that signals if different parts of the process are taking longer than expected.

3. Disbursement, implementation, and supervision. Disbursement and implementation follow project approval and include activities such as procurement, acquisition of permits, and construction. In typical projects, disbursement is phased over a number of years, with the bulk of disbursement taking place only after preparatory activities are complete.

An assessment of whether there are problems with the speed of disbursement needs appropriate measurement.

An analysis that compares total program resources with the amount of resources disbursed to date fails to recognize

12. In the case of private sector projects, CIF committee approval is for a program of projects.

that project approval and disbursement processes require time and that there is an inevitable lag between investment plan approval and disbursement of resources. With this in mind, the CIF has devised a system that tracks disbursement patterns against what would be expected for all projects in approved investment plans. The expected profile of disbursement is either taken from information available at the point of project approval of the investment plans or uses typical profiles where such information is not available (see Figure 11).

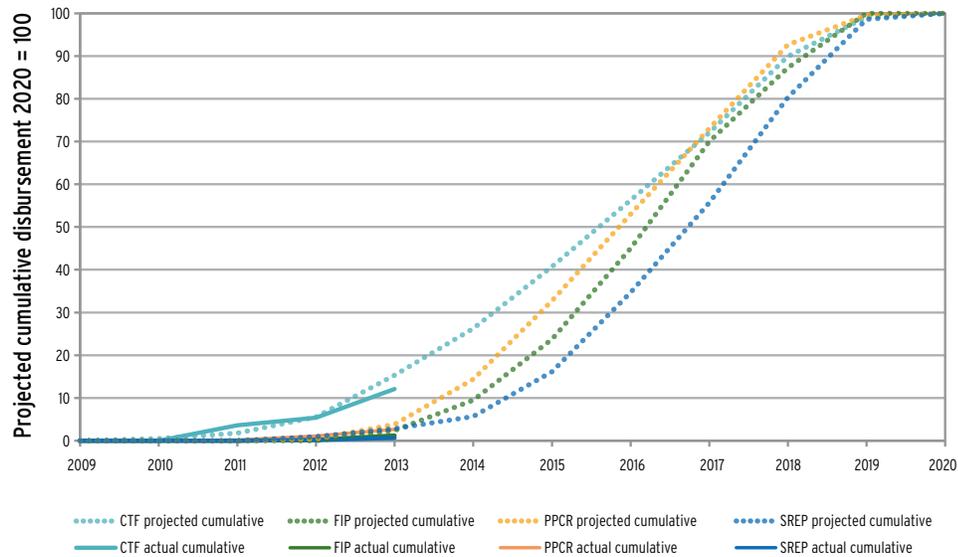
This analysis suggests that as of June 2013 CTF and PPCR disbursement is tracking slightly behind where it might be, and that there are more significant delays in relation to the FIP and SREP programs. In all cases disbursement is at an early stage. Figure 11 below shows that 70-80 percent of the disbursement that would have been expected by the CTF and PPCR by 2013 has been achieved; for the FIP and SREP the figures are smaller (50 percent and 25 percent, respectively). It also shows, however, that only a relatively small amount of overall investment would have been expected to take place by now, suggesting that a more meaningful assessment of the CIF disbursement record may only be available in the future.¹³

A number of factors help to explain challenges in getting projects to the point where funds can be disbursed.

In broad terms, the challenging nature of delivering the CIF objective of promoting transformational change often leads to operational challenges. CIF disbursement reports (Climate Investment Funds, 2013e) identify various challenges, including the need for and difficulties in developing the appropriate policy and regulatory environment, and challenges from working with relatively novel technologies. The MDBs also point to the time needed to undertake due diligence. All of these factors point to important trade-offs that decision makers need to take into account when making choices regarding the allocation of climate finance resources: between fast disbursement versus working for transformational change, possibly in less favorable enabling environments (where development gains may be greatest), as well as between fast disbursement

13. Updated disbursement data for the period July through December 2013 was published by the CIF in April 2014. However, in order to enable comparisons based on full fiscal year (July-June) data, the December 2013 data was not utilized for this analysis or the figure that follows. The December 2013 disbursement data shows a slowdown in disbursement compared to the previous six month period.

Figure 11. The bulk of CIF disbursement is expected to take place in the future*



* The year in the x axis of this figure is the CIF fiscal year ending in June of the calendar year.

Note: Two approaches are used in making disbursement projections: either a specific disbursement profile agreed for a project or a public or private 'model' disbursement profile for projects in the existing pipeline where this is not available. See CIF Disbursement Report (2013) for more details.

Source: CIF Disbursement Report (2013), Vivid Economics

and the continued application of wide-ranging safeguard policies. As the CIF has noted:

While accelerating disbursements is a priority, overemphasizing the need for rapid disbursements can undermine other considerations with the potential to maximize project impact, such as stakeholder consultations, sound technical analysis and preparation before implementation of a project, and a transparent procurement process. (Climate Investment Funds, 2013e)

These problems may be exacerbated by challenges in finding and structuring investment opportunities in a manner that is consistent with the risk appetite of contributors. Moreover, the country focus of the CIF locks in resources to a particular country, even if there are political challenges that slow project development and disbursement. For example, the "Arab Spring" political upheaval impacted a number of CTF projects in North Africa.

In some cases, the MDBs may not have been as well prepared to develop and implement CIF projects as they

could have been. Stakeholders stated that internal MDB processes and capacity may have contributed to slower project development and implementation as a result of challenges in dedicating sufficient human resources and management attention to CIF projects. Furthermore, internal processes have made integration of concessional resources into some of the MDBs' own project cycle difficult. Some MDBs have taken steps to address these challenges, including aligning processes and building capacity, and they expect these efforts to become evident in stronger disbursement records in the future.

Additional donor requirements may slow down project approval and implementation. One of the initial design features of the CIF was to harness the existing project cycle management processes of the MDBs to expedite the mobilization of resources. Over time, existing MDB processes and requirements have been augmented with additional requirements by CIF donors in relation to gender issues or demonstration and monitoring of development impact. While there may be valid reasons for including these additional aspects, they may also delay the project approval process when they do not accord with MDB practices on that

topic. Once again, this points to important trade-offs that donors need to make between streamlined disbursement in pursuit of a tightly defined objective and the potential for slower disbursement of resources that may serve multiple objectives. Those trade-offs apply to both the CIF and donors' broader climate finance support.

The CIF has also changed its pipeline management processes to motivate quicker disbursement. A key aspect of this is over-programming which has been introduced for both the CTF and SREP. Already standard practice within the MDBs, over-programming means that the value of projects in endorsed investment plans is permitted to exceed the amount of available funding. This encourages faster development of individual projects to ensure that they receive resources—which in turn speeds disbursement in the overall portfolio. The CTF over-programming rate is 30 percent, while in the SREP the permitted amount is 20 percent (Climate Investment Funds, 2013a). The appropriate rate of over-programming needs to strike a balance between providing an incentive for faster delivery and the problems that could arise if countries miss out on financing. There has been no over-programming for the PPCR or FIP to date.

Further innovations that are expected to speed up disbursement are the Dedicated Private Sector Programs of the CTF and set-asides of the SCF, which aim to support private sector activity. These are discussed in more detail in section 3.3.2 below. MDBs also report that they have made a conscious effort, as investment plans are revised,¹⁴ to assure that the overall portfolio of activities within a country has a balance between those that are expected to move forward quickly and those in which progress is expected to be slower.

3.2.3. Key findings/lessons

1. The CTF is succeeding in disbursing climate finance resources to low carbon investment opportunities on an unprecedented scale. One of the key motivations behind establishing the CIF was to experiment with and demonstrate what might be achieved with an increase

in the scale of resources provided to projects in order to facilitate transformational change. The evidence suggests that the CTF is succeeding in providing this scale, with the average funding approval more than five times greater than in other multilateral climate finance funds. The difference in scale with other climate finance instruments is also evident for the programs of the SCF, especially for the PPCR where average funding approval is more than double that of any other multilateral adaptation instrument.

2. Climate finance disbursement speed requires careful measurement. There will inevitably be a lag between agreement to proceed with a project and receiving project approval, with further lags between project approval and the disbursement of resources. In addition, the type of project will also have a bearing on the speed of disbursement, with financial sector projects typically being disbursed quickly relative to infrastructure projects. Measurements of disbursement speed that fail to account for these lags or differences across project types risk creating a misleading picture of whether disbursement is happening appropriately.

3. Adjusting for the natural length of the project cycle indicates some challenges with CIF disbursement but also demonstrates that any assessment should be considered only preliminary. Data suggest that as of June 2013 around three-quarters of the resources that the CTF was expected to disburse had been delivered, with smaller proportions in the SCF programs. However, the volume of disbursements is also expected to increase significantly from 2014 onward, suggesting that it will take more time to gauge the speed of CIF disbursement.

4. Donors need to take account of tough trade-offs when considering the optimal speed of disbursement.

There will often be an important trade-off between fast disbursement and the delivery of high-quality climate finance (especially in geographies with low absorptive capacity), as well as between fast disbursement and both the extent of oversight and the tightness of the objective for which resources are deployed. The nature of the project will also have a significant bearing on disbursement speed. In the future, donors may need to be more explicit about how they wish to see these trade-offs managed.

14. If a project is delayed by more than 18 months from the time when the original investment plan estimated that it would be brought before the committee for approval (nine months in the case of financial institution-oriented programs), the investment plan can be revisited.

5. To facilitate fast disbursement, it is important for financial intermediaries to be well prepared to manage concessional climate finance resources. Some MDBs may have initially lacked skilled staff or the appropriate internal processes that would have allowed them to accept and use CIF resources quickly. These deficiencies are being addressed.

6. Over-programming will motivate faster project development and disbursement, but carries risks. The CIF has responded to concerns about the speed of disbursement and project development by allowing the value of projects in endorsed CTF and SREP investment plans to exceed available resources. However, this approach needs to be managed carefully lest countries unable to keep pace become disadvantaged.

3.3 LEVERAGING FURTHER RESOURCES

3.3.1. Overall leverage ratios¹⁵

The CIF aims to catalyze capital from a wide range of additional sources. Its designers always intended that the CIF would not finance investment opportunities in their entirety but that its concessional financing would motivate others to provide additional capital. Attracting finance flows from a range of other parties—development banks, development partners, national governments, and the private sector—generates a number of benefits.

- *Maximizing value for money.* By targeting CIF resources only where and to the extent that they are genuinely needed to make investments happen, scarce (concessional) public finance can be used more effectively, allowing greater climate benefits to be realized from the same amount of resource input. Leverage also improves the ratio of investment to administrative cost.¹⁶
- *Realizing economies of scale.* By bringing greater resources to bear, more and larger-scale projects and

programs, which are potentially more likely to facilitate transformational change, can be financed.

- *Enhancing ownership.* Leveraging financing from national governments and the domestic private sector can help to build national ownership of the CIF investment plan. This can cultivate a constituency of interests in developing countries to support low carbon, climate resilient growth.
- *Reducing fragmentation.* By engaging a variety of development partners under one umbrella, co-financing can reduce perceived donor fragmentation, in line with The Paris Declaration on Aid Effectiveness (2005) and the Accra Agenda for Action (2008).

Co-financing can also raise a number of challenges. Bringing together multiple sources of finance can add to legal and organizational complexity. Any aggregate figures expressing the ratio of CIF resources to those from other sources need to be treated carefully. Apparently high rates of leverage could result from using small amounts of CIF resources in projects that would proceed independently of the CIF intervention. In other cases, even when CIF resources are spent appropriately, the context will dictate that large amounts of concessional CIF resources will be required before any additional resources are leveraged. Leverage should be considered only as one indicator of the effectiveness of CIF resources.

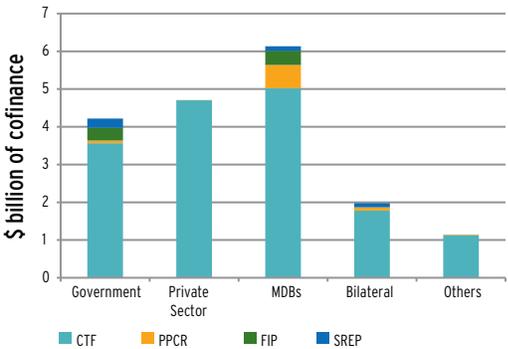
All CIF programs have achieved co-finance from a range of sources. Figure 12 shows expected co-finance in projects that have been approved by the relevant MDB committees in two ways. The left graph shows the leverage rate that is expected from each dollar of CIF resources in the four programs, from different sources of co-finance. SREP projects are currently expected to leverage the greatest amount of co-finance per dollar of CIF funding at a ratio of nearly 10:1. Per dollar of CIF financing, governments and the MDBs are the most important sources of co-finance, with significant private sector co-finance expected only in the CTF to date. The right graph shows the absolute amount of co-finance leveraged from different sources. The size and maturity of the CTF dominate the results, with the CTF accounting for more than \$16 billion of the \$18.2 billion that current CIF projects are expected to leverage. By absolute amount the MDBs have provided the greatest amount of co-finance

15. For the purpose of this report leverage is defined as the ratio of CIF funds invested in CIF projects to non-CIF co-financing for these projects.

16. Before taking account of leverage, the interim evaluation of the CIF suggests that the administrative costs of the CIF are around 3.3 percent of total funding, compared to around 3.0 percent for the GEF (ICF International, 2013).



Figure 12. Approved CIF projects are expected to leverage more than \$18 billion of co-finance



Source: Vivid Economics based on Climate Investment Funds, 2013b

(more than \$6 billion), followed by the private sector and governments, which have also provided substantial sums.

The impressive rates of leverage from government and the MDBs illustrate key strengths of the CIF model. In three out of the four programs, leverage from the MDBs has been higher than from any other source, with \$1 of CIF investment generating more than \$2 of MDB finance. The ability to augment the existing investment flows of the MDBs was one of the key motivations for choosing these bodies as implementing partners for the CIF. This evidence suggests success on this measure. Likewise, the large levels of government co-finance, notably in SREP and FIP programs is evidence—as discussed above—of the extent to which the CIF has achieved government ownership.

Bilateral co-finance has been lower than anticipated. With the exception of SREP, there has been limited success in engaging bilateral donors in CIF efforts. While there are some good examples of CIF collaboration with bilateral donors—for example, the IDB works in collaboration with Germany’s technical cooperation agency Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) in Mexico, Chile, and Honduras, and with the development bank KfW in Mexico and Chile—several stakeholders have stated that there may be scope for greater coordination between CIF programs and bilateral initiatives.

While there have been some strong successes, there may be scope to increase private sector co-finance in the future, especially outside of the CTF. As shown above,

the overall level of expected private sector leverage is high relative to other sources of co-finance; the only sources providing more co-finance are the MDBs’ own resources. Nonetheless, a number of the MDB representatives and wider stakeholders interviewed for this study indicated that they believed that there was considerably greater scope to attract private sector investment in the future. Indeed, Figure 12 shows how practically all private sector co-finance acquired to date has been in the CTF. Given this, the following considers the relationship between the CIF and the private sector in more detail.

3.3.2. Leverage from the private sector

Engaging the private sector has always been a key objective for the CIF. The CTF governance framework document emphasizes that “as the foundation of economic growth, the private sector has a significant role to play in climate change mitigation.” (Climate Investment Funds, 2008a) The same document states that “the CTF will seek to provide incentives necessary to engage private sector actions in achieving the objectives of the CTF;” Although there is somewhat less emphasis placed on the private sector in the governance documents of the SCF, one of its objectives is to “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 private sectors to achieve meaningful reductions of carbon emissions and greater climate resilience.” (Climate Investment Funds, 2008b; emphasis added)

Initially, the CIF sought to leverage private sector capital flows through the development of investment plans. This has been achieved in two ways.

- The CIF directly finances private sector entities through the private sector arms of the MDBs. This seeks to demonstrate the business opportunities from low carbon or climate resilient investment. As of June 2013, 33 percent of approved CTF project funding decisions were for private sector investment, with an additional 2 percent in private sector grants (Climate Investment Funds, 2013f).
- It supports public investment programs, which include components co-financed with private sector entities such as public private partnerships (PPPs).

Previous CIF analysis identifies where and why the CIF has been successful in supporting public investments which in turn stimulate greater private sector engagement. According to de Nevers (2013), successes are expected in three areas:

- *Work by the CIF and others to promote a stronger enabling regulatory and policy environment.* While these initiatives are typically led by national governments, the CIF and MDB community often plays a role in supporting progress. In Morocco the government strengthened its legal and regulatory framework to create an enabling environment for private investment in renewable energy production.
- *The use of public funding, supported by the CIF, to invest in complementary physical infrastructure.* Egypt's CTF

investment plan envisages using public funds to improve electricity transmission infrastructure so as to facilitate wind independent power producers to sell electricity to the grid.

- *The use of CIF funds to reduce risks for private sector investors.* For example, the financial support of the AfDB and World Bank in Morocco's Ouarzate CSP project reinforced the reputation of the Moroccan Solar Agency (MASEN) as a credible investment partner.

CIF successes from direct investment in private sector entities through the development of an investment plan can often be attributed to the ability of CIF concessional funds to reduce actual and perceived risks for private sector investors (as with the subordinated loan in the Mexican wind sector, discussed in Box 5, or Kenyan geothermal

BOX 5. DEMONSTRATING PROJECT VIABILITY HAS CATALYZED PRIVATE SECTOR ENGAGEMENT IN MEXICO

The Oaxaca region in southern Mexico has more than 8 GW of wind potential. However, a lack of policy and regulatory incentives, high entry costs for grid access, and inappropriate financing options created considerable barriers to investment. In November 2008, with only two public projects having been installed, the Renewable Energy Law was passed to address these barriers, establishing a more effective regulatory framework and greater incentives for developers. However, this alone failed to stimulate private sector projects due to first-mover costs and risks, while the financial crisis limited the capital available for such investment projects (Climate Investment Funds, 2011b).

Having identified the projects it wished to support, the Mexican government sought to utilize CTF resources to overcome barriers to investment from the private sector. In 2010, \$45 million of CTF funding, alongside additional resources from the IDB and IFC, helped to launch the 67.5 MW EDF Energie Nouvelle and the 250 MW Acciona Energia wind farms in Oaxaca. As a result, CTF funding leveraged over \$500 million of commercial resources.

In this case, the CTF helped to overcome market barriers by:

- Addressing financing gaps, aggravated by the 2008 financial crisis, for large projects;
- Sending a clear market signal that the domestic wind market was ready to be scaled up; and
- Providing a flexible role in the financial plan through loans tailored to address specific barriers. In particular, the subordination of CTF loans strengthened the financial position of projects and helped to mobilize senior commercial debt.

Since 2010 other wind projects have also been supported with CTF resources, through NAFIN, a national development bank, and by the end of 2013 a number of wind farms were operating on purely commercial terms, without the need for concessional financing. The CTF program in Mexico is now shifting focus to solar and geothermal energy, with the aim of catalyzing private sector participation in these industries in a manner similar to that achieved in Oaxaca's wind sector.

development discussed in Box 7), and to defray transaction costs and information barriers that otherwise preclude private sector investment (as in the example of TurSEFF, discussed in Box 6).

Despite these successes, the CIF has had some challenges in leveraging private sector flows to the most climate-effective investments. Analysis by the IFC and other MDBs (Climate Investment Funds, 2011c), coupled with additional stakeholder interviews, identifies a range of factors that have held back leveraging private sector investment through the CIF's investment plan approach.

- There is a perception among some pilot country governments that CIF allocation is a zero-sum game: They worry that allocating more funding to private sector projects would reduce money available for much-needed public sector projects.
- Government officials in some countries are less familiar with the potential opportunities and requirements associated with the private sector, often leading to identification of sectors with fewer or lower-quality projects. This reflects an important distinction between public and private sector projects within the CIF investment plan framework. In public sector projects the beneficiary of the funding is also the body with which the MDBs work to identify priorities. But for private sector projects there can be greater distance between those responsible for identifying priorities and those who receive funding.
- There are (perceived) long time lags between when opportunities are first identified in preparation of an investment plan and when project approval might be secured. This can deter interest of potential private sector entities. Moreover, the time lags mean that market conditions and client business needs can change significantly but the CIF is not always able to nimbly respond.

BOX 6. TURKEY SUSTAINABLE ENERGY FINANCING FACILITY (TURSEFF) CONNECTED PRIVATE SECTOR INVESTORS WITH LOCAL BANKS

Turkey identified the need to support sustainable energy investments as a key element of its CTF investment plan. This was achieved by providing backing to TurSEFF, EBRD's facility that provides funding, via local partner banks, to business and households to help them decrease their carbon footprint by reducing energy wastage. It supports energy efficiency and small-scale renewable energy investments, including geothermal, solar, biomass, and biogas.

The facility has financed technical assistance to local banks to allow them to build up their business, and develop a strong project pipeline, by:

- deploying a team of consultants who trained and assisted the partner banks and also the beneficiary companies in identifying energy efficiency projects, lending operations, and associated procedures (legal, environmental, etc.);
- conducting workshops for engineers and business owners, some followed by walk-through audits, as well as capacity-building workshops on the energy efficiency business model for clients of partner banks and for business associations of relevant industry sectors; and
- conducting two major supplier events that shared suitable technical and financial models of sustainable energy financing, and provided a platform of exchange between potential investors, technology suppliers, and TurSEFF partner banks.

Following these efforts to build capacity and project pipelines, TurSEFF is now rapidly rolling out loans to the private sector. It has already exceeded expectations, securing \$161.6 million of private sector finance compared with an expected \$135.5 million. Turkish banks have now asked for further funding, leading to the Mid-size Sustainable Energy Financing Facility (MidSEFF) which is projected to secure funding of \$1.5 billion through the MDBs and other international financial corporations. This is being developed without CTF resources, allowing the CTF resources to be re-oriented to the more challenging residential energy efficiency sector.



BOX 7. PROMOTING PRIVATE SECTOR INTEREST IN GEOTHERMAL DEVELOPMENT

Kenya began engaging with the private sector from the early planning stages of its SREP investment plan, particularly with the Kenya Private Sector Alliance (KEPSA), which represents 75 percent of Kenya's private sector enterprises.

The Menengai Geothermal Field Development project being implemented by the AfDB and World Bank alongside Kenyan authorities, is a good example of how public funds can help defray risks to encourage greater private sector investment:

- Before the SREP plan was introduced, the government considered a fully private development of the

Menengai field, but found drilling risk to be a barrier to private sector investment.

- SREP funds are being used to assess the profitability of geothermal steam wells, mitigating these risks.
- The project has been established using public private partnerships (PPPs), with ultimate energy production and sales managed by private sector entities.

As a result, more than 20 companies have now expressed interest in developing confirmed geothermal steam wells at Menengai.

- A perception exists that the CIF project approval process is not flexible enough to respond to changes in market conditions without going through an amendment or revision process that can take time and involve transaction costs.
- Within the CTF, there are difficulties in accessing sufficient grant resources to support readiness activities that might improve the enabling environment for private sector investment.
- The country-based structure of preparation of investment plans in the CIF could lead to a focus on countries where the private sector appreciation and capacity to respond to climate change may be restricted. Regional opportunities, which may be particularly important for larger-scale investors, could also be ignored.
- It has been difficult to match the degree of concessionality, pricing flexibility, and risk exposure needed to leverage private sector investment (especially in poorer enabling environments) with the risk appetite of CIF donors and the capacity/readiness of the MDBs' private sector arms to provide concessional resources to private sector projects.

The CIF aims to meet some of these challenges by establishing explicit private sector funding windows in both the CTF and the SCF. These funds are intended to

increase the flexibility of CIF programs in responding to changing investment conditions and opportunities.

The CTF Dedicated Private Sector Programs comprise thematic interventions that—independently of country envelopes—are specifically targeted at the private sector.

They are intended to complement the country-led investment plan approach by identifying opportunities for quick and large-scale private sector financing opportunities within CTF countries that complement strategies set out in country investment plans. Two Dedicated Private Sector Programs have been agreed to date: the Utility Scale Renewable Energy Program has been allocated \$115 million to catalyze a global funding effort to scale up renewable energy, with an initial focus on geothermal resources. The Renewable Mini-grids and Distributed Power Generation Program has been allocated \$35 million to leverage private investment to promote the widespread development of renewable energy mini-grids to serve rural and under-served off-grid communities (Climate Investment Funds, 2013g). Within these resource envelopes, it is intended that, within a year, the MDBs: agree on a (geographically balanced) allocation of the resources, guided by the MDB Committee; identify qualifying projects in CTF countries; and seek and receive Trust Fund Committee funding approval. The first round of resources allocated to the Dedicated Private Sector Programs will be used to promote geothermal opportunities in Turkey and Latin America as well as mini-grids in Asia.

In the SCF, each program now has a private sector set-aside with cumulative allocated resources of \$135 million across three SCF programs. An overall envelope of \$56 million for the FIP, \$70 million for the PPCR, and \$90 million for SREP has been set aside. Private sector projects within each country where there is a relevant SCF program are invited to bid for these resources, working in concert with an MDB. In the first round of bidding, 30 project ideas were brought forward (about equally spread across the three programs), of which 15 were approved for a total project value of \$135 million. These include five FIP initiatives in Brazil, Burkina Faso, Ghana, and Mexico; four SREP projects in Honduras, Kenya, Mali, and Nepal; and six PPCR projects— one each in Haiti, Jamaica, Mozambique, and Saint Lucia, and two in Tajikistan.

There are early signs of success from this approach:

- The U.K. government announced in 2013 an additional \$330 million financing for the CTF Dedicated Private Sector Programs, a large part of which will likely be used for scaling up the two existing programs, expanding their geographic reach to all CIF countries (not just CTF countries), and potentially funding the implementation of new programs.
- Four SCF projects with private sector set-aside funding have already received funding approval from the relevant SCF Sub-Committee;
- In the case of the set-asides, both the SREP and PPCR Sub-Committees ran in early 2014 a second round of programs with the resources remaining from the first round.

3.3.3. Future challenges

Despite some successes, the CIF will need to grapple with a number of challenges to further its engagement and leverage of the private sector, while maintaining design aspects vital to its success. These may include balancing the terms and conditions of its financial instruments with the risk appetite of its donors; increasing transparency of the terms on which CIF resources are provided to the private sector; broadening the geographic and country focus of the CIF to match areas of greatest opportunity for the private sector; and ensuring that there is sufficient

technical support to facilitate improvements in the enabling environment that can improve the viability of private sector investments.

A key issue concerns the CIF’s ability to offer a range of financial instruments on terms sufficiently attractive to private investors. Venugopal et al. (2012) find that the bulk of climate finance provided by some key institutions (including the CTF) is in the form of concessional debt, and that a wider range of instruments—including equity, subordinated-loan, and guarantee products—could help attract greater private capital flows. In principle, the CIF can provide many of these instruments but has not often done so, for reasons discussed further on. For example, within the CTF, guarantees have been used only in two projects.

The CIF has echoed these findings in its earlier learning products. For instance, it found that: the minimum price floor on instruments offered through private sector operations of the MDBs was limiting uptake, especially in least developed countries; the restrictions placed on the amount of CIF funds that can be subordinated has reduced flexibility and affected the ability to meet client needs; and the inability of the CIF to provide local currency lending typically decreased the subsidy element of CIF resources (Climate Investment Funds, 2011b). Stakeholders interviewed for this report cited similar findings.

The CIF is trying to address these challenges. In 2012, the Joint Meeting of the CTF and SCF Trust Fund Committees explored an expansion of the financial products and mechanisms offered to further engage the private sector, leading to a commitment to:

- support the greater use of riskier financial instruments, potentially including equity and quasi-equity, where there is appetite among donors and other stakeholders;
- ensure that the full range of CIF financing tools is utilized; and
- increase the share of CIF financing to private sector investments. (Climate Investment Funds, 2011b)

Likewise, the CIF has also recently committed to supporting local currency lending. In early 2014 the CTF Trust Fund Committee approved the use of CTF resources

to provide hedging instruments and guarantees to facilitate local currency lending (Clean Technology Fund Trust Fund Committee, 2014). The use of these resources has been made subject to a number of constraints, including caps on their cost, and thus it remains to be seen how successful the uptake will be.

Ultimately the extent of CIF flexibility and diversity depends on the risk appetite of its donors and, in turn, the type of capital that they provide. Donors need to make hard choices. While cultural barriers or internal incentives/barriers within the MDBs may help to account for the prevalence of concessional debt within CIF-financed operations (Nakhooda & Amin, 2013), ultimately the risk appetite of its donors is a key determining factor in the use of CIF resources. For example, the equity program of the DPSP was deferred due to uncertainty about the level of risk that it would place on donor funds. In turn, the form in which financial inputs are provided to the CIF has a direct effect on the types of financial inputs it can provide to projects. The CIF is able to take riskier positions or supply more heavily concessional products only if available capital can bear that risk.

These problems are compounded when different donors provide different forms of capital. This can lead to concerns by donors who in principle could tolerate more risk that they may cross-subsidize the lower risk tolerance of others. Donors may face a trade-off between the risk that they are willing to bear and the likely success in leveraging substantial volumes of private sector capital, especially in less favorable enabling environments.

The CIF is developing an Enterprise Risk Management system that should give greater visibility of the risk exposure of the CTF and SCF at an aggregate level. This involves the identification of key risks that the CIF may face (strategic, operational, and financial), and hence allows the development of appropriate mitigation strategies to respond to those risks. This should help inform decision making about the risk composition that donors are willing to bear in the CIF portfolio.

Further attention to providing assurance over least concessionality may be required. The provision of concessional resources to individual private sector projects is controversial. It raises the possibility that markets may be distorted as individual firms benefit from subsidies

while competitors do not. Especially in countries with stronger enabling environments, there also may be a risk that concessional public money is used to finance projects that private resources would otherwise have supported. To address these concerns, CIF private sector operations have developed internal assessments of the appropriateness of the use of concessional funds. In addition, they follow the principle of least concessionality: providing the minimum level of subsidy necessary to make the project viable. Typically, the MDBs have developed internal processes to give effect to this principle. For instance, the IFC ensures that all financing involving concessional resources is reviewed by a team not involved in the operational aspects of the project and is subject to approval by a specially formed committee. However, commercial confidentiality concerns mean that the specific terms for individual transactions are not made public. Some stakeholders have said that this lack of transparency could create reputational risk for the CIF since there is limited external verification of the principle of least concessionality. To address these challenges, the CIF may need to explore additional means of providing information, at an appropriately aggregated level, on the degree of concessionality embedded within CIF-supported investments.

The explicit national focus of investment plans may hinder private sector investment. The country-based investment plan approach of the CIF may not identify the countries where the scope for private sector investment is greatest. This is a different angle on the same dilemma regarding country choice referred to elsewhere in this report. Equally, with the exception of the explicitly regional plans, investment plans do not allow for regional projects which may offer the scale that some private sector investors (for example, institutional investors) require. The recent agreement to expand the DPSP to allow consideration of project opportunities from all CIF countries—not just CTF countries—will partly remedy this, although this remains only a small proportion of the CIF's total resource envelope.

Within the CTF, increasing the availability of grant resources to support enabling activities may also promote greater private sector investment in the longer term. Integrating these activities within a large-scale investment program is more likely to increase the likelihood of success of both the investment and the reform programs attached to them.

3.3.4. Key findings/lessons

1. Partly as a result of its design, the CIF has been successful in attracting co-finance from a diverse range of providers.

The MDBs, the private sector, bilateral donors, and national governments have all provided co-finance to CIF-funded projects. The CTF expects to attract the largest amounts of co-finance for projects already approved, although overall rates of co-finance per dollar of CIF investment are expected to be highest for the SREP. With \$6 billion, the MDBs will contribute the largest amount of co-finance, with the private sector and national governments also contributing significantly. The design of the CIF has facilitated this. The MDBs were deliberately chosen as implementing partners so that they would provide co-finance, and their private sector divisions could bring in private sector co-financing. At the same time, the leading role played by national governments in the investment planning phase enables the identification of projects that they wish to support with their own resources.

2. The CIF has achieved some notable successes in leveraging private sector finance with more than \$4.5 billion of private sector co-finance expected from currently approved projects,

as discussed in section 3.3. The CIF has been able to do this, particularly in the CTF, through absorbing risks, investing in complementary infrastructure, promoting a stronger regulatory and policy environment, and defraying some of the transaction costs and information barriers that the private sector would otherwise face.

3. The CIF has learned valuable lessons about finding better ways to leverage the private sector, and has responded by changing its design.

Despite some

successes, various MDB and other stakeholders have suggested that there is greater scope for private sector leverage in the future. For instance, the initial CIF operating model as the investment plan focus may have hindered responsiveness to investment opportunities and sometimes led to national governments allocating most CIF resources to public sector projects (Climate Investment Funds, 2011c). This has led to Dedicated Private Sector Programs under the CTF and the SCF set-asides, explicit private sector windows that have procedures to reduce the time between the initial project identification and CIF resources being invested. The CIF accordingly allocates more resources to private sector opportunities than ever before. There are already signs of success from this innovative new design, with a number of projects receiving financing and donors providing additional resources.

4. Key challenges remain in achieving a further scale-up of private sector investment.

Paramount among these is the need to reconcile two competing concerns. One is the degree of risk and concessionality of CIF resources that may be needed to engage the private sector (especially in less favorable enabling environments). The other is the need to align the risk profile of the portfolio with donors' overall risk appetite. Achieving effective portfolios may require donors to accept a greater level of risk exposure than they have been willing to accept to date. Also, while respecting the need for commercial confidentiality, greater transparency in the application of least concessionality may boost confidence in the CIF's relationship with the private sector. Increasing the opportunities to combine capital investments with grant support to improve the enabling environment could also encourage private sector investment.



Photo: Thomson Reuters Foundation

4. LEARNING BY DOING TO ACHIEVE RESULTS

One of the key objectives of the CIF was to show the results that could be achieved when climate finance was provided at scale. This section considers the extent to which these results are beginning to be realized, recognizing that, in many cases, implementation is only at its early stages. It considers the framework by which the CIF measures results; progress against this framework; and some of the themes that are emerging as the CIF moves toward implementation. In addition, from its initial conception, the CIF has been considered a body that provides knowledge and promotes learning around the practical challenges of delivering climate finance. The following also explores this experience—a key intended result of the CIF.

4.1 REPORTING RESULTS FROM THE CIF

4.1.1. *The CIF approach to results measurement*

Results measurement is crucial to climate discussions.

It has become an important aspect of international climate finance discussions since the Bali Action Plan introduced the discussion of “measurable, reportable, and verifiable nationally appropriate mitigation commitments or actions.” Monitoring and evaluating climate-related interventions provides data to inform real-time program adjustments and improve implementation; improves the transparency of actions; helps to build trust between pilot countries, donors, and implementing entities; and provides evidence to inform decisions on costs and benefits of future actions.

The CIF has undertaken a substantial revision to its results framework, which provides a unifying structure for reporting the impact of CIF-funded projects. Each program has a dedicated results framework specifying

between two and five core indicators that must be reported on by all countries in order to develop common reporting practices and to make comparative management decisions possible.

- Each results framework is based on a logic model that: outlines how the fund uses its resources through particular types of projects; broadly defines the intended outcomes at the country level, which can potentially be tied to quantifiable results; and ultimately concludes with the long-term global impact that is sought.
- The core indicators that are to be collected in all CIF countries are based on the measurable goals at the country level (see Table 2). A slightly different approach is taken for the FIP: Countries are required to report on two common themes—GHG emission reductions or enhancements of carbon stocks, and livelihoods co-benefits—as well as on a range of relevant co-benefits themes as applicable to their investment plans. It also requires a narrative on a range of further themes.

Table 2. The CIF has identified objectives and indicators for the CTF, PPCR, and SREP and reporting themes for the FIP

PROGRAM	PURPOSE	OBJECTIVES	INDICATORS
CTF	Monitor and evaluate progress in achieving a transformed low carbon economy	<ol style="list-style-type: none"> 1. Avoid GHG emissions 2. Increase finance for low carbon development 3. Increase supply of renewable energy 4. Increase users of low carbon public transport 5. Increase energy efficiency 	<ol style="list-style-type: none"> 1. Avoided or reduced GHG emissions (tCO₂e) 2. Direct finance leveraged (\$MM) 3. Installed capacity (MW) 4. Number of additional passengers (millions of people) 5. Annual energy savings (GWh)
PPCR	Monitor and evaluate progress in achieving increased resilience of households, communities, businesses, sectors and society to climate variability and climate change and improved climate-responsive development planning	<ol style="list-style-type: none"> 1. Adaptive capacities strengthened 2. Institutional frameworks improved 3. Climate information in decision making routinely applied 4. Sector planning and regulation for climate resilience improved 5. Climate-responsive investment approaches identified and implemented 	<ol style="list-style-type: none"> 1. Number of people supported by the PPCR to cope with the effects of climate change 2. Degree of integration of climate change in national, including sector, planning 3. Extent to which vulnerable households, communities, businesses and public sector services use improved PPCR-supported tools, instruments, strategies, activities to respond to climate variability and climate change 4. Evidence of strengthened government capacity and coordination mechanism to mainstream climate resilience 5. Quality of, and extent to which, climate-responsive instruments and investment models are developed and tested
SREP	Monitor and evaluate progress in achieving support for low carbon development pathways by reducing energy poverty and increasing energy security	<ol style="list-style-type: none"> 1. Increase access to clean energy 2. Increase supply of renewable energy 	<ol style="list-style-type: none"> 1. Annual electricity output from renewable energy as a result of SREP interventions (GWh) 2. Number of women and men, businesses and community services benefiting from improved access to electricity and fuels as a result of SREP interventions
FIP	<p>Common themes:</p> <ol style="list-style-type: none"> 1. Greenhouse gas emission reductions and avoidance; enhancement of carbon stocks 2. Livelihoods co-benefits 	<p>Other relevant co-benefit themes:</p> <ol style="list-style-type: none"> 1. Biodiversity and other environmental services 2. Governance 3. Tenure, rights, and access 4. Capacity development 	<p>Narrative themes (to be reported annually by all FIP countries):</p> <ol style="list-style-type: none"> 1. Theory of change 2. Contribution to national REDD+ strategies and equivalents 3. Bilateral and other support; government's perspective on link with DGM 4. Highlights and showcases 5. Plus range of other potential themes not on an annual basis

Note: In relation to the FIP, countries are obliged to report on the two common themes and can then also report on a series of further co-benefit themes according to the focus of the investment plan. There is no requirement to report against a specific set of indicators, although a list of indicators will inform the mid-term and ex-post evaluation of FIP countries.
Source: CIF Administrative Unit

- Outputs and outcomes at the project level can be nationally specific but should contribute to the global indicators (themes).

In addition, this framework incorporates an annual “work plan” which assigns responsibilities and deadlines to participating MDBs and countries, as well as the CIF Administrative Unit. This provides a platform to assign responsibilities specific to each CIF program, and includes establishing baselines, reporting core indicators, and assessing how the CIF monitoring and reporting framework has been incorporated into each country’s own reporting schemes.

The development of this revised results frameworks shows the CIF learning from experience. The new frameworks address feedback from pilot countries and the MDBs. Previous approaches were criticized for being too complicated, having too many indicators, and requiring information that was not routinely collected. While some stakeholders have expressed concerns about the time taken to develop the new frameworks, it is also recognized that measuring climate change results is challenging and that the CIF has made considerable progress. As DFID notes, “The detailed process to design the results framework [is] likely to drive forward results management in the climate change field” (DFID, 2013b). For example, the CIF has developed monitoring and reporting toolkits for all four programs, refined through an iterative and participatory process incorporating feedback from countries and MDBs, as well as online resources, training, and a virtual community of practice for monitoring and evaluation specialists in the field. The benefits of this progress have been particularly significant in the PPCR, where it can be very difficult to separate development impacts from climate resilience, and where the CIF has made considerable advances in understanding how to measure the impact of adaptation activities.

Further developments will be required over time. While there are consistent logical frameworks and results indicators at the program level, implementation is less consistent at the level of the investment plan. Thirty out of 33 SCF investment plans have their own specific results framework, but only one out of 16 CTF investment plans had its own framework (ICF International, 2013), although this figure may be explained by CTF plans preceding the establishment of the results measurement framework. The first round of CTF results reporting in October 2013 revealed

that harmonizing the MDBs’ GHG accounting frameworks also needs to progress to ensure the credibility of the CIF results reporting. For instance in Turkey, the World Bank uses for its projects a build margin¹⁷ of 1.03 tCO₂/MWh to calculate emission reductions, whereas the EBRD uses a grid average of just over half of this at 0.6 tCO₂/MWh.

4.1.2. Early results

The CTF has been particularly successful at attracting external finance and expanding generation capacity from renewable sources. (See Table 3.) CTF projects have leveraged \$3.5 billion and led to an increase of almost 1.7 GW in installed renewable power capacity to date. These account for between 20 and 30 percent of the total result expected from currently approved projects. Discussions with the MDBs suggest that these figures may be underestimates since a conservative approach was taken when reporting these results at the project level.

Turkey provides a strong example of where rapid progress has been made. Within the three CTF projects in Turkey, over \$1.4 billion of CIF and co-finance funds have been disbursed, in part through local partner banks and in part directly to private leasing companies. By the end of June 2013, accomplishments included (Climate Investment Funds, 2013k):

- The Private Sector Renewable Energy and Energy Efficiency Project (PSREEE), implemented by the IBRD, had led to investment of approximately \$930 million.
- The Turkey Private Sector Sustainable Energy Finance Facility (TurSEFF), implemented by the EBRD, had disbursed approximately \$450 million.
- The Commercializing Sustainable Energy Finance (CSEF) I program, which includes three sub-projects and is implemented by IFC, had disbursed approximately \$60 million.

These three projects collectively contributed to saving over 1.3 million tons of CO₂ equivalent per annum, representing 0.6 percent of Turkey’s annual GHG emissions.

17. Build margin calculates the emission reductions by reference to the cohort of power units whose construction would be displaced by the proposed project, while grid average measures the emission reductions by reference to the average emissions intensity of the existing grid.

Table 3. While it is early to expect results from longer-term projects, the CTF has made progress on four out of five of its key indicators

INDICATOR	ACHIEVED TO DATE	LIFETIME TARGET FOR PROJECTS REPORTED	PERCENTAGE OF TARGET ACHIEVED TO DATE
GHG emissions reduced or avoided (MtCO ₂ e)	14.4	722.5	2%
Direct finance leveraged (\$million)	3,528	16,557	21%
Installed capacity (MW)	1,696	6,354	25%
Number of additional passengers (millions of people)	0	60.5	0%
Annual energy savings (GWh)	6,819	100,535	5%

Source: Clean Technology Fund Trust Fund Committee (2013)

PPCR progress on the ground is emerging. The PPCR has a pipeline of 67 projects, with a total of \$1 billion in indicative PPCR allocations. By the end of December 2013, the MDBs had approved 31 projects, for a total of \$523 million, which are expected to leverage \$788 million in co-financing from other sources. Eight of these, with a total PPCR investment of \$25.6 million, are at the implementation stage.

- In Cambodia, \$17 million has been committed to enhancing resilience to extreme weather events of 157 km of roads vital to local communities for travel and trade, for which civil contracts are to be awarded in May 2014.
- \$100 million has been approved and initial information- and tool-sharing workshops and webinars have been held for the improvement of storm management systems, adaptation planning, and regional climate monitoring in six Caribbean island nations.
- In Niger, \$63 million is supporting micro-projects, the first of which are up and running, to increase agricultural yields, rehabilitate land, protect community facilities, and provide cash transfers, to directly benefit 180,000 households (of which 60 percent of the beneficiaries are women).
- In Bangladesh, a \$25 million grant for the Coastal Embankment Improvement Project will support efforts to build cyclone shelters, strengthen early warning systems, and upgrade 600 km of embankments, to provide direct protection to 760,000 people.

While there has been no systematic collection of data on FIP projects to date, key projects are beginning to deliver results. The FIP has a pipeline of 24 projects within eight

investment plans, with \$420 million in indicative allocations. The MDBs have approved funding of \$106 million to support six projects of which two, with a total FIP investment of \$1.1 million, were being implemented by late 2013. These projects will produce tangible benefits:

- In the Democratic Republic of the Congo 30,000 improved stoves are to be distributed and support given to 20,000 micro-enterprises.
- In Mexico, the \$42 million Forests and Climate Change Project will improve livelihoods of 4,000 forest communities through small-scale, community-managed initiatives.

In addition, expected future results from FIP projects include:

- In Ghana, 12,000 people, of which 50 percent are women, are expected to receive capacity-building support, seeds and equipment, and financial incentives through benefit-sharing agreements to develop forestry, agroforestry, and alternative livelihood activities.
- In Brazil, \$70 million of FIP investments will support initiatives including early warning systems for fire prevention and land protection in the Cerrado biome.
- An anticipated poverty reduction of 10, 6, and 5 percent in project areas in Ghana, the Democratic Republic of Congo and Burkina Faso, respectively.

Project approval and implementation levels for the SREP are lower than for the other programs and, accordingly, most of its results will be realized in the future. The SREP

has endorsed a pipeline of 28 projects with allocations of \$340 million, of which three have been approved by partner MDBs, for a total of \$45 million. These three projects are expected to leverage \$478 million in co-financing and contribute 250 MW in new renewable energy capacity (Climate Investment Funds, 2013a). Among the expected benefits of the SREP are:

- In Kenya, the Menengai Geothermal Development Project expects to utilize \$25 million of SREP funds to reduce exploration and drilling risks that it is expected will facilitate an additional 400 MW of grid capacity by 2017, thereby increasing access to electricity for 500,000 households and 300,000 small businesses, and averting 2 million tons of CO₂ emissions annually.
- In Honduras, the Sustainable Rural Energization project is expected to improve the energy access of 100,000 people, with 50,000 households gaining access to a clean-cooking stove.
- In Mali, increased solar photovoltaic and biofuel mini-grids are expected to increase power generation capacity by 4.5 MW over five years.
- In Tanzania, CIF resources are expected to catalyze 100 MW of geothermal power capacity to improve the access to electricity of 7 million people.
- In Nepal, off-grid mini- and micro-hydropower plants are expected to provide electricity to 500,000 households (Climate Investment Funds, 2013h).

4.1.3. Challenges as the CIF continues implementation

As implementation steps up, the challenges faced by the CIF will change. To date, most of the CIF's focus has been on developing broad-based, nationally owned investment plans that deliver on the respective mandates of the programs. This is a process in which the CIF has achieved considerable success, as well as contributing significantly to collective knowledge on the best ways to program climate finance resources. As the CIF focuses increasingly on implementation, new challenges will emerge. Stakeholders identify two in particular.

- **The complexity of many of the CIF's projects will demand continued close attention from the MDBs and pilot-country governments.** As shown by their MOPAN scores (Figure 7), the MDBs are well practiced in managing the implementation of strategically important investments in challenging enabling environments. However, the additional complexity and risk of some CIF projects (which accounts for their need for concessional finance in the first place) may demand particular management focus from the MDBs. These risks and challenges include a focus on relatively new and untested technologies (at least in that geography) or the need to promote cooperation across a wide range of government departments. Indicatively, projects in countries as diverse as Samoa (West Coast Road project), Mexico (Urban Transport Transformation Project), and Kenya (Menengai Geothermal Power Project) have all reported planning and implementation challenges.
- **It will be important to maintain the CIF's programmatic focus.** A number of stakeholders suggested that as the CIF moves toward implementation, it will inevitably need to increase focus on individual projects. It will thus be challenged to ensure continued focus on its programmatic approach. They indicated that there is a need for the CIF to regularly assess the strategic priorities within the country and determine whether there is a need for amendments or iteration—even if these are not to be funded by the CIF—to ensure that the overall objectives of the investment plan continue to be delivered. Such periodic “refreshes” could be facilitated through joint missions between the relevant MDBs. The assessments could build on the existing expectation that investment plans are reviewed every two years in cases where there are problems with disbursement.

4.2 A KEY RESULT: LEARNING AND KNOWLEDGE SHARING

Learning and knowledge sharing is central to the approach of the CIF. Stakeholders have described the CIF as a “living laboratory” to understand in a concrete and practical way what works and what does not when it comes to providing climate finance at scale. As Radner (2010) notes:



Because the climate change problem is simultaneously local, national and global, because all actors need to be mobilized, and because learning is essential, the CIF seeks to operate as a complex global learning network.

This approach to learning can be seen in the significant changes that have been made to the CIF operating model over time, as stakeholders learn from success and failure.

Various examples are evident from discussion elsewhere in this report, including:

- the development of the DPSP and private sector set-asides in an effort to overcome some of the challenges in the investment plan framework that threatened to impede leverage of private sector investment;
- the introduction of over-programming in the CTF and SREP in order to facilitate faster project development and increase disbursement;
- the evolution of the results management framework in response to concerns that the initial approach was burdensome and impractical;
- efforts to ensure that the governance arrangements that in principle give equal voice to developing country governments succeed in practice;
- the development of the concept of a lead MDB to streamline the interactions between national governments and multiple MDBs working in the same country; and
- an increased emphasis by CIF decision-making bodies on demonstrating that broad-based participation in the investment plan and project development process has been secured.

Learning has also been achieved through facilitating greater understanding of the interests of different stakeholders.

A number of interviewees indicated that the decision-making structures within the CIF help build shared understanding of the objectives that each participating party seeks, as well as the constraints that each faces. The CIF is credited with reducing the disconnect between donors and the people implementing projects on the ground.

As a result, implementers have a better understanding of what donors wish to achieve, while donors have a better understanding of the challenges associated with project implementation. Likewise, the CIF has given developing-country governments a strong platform to articulate how they wish climate finance to support their broader development objectives, while donors have been able to emphasize the importance they attach to stakeholder engagement. This greater mutual appreciation can be expected to provide a lasting benefit regardless of the future climate finance landscape, and is likely to deepen as greater implementation takes place.

Beyond this, the CIF's knowledge management program is responsible for analyzing, compiling, and transmitting knowledge gained and lessons learned. The CIF's Global Support Program (GSP) plays a key role in facilitating the principles of the knowledge management program (see Box 8) by creating links between the different countries of the CIF. In addition, the CIF's Communication Strategy guides dissemination of lessons learned between programs and

BOX 8. THERE ARE SIX CORE PRINCIPLES OF THE CIF KNOWLEDGE MANAGEMENT PROGRAM

1. The focus will be driven by needs and priorities of stakeholders, and knowledge products will be developed with interested stakeholders wherever possible.
2. The capture and sharing of knowledge will be a continuous process from country programming to project design and project implementation.
3. Discussing and documenting failures will be encouraged, with an aim to inform future activities.
4. Innovative and creative approaches to knowledge management will be adopted.
5. There will be a combination of real-time capturing and sharing of "tacit" knowledge and structured learning products such as publications.
6. Proposed knowledge management activities will require dedicated CIF funding.

(Climate Investment Funds, 2010)

projects. The strategy explicitly notes that communications should reflect a variety of experiences and lessons from the CIF, highlighting successes but also miscalculations or unintended consequences that will offer value to the international community.

Knowledge sharing within the CIF happens both at the country level and across the broader CIF and climate finance community. At the country level, investment plans and individual projects can include information-sharing and lesson-learning activities to promote understanding and appreciation of the CIF's activities among local stakeholders. Kenya provides an example of how these activities can work successfully (see Box 9). However, in other cases, these have not been as well developed, especially within the CTF, where provisions for information sharing and lesson learning have remained ad hoc even in investment plan revisions (ICF International, 2013). In recent months, there has been an explicit effort to enhance the learning component within CIF activities through a proposal to include nine evidence-based approaches to learning across the CIF project cycle, with six approaches proposed for each program. The nine approaches are: adaptive capacity assessments, cost effectiveness analysis, developmental evaluation, formative evaluation, impact evaluation, outcome evaluation, real-time learning, rapid stakeholder consultation, and vulnerability assessments.

There is also a range of activities that aim to support learning lessons across the CIF and broader climate finance community, including the following activities:

- *Pilot country meetings.* These involve representatives of CIF pilot country governments, counterparts from the MDBs, contributor country governments, and other stakeholders. The objective is to share knowledge, learn from experience in CIF implementation, and foster mutual trust and accountability. The meetings cover topics such as the development of investment plans; policy options to support particular aspects of low carbon or climate resilient development; private sector engagement; and monitoring and evaluation. More than 20 such meetings have been convened to date.
- *Partnership Forum.* The Partnership Forum takes place every 18 months and provides a space in which all stakeholders can share CIF-related information and ideas and can learn from each other's experiences

BOX 9. KENYA'S SREP PROGRAM HAS BENEFITTED FROM THE DEVELOPMENT OF THE CIF'S LEARNING INITIATIVES

Information-sharing and lesson-learning activities were proposed in the SREP investment plan for Kenya. Their main objective is to draw lessons from SREP projects so that similar endeavors can be undertaken elsewhere in the country. The activities will include:

- analysis of barriers to renewable energy development and how the SREP has addressed them;
- interviews of officials involved in the projects;
- assessment of key factors that have contributed to success or failure;
- quantifying co-benefits of renewable energy development; and
- learning lessons from the experience to guide future projects.

In addition, the investment plan also identifies support for capacity-building activities that:

- ensure that knowledge management processes provide learning opportunities for similar programs within the country and region;
- enhance the enabling environment for renewable energy production and use; and
- increase both private and public investment in renewable energy.

According to the SREP pilot country update in May 2013, capacity building has been under way, with a total of 512 officers trained (30 World Bank, 82 AfDB/SREP and 400 USAID). Additionally, it plans to develop the capacity of Rural Electrification Authority (REA) staff to supervise the installation of the proposed 59 mini-grids over the next year.

in the CIF. It serves as an important venue for independent scientific and technical results and advice to be presented. Furthermore, it is a primary setting for identifying future potential Trust Fund Committee members from contributor and recipient countries. While



the Partnership Forum is not a decision-making body, the insights presented and discussed help shape the evolution of the CIF.

- *Development of specific communities of practice.* The CIF aims to facilitate the development of specific areas of expertise with pilot country involvement. Examples include the PPCR-supported participation of hydro-meteorological practitioners in the Third International Conference on Climate Services (2013); CIF events to help understand and minimize impacts of wind power on birds and bats; and ongoing Concentrated Solar Power Dialogues organized by the CIF and the Climate Policy Initiative, targeting a wide range of policy makers, practitioners and financiers involved in CSP development. Together with the World Bank Institute, the CIF is also developing an e-course on low-emissions investment planning.
- *Learning products.* At the time of writing, over 65 products were available on the Publications by CIF Network on the CIF website,¹⁸ including fact sheets on CIF countries, information notes on how to undertake different types of analysis and implement certain tools, and assessments of past CIF experiences. New products are developed on an ongoing basis by the CIF Administrative Unit and the MDBs, in particular to address cross-cutting portfolio and program-specific learning priorities based on CIF experiences.
- *Other communication and outreach.* The CIF has significantly expanded the use of its website and blog to further increase transparency and stimulate healthy discussion about its activities. As well as posting key project and policy documents online (see section 2.3.1) and facilitating dissemination of information relevant to particular stakeholders (see section 2.3.2), the CIF blog *Voices* promotes dialogue and exchange on low carbon, climate resilient development. Posts by a variety of CIF staff and other stakeholders have aimed to enhance the user experience on the website and provide an alternative platform for readers to learn about different aspects of the CIF's work.

There have been some significant successes in the CIF's approach to learning and knowledge management,

18. <https://www.climateinvestmentfunds.org/cif/learning-and-events/Publications>

especially the pilot country meetings. Pilot country meetings have been widely recognized as providing an excellent forum for south-south exchange of lessons and ideas, with attendees crediting them with helping to build capacity of country focal points and enabling them to become champions within their countries for their CIF programs. Exit survey results suggest that 85 percent or more of attendees at the 2012 SCF pilot country events¹⁹ rated them as "good" or "excellent" (ICF International, 2013).

The stakeholder interviews conducted for this study further emphasized the value of these meetings. Respondents pointed, for instance, to how they had facilitated ongoing discussions between Tajikistan, Bolivia, and Nepal on the impact of climate change in mountainous regions on hydroelectric power. They also mentioned talks between Bolivia and Bangladesh on the appropriate institutional arrangements for embedding climate resilience. Stakeholders further noted how some of the case studies that had been developed around specific CIF interventions—such as that produced by the Climate Policy Initiative (2012) on the concentrated solar power project Ouarzazate I in Morocco—were a valuable resource, because the depth of the analysis meant that the implications for others planning similar interventions could be understood.

There may be scope for closer evaluation of the effectiveness of the learning products that the CIF provides. Some stakeholders expressed a degree of skepticism about the value of some other learning activities of the CIF. One option would be to specifically evaluate whether and how these products have supported greater knowledge sharing. This would also allow an assessment of the challenge made by some commentators that learning products to date have not all included a sufficiently frank discussion of the challenges that the CIF has encountered (Nakhouda & Amin, 2013).

4.3 KEY FINDINGS/LESSONS

1. **The CIF is entering a new phase as it shifts from investment plan and project design to implementation; some early results are already available.** Results from the CTF are most advanced.

19. Details on perceptions of the CTF events are not available due to low response rates

Approved projects have delivered more than 1.5 GW of additional renewable power capacity and directly leveraged more than \$3.5 billion of additional finance. Individual projects in key countries, such as Turkey, also show strong results. In the case of the SCF programs, most projects are at an earlier phase of development, although ambitious results are anticipated.

2. The CIF has shown the importance of developing a proportionate results framework. Its new approach has been broadly praised for supporting results management of climate finance interventions.

The initial results frameworks of the CIF were widely perceived as cumbersome and did not match closely with the data available in many countries. The revised frameworks, by contrast, are broadly recognized as being much more appropriate and also an important resource for the broader climate finance community. Continued work will be required to ensure the implementation of these frameworks in a consistent manner that supports the credibility of the CIF.

3. The shift toward implementation creates new challenges for the CIF that will require strong management by the MDBs in partnership with national institutions. Many CIF interventions are complex projects and are often being implemented in challenging environments. In itself, this demands

concerted management effort. At the same time, there is a concern that too singular a focus on individual project implementation risks losing the programmatic emphasis that has characterized the CIF to date. Managing these challenges—which are partly in tension—will require the continued focus of the MDBs and their partner national institutions. The CIF may also wish to consider whether institutionalizing mechanisms (such as periodic joint missions) could help to ensure that the CIF focuses on the right priorities within each country to deliver on its mandate.

4. Sharing knowledge and learning lessons are considered crucial aspects of the CIF. There have been several successes. These include specific information-sharing and lesson-learning activities incorporated into certain investment plans as well as some broader activities. Pilot country meetings, in particular, have been widely seen as a successful innovation in facilitating information sharing and learning as well as building capacity.

5. An evaluation of the effectiveness of the CIF's learning products might help direct future knowledge-sharing efforts. While some CIF learning products appear to have been successful, some stakeholders have questioned the effectiveness of others. A more detailed systematic evaluation of its learning products might reveal patterns that could help guide further learning activities.



Photo: ADB

APPENDIX

Table 4. The CTF and SCF have received pledges and contributions amounting to more than \$7 billion

COUNTRY	CTF PLEDGES, \$MM	SCF PLEDGES, \$MM	TOTAL PLEDGES, \$MM	CTF CONTRIBUTIONS FINALIZED, \$MM	SCF CONTRIBUTIONS FINALIZED, \$MM	TOTAL CONTRIBUTIONS FINALIZED, \$MM
Australia	86 (g)	80 (g)	166	86 (g)	80 (g)	166
Canada	199 (l)	84 (g)	283	199 (l)	84 (g)	283
Denmark	-	45 (g)	45		45 (g)	45
France	279 (l)	-	279	279 (l)	-	279
Germany	615 (l)	78 (g)	693	615 (l)	78 (g)	693
Japan	1,057 (g)	195 (g)	1,252	1,057 (g)	195 (g)	1,252
Korea	-	6 (g)	6		6 (g)	6
Netherlands	-	76 (g)	76		76 (g)	76
Norway	-	249 (g)	249		249 (g)	249
Spain	111 (c)	4 (g), 26 (c)	141	111 (c)	4 (g), 26 (c)	141
Sweden	80 (g)	59 (g)	139	80 (g)	59 (g)	139
Switzerland	-	26 (g)	26		26 (g)	26
UK	1,312 (c)	735 (c) 116 (g)	2,163	1,312 (c)	735 (c) 116 (g)	2,163
US	1,492 (g)	508 (g)	2,000	890 (g)	247 (g)	1,137
Total	5,232	2,287	7,519	4,630	2,026	6,656

Note: (g) means grant, (c) means capital, (l) means loan. Numbers based on exchange rates as of 31 December 2013.
Source: Climate Investment Funds (2013f)

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