OVERVIEW

LEARNING BY DOING

THE CIF'S CONTRIBUTION TO CLIMATE FINANCE

A Five-year Retrospective Report on the Climate Investment Funds

CLIMATE INVESTMENT FUNDS

The $8 billion 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 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.

WHY A RETROSPECTIVE?

As the CIF enters its sixth year and many of its 48 pilot countries switch gears from investment planning to implementation, it is an appropriate time to consider what the CIF has achieved so far. While not a formal evaluation, this report has benefitted from extensive reviews of documentation and interviews with key stakeholders leading to a credible identification of some of the CIF's key successes, challenges, and lessons learned, and their wider implications on global efforts to scale up climate finance.

The report considers the first five years of the CIF (from 2008 to 2013) and its impact across three themes that the CIF considers central to its mission:

FOSTERING PARTNERSHIPS through a programmatic approach

DELIVERING INVESTMENT to stimulate transformation

LEARNING BY DOING to achieve results

Full report is available at
www.climateinvestmentfunds.org/content/**learning-by-doing**

THE CIF IS FOSTERING PARTNERSHIPS THROUGH A PROGRAMMATIC APPROACH

Broad and inclusive stakeholder engagement

The CIF's pioneering programmatic approach is encapsulated in the investment plan designed by pilot countries to align with national development goals. This provides a basis for enduring partnerships across sectors and stakeholders and for supporting country ownership of activities.

Collaboration with implementing partners

The CIF emphasizes the need to engage stakeholders throughout the country—civil society, the private sector, and indigenous peoples—to maximize the design and implementation of the investment plan and to build broad-based support. Experience shows that issues can arise when stakeholder engagement is partial or ineffectual.

Partnership among the five multilateral development banks (MDBs) that implement CIF financing represents a growing area of success for the CIF. The MDBs' strong working relationship at the global level has led to improved cooperation at the country level, reducing transaction costs for many pilot countries and advancing decision making.

Open and inclusive governance

The governance arrangements of the CIF provides equal representation between developed and developing countries, consensus decision making, and active observer status for civil society, indigenous peoples, and private-sector representatives. CIF governance has been praised in helping to foster partnerships and has served as a model for other institutions.

We have had an intense consultation and participation process, including the two major Amazonian indigenous peoples groups, NGOs, and the private sector. The FIP investment planning process has taken more time than originally expected, but, in the end, has produced a more legitimate and technically strong document.

Gabriel Quijandría,
Vice Minister of Strategic Development of Natural Resources, Ministry of the Environment, Peru

FOSTERING PARTNERSHIPS

CTF CLEAN TECHNOLOGY FUND

$5.5 BILLION

Scaling up the demonstration, deployment, and transfer of low carbon technologies in renewable energy, energy efficiency, and sustainable transport

Chile, Colombia, Egypt, India, Indonesia, Kazakhstan, Mexico, Morocco, Nigeria, Philippines, South Africa, Thailand, Turkey, Ukraine, Vietnam, Middle East and North Africa Region (Egypt, Jordan, Morocco, Tunisia)

FIP FOREST INVESTMENT PROGRAM

$639 MILLION

Reducing emissions from deforestation and forest degradation, sustainably managing forests, and enhancing forest carbon stocks

Brazil, Burkina Faso, Democratic Republic of Congo, Ghana, Indonesia, Lao People's Democratic Republic, Mexico, Peru

PPCR PILOT PROGRAM FOR CLIMATE RESILIENCE

$1.3 BILLION

Mainstreaming resilience in development planning and action investments

Bangladesh, Bolivia, Cambodia, Mozambique, Nepal, Niger, Tajikistan, Yemen, Zambia, Caribbean Region (Dominica, Grenada, Haiti, Jamaica, St. Lucia, St. Vincent and the Grenadines), Pacific Region (Papua New Guinea, Samoa, Tonga)

SREP SCALING UP RENEWABLE ENERGY IN LOW INCOME COUNTRIES PROGRAM

$551 MILLION

Demonstrating the economic, social, and environmental viability of renewable energy in low income countries

Ethiopia, Honduras, Kenya, Liberia, Maldives, Mali, Nepal, Tanzania

Reserve SREP pilots: Armenia, Mongolia, Yemen, Pacific Region (Solomon Islands, Vanuatu)

THE CIF IS DELIVERING INVESTMENT TO STIMULATE TRANSFORMATION

Inspiring stakeholder trust

The CIF is succeeding in its ambition to provide climate finance resources on an unprecedented scale. Stakeholders report the scale of the CIF's (potential) disbursements is crucial in attracting the required interest of key country stakeholders, in making a significant difference in terms of risk perception and costs, and in prompting institutional change.

Attracting significant co-financing

As of the end of December 2013, CIF projects approved by the MDBs are expected to attract more than $18.2 billion of additional resources at a rate 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 rates have been facilitated by the design characteristics of the CIF, including:

- The use of the MDBs as implementing agencies with knowledge of the country-specific operating environment, which has allowed for selection of projects with a high potential for transformation and leverage
- The development of country-led investment plans that foster opportunities for partnership with bilateral development partners
- The CIF's concerted efforts to engage the private sector, including dedicated windows for private sector funding: the Dedicated Private Sector Programs for the CTF and set-asides for the FIP, PPCR, and SREP

Understanding investment risks

There is an ongoing tension between donors' risk appetite and the likely success in engaging private sector investors, especially in countries with more challenging enabling environments. 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.

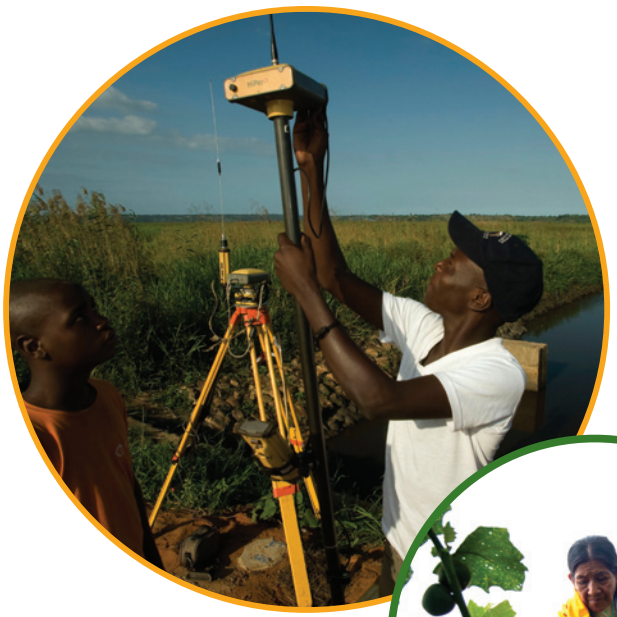
THE CIF IS LEARNING BY DOING TO ACHIEVE RESULTS

Flexibility to learn and adapt

The CIF provides a valuable repository of information on 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.

Knowledge sharing to replicate successes

The CIF places a heavy emphasis on promoting learning and sharing knowledge, achieved through learning events, knowledge reports, and online learning tools. Many stakeholders identify pilot country meetings as a particularly strong success in this regard. They provide an opportunity for different countries within each program to meet and share experiences and ideas, fostering continued south-south cooperation on a number of areas of mutual interest.



> *The CIF is a sort of living laboratory.*
>
> ***Andrew Steer***[1]
>
> *One of the founding architects of the CIF*

Streamlined monitoring and reporting for greater learning and accountability

CIF results monitoring 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.

Some early results emerging

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 less 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.

Transformation takes time

The transformational change to which the CIF aspires 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 particularly supportive. In addition, the 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 ensure environmental and social safeguards. To spur project development and disbursement, the CTF and SREP have adopted over-programming to allow more projects in the pipeline than there are resources available.

ENDNOTES

1 Andrew Steer is President, World Resources Institute; Former Special Envoy for Climate Change, World Bank; and Former Director General, Policy and Research, DFID.

www.CLIMATE**INVESTMENT**FUNDS.ORG

Asian Development Bank

European Bank
for Reconstruction and Development

Inter-American Development Bank

WORLD BANK GROUP