HOW CAN CLIMATE FINANCE SUPPORT COVID-19 RECOVERIES?

LESSONS FROM THE CLIMATE INVESTMENT FUNDS - OCTOBER 2020

CIF
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CONTENT

Deputy Operations Manager at Khi Solar One concentrated solar power plant in South Africa.

EXECUTIVE SUMMARY

The purpose of this learning brief is to share lessons and insights on how climate-related investments can support countries' COVID-19 recovery efforts, drawing on recent evidence and experience in the Climate Investment Funds (CIF). The brief aims to inform climate finance and other development policymakers and practitioners by providing insights on how programs and investments can boost green economic recovery, strengthen policies and institutions, and support vulnerable populations and social inclusion. An overview of key lessons related to these areas is presented in Figure 1.

BOOSTING GREEN ECONOMIC RECOVERY

CIF's experience and broader analyses show that climate-related investments can boost economic recovery by focusing on key sectors with strong economic multipliers and climate impacts.

KEY LESSON #1: INVESTMENTS IN CLEAN ENERGY CAN CREATE MILLIONS OF JOBS, WHILE STRENGTHENING KEY SECTORS OF THE ECONOMY, TO BOLSTER COVID-19 RECOVERIES.

Economic modeling tools indicate that CIF's Clean Technology Fund (CTF) is estimated to be contributing to at least five million person-years of employment and over USD40 billion in additional economic value (beyond project financing), generating quality jobs and stimulating economic activity in ways that can assist with recoveries. These findings are consistent with the broader international literature showing significant job and economic value creation from investments in renewable energy.

Renewable energy investments can also increase energy security and strengthen local supply chains, as shown through CIF's experience in Morocco. Investments in distributed clean energy, such as rooftop solar, can support struggling micro-, small-, and medium-sized enterprises (MSMEs) by

enhancing energy access and reliability. Climate finance investments in key renewable energy sectors have helped sustain sector growth during previous downturns, as with Mexico's wind energy sector after the 2008 financial crisis, and could play a similar role in the current context. Stimulating energy efficiency markets, as CIF helped do in Turkey, can also boost employment and productivity, while reducing costs for businesses and households negatively impacted by COVID-19.

KEY LESSON #2: CLIMATE RESILIENCE INVESTMENTS CAN STIMULATE ECONOMIC ACTIVITY AND GENERATE EMPLOYMENT TO SUPPORT COVID-19-RELATED RECOVERIES, WHILE PREPARING COUNTRIES FOR FUTURE SHOCKS.

Investments in climate adaptation can deliver significant economic outcomes and reduce harm from climate change and extreme weather events. CIF's experiences in countries such as Zambia and Mozambique show that investments in climate-resilient infrastructure provide employment and market access opportunities for remote populations negatively impacted by COVID-19. Climate-smart agriculture investments, including those that engage the private sector, can also stimulate rural economies while supporting adversely affected smallholder farmers. As seen in Mozambique and Niger, this can result in increased productivity, greater food security, and enhanced resilience to future shocks.

KEY LESSON #3: INVESTMENTS IN SUSTAINABLE FORESTRY CAN GENERATE SIGNIFICANT ECONOMIC RETURNS AND EMPLOYMENT FOR COVID-19-AFFECTED COMMUNITIES, ALONGSIDE ENVIRONMENTAL AND CLIMATE BENEFITS.

Unlocking natural capital investments can benefit people, economies, and ecosystems to help rural communities negatively impacted by COVID-19. However, there is a significant gap between the potential of sustainable forestry as a sector and its relatively small size in many places. Concessional finance and capacity-building activities can help mitigate risks to attract increased investment. As seen in CIF's experiences in Mexico and Laos, such efforts, along with others, can bolster the growth of small-, medium-, and large-scale sustainable forest enterprises. This positively impacts vulnerable forest-based households with income and livelihood options, while stimulating broader rural economies. Benefits include new jobs and financial gains for women, as seen in Mexico, where the numbers of female employees in select community forest enterprises more than tripled and annual profit-sharing returns for employees increased by over 50%.

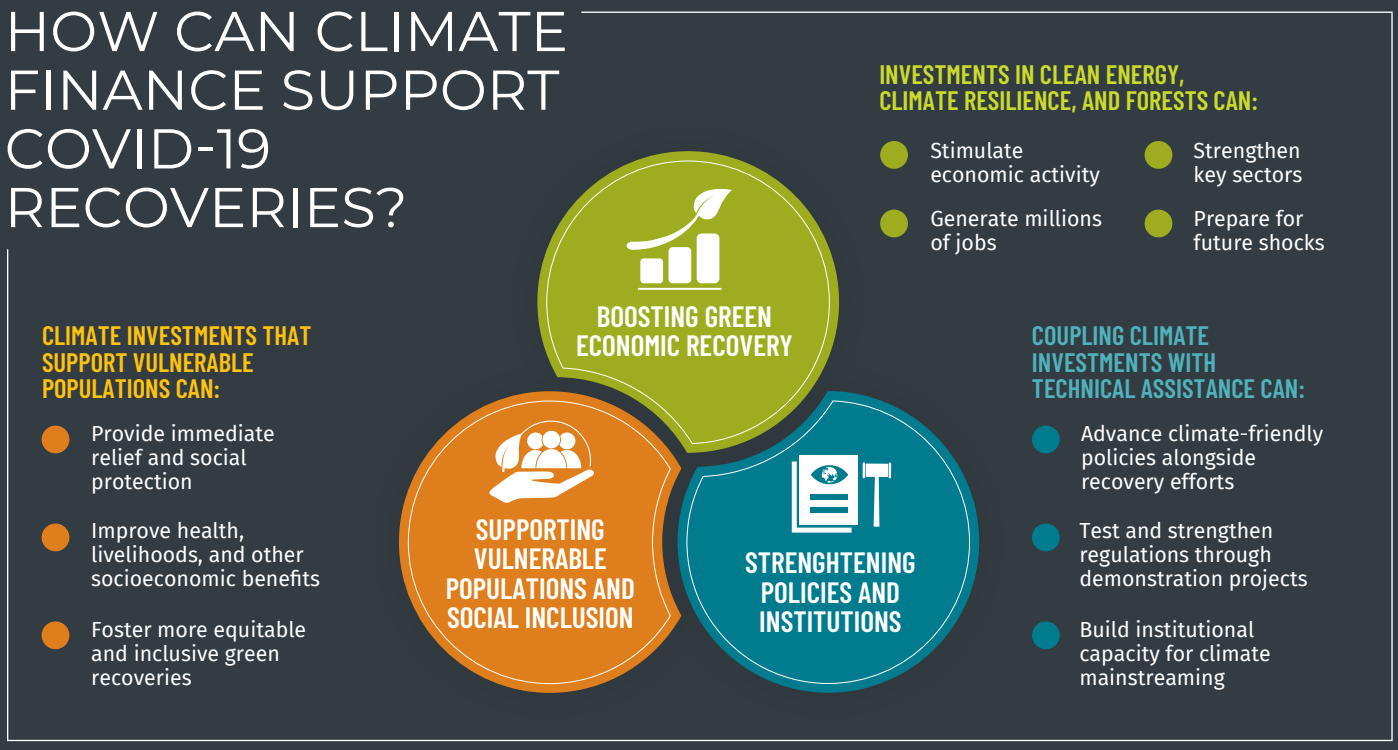
STRENGTHENING POLICIES AND INSTITUTIONS

Governments across the globe are expanding their role in response to COVID-19. Pandemic recovery efforts present an unprecedented opportunity for stimulus investments to be accompanied by climate-friendly policy reforms and more effective government institutions. Stronger policies and institutions can greatly enhance the abilities of countries to accelerate green, resilient recoveries.

KEY LESSON #4: CLIMATE-FRIENDLY POLICY REFORMS CAN BE ADVANCED BY COUPLING LARGE-SCALE FINANCIAL INVESTMENTS WITH TECHNICAL ASSISTANCE IN THE CONTEXT OF COVID-19 RECOVERY LENDING.

CIF's experience demonstrates that the provision of policy and regulatory support alongside large-scale investments can help create the necessary incentives and technical capacity to enable climate-related reforms. In Kazakhstan, for example, technical assistance led to an upgraded renewable energy law with a feed-in tariff mechanism. Combined with concessional finance to address market liquidity issues, these efforts helped to attract new investments of over USD1 billion. In Burkina Faso, FIP financing alongside governance support helped to drive the country's sustainable forestry policy agenda through the creation of a REDD+ strategy. A similar twinning of investment and policy support in relation to COVID-19 recovery lending can advance climate goals while enabling more sustainable, resilient recoveries.

Figure 1:
KEY LESSONS ON SUPPORTING GREEN RECOVERIES



A programmatic approach to investment planning can help deepen the linkages between policies and investments. In several CIF countries, strategies for enacting new policy and regulatory reforms were developed synergistically alongside a series of supportive investments. In the current context, climate-related investments can provide a demonstration effect to help prove the viability of new climate policies, enhancing buy-in for adoption during COVID-19 recoveries. As shown in CIF's experience in Mozambique, where investments in climate-resilient roads combined with technical assistance spurred new country-wide standards, or globally in sectors such as geothermal energy, these investments help to test, strengthen, and promote broader uptake of new policies and regulations. Similarly, given the large role of multilateral development banks (MDBs) in both climate and COVID-19 recovery financing, the provision of policy and regulatory support through MDBs in the context of green recovery lending can help promulgate broader climate-friendly policies and investments in client countries.

KEY LESSON #5: INSTITUTIONAL STRENGTHENING EFFORTS CAN HELP GOVERNMENTS AND FINANCIAL INSTITUTIONS TO SUPPORT EFFECTIVE COVID-19 RECOVERIES, WHILE MAINSTREAMING CLIMATE ACTION.

Similar to climate change, the pandemic impacts all sectors, highlighting the need for well-coordinated, whole-of-government approaches. CIF's experiences in Zambia, Brazil, Morocco, and elsewhere suggest that strengthening ministries with the convening power to address multi-sectoral crises like climate change and the pandemic can help in orchestrating effective, integrated response strategies. Technical assistance and capacity building, which have helped country institutions accelerate progress on climate and development goals in key sectors while also adapting to new challenges, can similarly assist current recoveries. Strengthening the capacity of local governments at the provincial, district, and community levels can also help to strengthen front-line responses to climate and COVID-19-related challenges.

Channeling climate finance through national and local financial intermediaries, as in the case of Tajikistan and elsewhere, can boost COVID-19-affected small businesses and households through access to finance and reduced borrowing costs. It can also strengthen financial institutions, crowd in private sector investment, and broaden the scale and reach of climate-friendly investments and services. Concessional finance investments and technical assistance can especially help financial intermediaries to better understand new climate-related business opportunities, and to develop and pilot new products. Evidence-based learning within and among institutions and broader stakeholder networks provides important feedback loops that can further strengthen policies, institutions, and investments to support green recoveries.

SUPPORTING VULNERABLE POPULATIONS AND SOCIAL INCLUSION

The COVID-19 pandemic and the climate crisis are exposing and deepening persistent inequalities. Without dedicated efforts, these twin crises will continue to have worsening impacts for the world's most vulnerable populations. CIF's experience shows that targeted green recovery investments can help by generating important social and economic benefits for disadvantaged groups.

KEY LESSON #6: CLIMATE-RELATED INVESTMENTS CAN IMPROVE HEALTH, LIVELIHOODS, AND OTHER SOCIOECONOMIC OUTCOMES FOR VULNERABLE HOUSEHOLDS AND COMMUNITIES DISPROPORTIONATELY IMPACTED BY COVID-19.

Short-term livelihoods and cash transfer programs offer immediate relief and social protection for vulnerable communities. For example, Payments for Ecosystem Services (PES) have been shown to increase food security and other socioeconomic areas for at-risk populations in Burkina Faso and Mexico, in addition to improving forest conservation. Such PES schemes can deliver similar benefits to vulnerable groups during COVID-19 recoveries. Likewise, community-driven development models to enhance climate resilience among vulnerable populations, as implemented in Zambia, can also complement poverty alleviation and social protection programs to support COVID-19 recoveries.

Investments in low-carbon energy access have helped to improve health, education, and livelihood opportunities for underserved communities struggling in the COVID-19 context. This is seen in CIF investments in Nepal and Honduras, where productive use of energy is supporting rural enterprises and enabling essential services in remote areas, including access to functioning healthcare facilities amid the pandemic. Clean energy investments, such as in renewable energy, sustainable transport, and clean cookstoves, can also decrease the susceptibility of poor households to COVID-19 and other respiratory illnesses by reducing exposure to outdoor and indoor air pollution.

Within the area of climate resilience, strengthened hydromet and climate services (HMCS) enhance disease surveillance, early warning systems, and socioeconomic decision-making through access to improved information and analysis. This can help to mitigate the impacts of COVID-19 and future pandemics among at-risk populations. Finally, natural capital investments can help to reduce the incidence and spread of zoonotic diseases such as COVID-19, along with other health and livelihood-related impacts for disadvantaged communities.

KEY LESSON #7: DEDICATED SUPPORT TO INDIGENOUS PEOPLES, WOMEN, LOCAL STAKEHOLDERS, AND OTHER VULNERABLE OR MARGINALIZED GROUPS CAN REDUCE ADVERSE COVID-19 IMPACTS, WHILE FOSTERING MORE EQUITABLE AND INCLUSIVE GREEN RECOVERIES.

Indigenous peoples and women are particularly vulnerable to climate change and COVID-19-related impacts. Targeted programs to support and empower these groups can provide emergency relief, while building greener, more inclusive recoveries. CIF's Dedicated Grant Mechanism (DGM) for Indigenous Peoples and Local Communities (IPLCs), an innovative USD80 million program designed by and for IPLCs, is a powerful example that is generating compelling

outcomes related to inclusion, livelihoods, and forest preservation. Prioritizing gender equality in climate responses and including women's groups in the planning and implementation of investments can similarly enhance gender impact and produce broader development outcomes relevant to pandemic recoveries, as evidenced in CIF investments in Tajikistan.

Ensuring that local stakeholders engage with and benefit from climate-related recovery investments can help vulnerable local groups during the COVID-19 recovery period, while boosting longer-term climate and development goals. Inclusive engagement in investment planning is especially key for amplifying local benefits and creating support networks that can help sustain climate action in the face of COVID-19-induced disruptions. Leveraging civil society, youth, and other groups through capacity building and roles in project implementation, as shown in Cambodia and Mexico, can strengthen local responses to both the COVID-19 pandemic and the climate crisis. Going forward, policies and practices mandating greater attention to transformational change, development impacts, just transition, gender mainstreaming, and local stakeholders can support more equitable, sustainable COVID-19 recoveries.

The COVID-19 pandemic and related economic crisis have drastically changed the context in which efforts to combat climate change are taking place. Climate and other development-related finance must adapt to stay relevant and effective in supporting the recovery efforts of countries within this context. This requires new ways of thinking and innovation in how investments are designed and implemented. Maximizing the economic, social, environmental, and institutional impacts of these investments is critical.

CIF's implementation experience over the past decade demonstrates that climate investments can contribute immensely to countries' COVID-19 recovery efforts by supporting governments and others to simultaneously advance socioeconomic development and climate goals. The extent to which future investments can optimize these contributions will help determine our collective ability not only to address climate change, but also to implement green COVID-19 recoveries that pave the way for a more sustainable and prosperous future for all.

Women working at a forest restoration site in Berekum, Ghana.

INTRODUCTION AND CONTEXT

The purpose of this learning brief is to share lessons and insights on how climate-related investments can support countries' COVID-19 socioeconomic recovery efforts, by drawing on recent evidence and experience in the Climate Investment Funds (CIF). In doing so, it aims to inform climate finance and development policymakers and practitioners, including governments, multilateral development banks (MDBs), civil society organizations (CSOs), and others, on the design and implementation of climate-related investments that can help countries to recover from the COVID-19-induced economic downturn.

Countries have a desperate need to limit the health, social, and economic damages wrought by the COVID-19 pandemic. Over one million people have lost their lives. Businesses are struggling to survive the recession triggered by COVID-19, and people are losing jobs and livelihoods, leading to increased hunger and poverty. The International Monetary Fund (IMF) has projected global growth to fall by five percent in 2020, compared to a one-percent drop during the 2008 financial crisis.[1] This decline has resulted in widespread unemployment: the International Labour Organization (ILO) recently estimated a 14-percent reduction in global working hours, equivalent to a loss of roughly 400 million full-time jobs.[2] The World Bank estimates that COVID-19 could push up to 100 million people into extreme poverty.[3]

Governments and their partners are planning recovery packages that can pave the way for a more resilient, ecologically sustainable, and equitable future. Climate finance can play an important role in these efforts. As noted by the World Bank, "the choices that governments make to restart their economic engine, including the long-term social, economic, and environmental co-benefits they seek to achieve through their stimulus investments, will be extraordinarily consequential."[4] Governments have to balance reduced revenues with increased expenditures and debt burdens, resulting in tough decisions and tradeoffs about which programs and investments to prioritize.

In the near term, focus areas include limiting COVID-19-related economic damage by bolstering jobs and incomes, while supporting affected sectors and industries. Protecting especially vulnerable groups and strengthening their resilience, such as by boosting short-term livelihoods and reducing food security through social protection schemes, are also critical. Across these efforts, there are opportunities to strengthen policies and institutions to assist near-term recovery efforts while building longer-term resilience and growth prospects. Climate finance can help generate positive outcomes relevant to all of these areas. For governments and development partners, channeling climate and development financing in ways that maximize these broader socioeconomic impacts is key to supporting countries' COVID-19 recoveries.

CIF's extensive implementation experience offers important lessons that can inform strategies, policies, and investments in support of socioeconomic recovery efforts from the pandemic. CIF was established during the time of the 2008 financial crisis to drive increased climate action in countries and MDBs.[5] More than 10 years on, with over USD8.3 billion in contributions, that vision has translated into more than 300 projects focused on clean energy, energy access, climate resilience, and sustainable forests in 72 developing countries.[6] Investments in these areas are yielding significant socioeconomic benefits that can contribute to COVID-19 recoveries.

CIF's evidence-based learning activities have generated a range of insights relevant to how climate finance can support these efforts. Over the past four years, the CIF Evaluation and Learning (E&L) Initiative has commissioned over 30 studies and learning activities covering prescient themes such as transformational change, private sector investment, development impacts of climate finance, local stakeholders, and just transition.[7] CIF's partnerships with the Global Delivery Initiative and the World Bank's Development Impact Evaluation (DIME) group have also resulted in new learning. These activities and other analytical work have surfaced a plethora of knowledge and insights relevant to the design and implementation of COVID-19 recovery lending and highlight the potential role of climate-related investments within this context.

This brief aims to help inform climate finance and other international development policymakers and practitioners by providing insights into the overall question: *How can climate-related investments — including what kinds of investments, delivered in what ways — best support countries' COVID-19 socioeconomic recovery efforts?* More specifically, building on the priority areas identified and drawing on evidence and insights from recent studies, the brief addresses the following key questions:

1 How do climate-related programs and investments help **boost green economic recovery,** especially for sectors, businesses, and regions hit hard by the COVID-19-induced downturn?

2 How can **policies and institutions** be strengthened to be more responsive and effective in building green, resilient recoveries?

3 In what ways can climate-related investments **support the most vulnerable** and adversely affected populations, as part of broader socially inclusive, equitable recoveries?

The brief is organized into three sections corresponding to the above questions, providing a total of seven key lessons supported by insights from a wide range of CIF-related studies and investments.

Engineer working at Noor concentrated solar power plant in Morocco.

KEY LESSONS AND INSIGHTS

1. BOOSTING GREEN ECONOMIC RECOVERY

Climate-related investments can boost economic activity by focusing on key sectors or industries with strong economic and climate benefits. A recent paper from the *Oxford Review of Economic Policy* has identified five policies with high potential, in terms of both economic multipliers and climate impact metrics. These include clean physical infrastructure, the building of energy efficiency retrofits, investments in education and training, natural capital investment, and clean research and development.[8] The World Bank has also highlighted energy efficiency, nature conservation, clean energy, and sustainable transport as clear win-win areas for stimulus investments.[9] Policies and investments in these and other areas can accelerate recovery by increasing economic resilience and creating jobs for populations, sectors, and businesses hit hard by the COVID-19-related economic recession, while also delivering long-term value in terms of climate-friendly economic growth.[10] CIF investments in clean energy, climate resilience, and sustainable forests underscore the role that climate finance can play in supporting these areas.

KEY LESSON #1: INVESTMENTS IN CLEAN ENERGY CAN CREATE MILLIONS OF JOBS, WHILE STRENGTHENING KEY SECTORS OF THE ECONOMY, TO BOLSTER COVID-19 RECOVERIES.

CIF's Clean Technology Fund (CTF) is estimated to be contributing to at least five million person-years of employment and over USD40 billion in additional economic value, generating quality jobs and stimulating economic activity to assist recoveries.[11] CTF recently piloted economic modeling tools to help capture the wider development and labor impacts of climate investments. Preliminary estimations show that during the construction phase, CTF's renewable energy investments could support nearly two million person-years of direct employment.[12] The broader CTF portfolio (including renewable energy, energy efficiency, and transport) has the potential to contribute indirectly to over three million additional

person-years of employment through supply chain effects and induced economic activity. These models further estimate that the additional economic value added (beyond project financing) by the CTF portfolio during the construction phase is approximately USD20 billion in terms of direct effects and approximately USD19 billion from further supply chain effects. Finally, the additional power generated by the CTF renewable energy portfolio is estimated to enable further economic impacts resulting in nearly 500,000 jobs and USD3.9 billion in value added for each year of operations.[13]

These findings are supported by the broader literature. The International Renewable Energy Agency (IRENA) estimates that the renewable energy sector could employ as many as 42 million people globally by 2050,[14] while a study published by the *Economic Modelling* journal shows that per million dollars invested, spending on renewables creates five times more jobs than spending on fossil fuels.[15] Furthermore, ensuring that access to these jobs is equitable and that their quality accords with international standards for decent work as well as with efforts to encourage a just transition is also critical.[16] Studies show that renewable energy production jobs tend to be less hazardous than fossil fuel-based production jobs and create new opportunities for renegotiating traditional working conditions and contracts.[17] Overall, these findings point to a significant economic and employment boost from renewable energy deployments that can help countries to withstand and recover from the COVID-19-induced recession.

Renewable energy investments can also increase energy security and strengthen local supply chains, reducing costs and stimulating local economic activity to support COVID-19 recoveries. The COVID-19 pandemic has shown the precariousness of global supply chains, with high levels of uncertainty and sensitivity to price fluctuations. Countries relying on costly imported fossil fuels for power generation are especially vulnerable. Investments in solar PV-diesel hybrid systems with battery storage in the Maldives, supported by CIF's Scaling Up Renewable Energy Program in Low-Income Countries (SREP) and implemented through the Asian Development Bank (ADB), are reducing the country's dependence on costly imported fossil fuels that had strained public expenditures.[18] The project has activated a network of local private sector companies to support this transition. Similar examples can be found in Morocco (see Box 1) and elsewhere. For instance, a case study on just transition in South Africa (see Box 6) also shows that policies of preferential procurement from local suppliers and local content requirements produced benefits for businesses and workers.[19] Overall, these outcomes of reduced costs, enhanced energy security, and bolstered local sectors can be important for supporting wider economic recoveries in the current context.

Noor CSP plant complex in Morocco.

Box 1

BOLSTERING ENERGY SECURITY, JOBS, AND LOCAL DEVELOPMENT THROUGH RENEWABLE ENERGY IN MOROCCO

In Morocco, large-scale CTF support and additional investments from a range of partners helped the government to increase energy security and realize a strategy of industrial development centered on key renewable energy sectors. The result has been a cleaner energy supply and the ability to meet ambitious renewable energy targets; augmented energy security and independence; and increased local manufacturing and job creation.

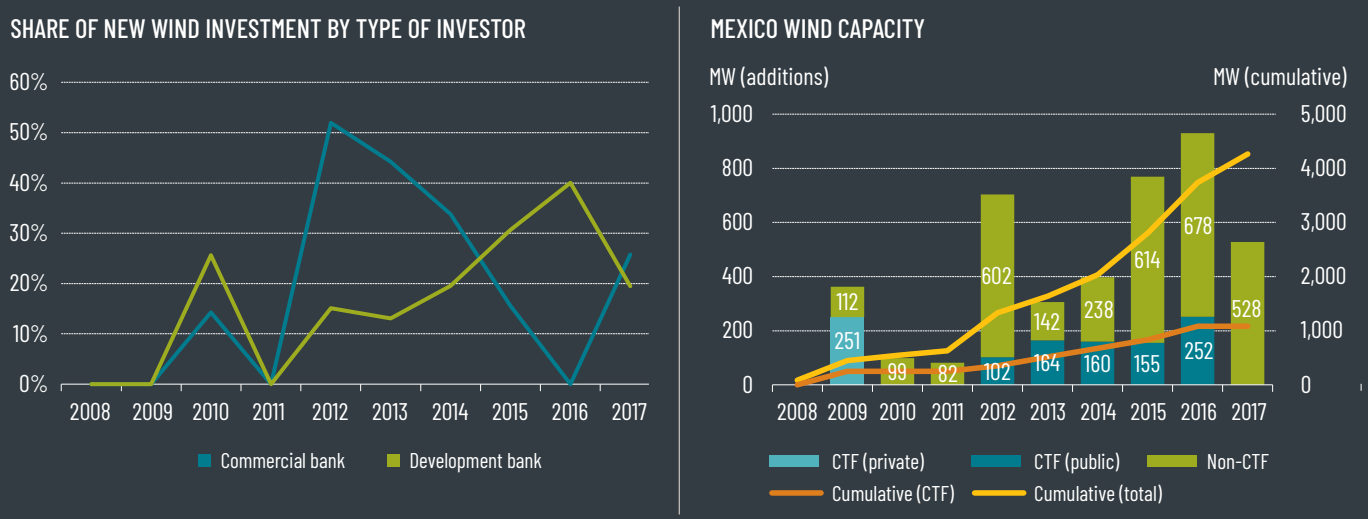
For example, the Government of Morocco reduced its estimated annual USD7 billion purchase of imported fuel by roughly 50 percent between 2011 and 2017. Concentrated Solar Power (CSP) and wind energy projects helped develop local supply chains and capture value locally through civil engineering and manufacturing. Over 35 percent of materials for the first CSP projects and up to 75 percent of materials for recent wind projects have been sourced locally. These kinds of local outcomes on jobs, manufacturing, and reduced costs can be vital for COVID-19-related economic recoveries.[20]

Investments in distributed clean energy, such as rooftop solar, can support hard-hit micro-, small-, and medium-sized enterprises (MSMEs) through reduced energy costs, increased energy access, and job creation. For example, CTF, through the World Bank and ADB, has provided significant support for developing rooftop solar markets in India. This includes a focus on the MSME sector, which is among the most affected by COVID-19-induced lockdowns and the broader economic downturn.[21] A recent CIF study notes that the MSME sector in India is estimated to account for roughly 29 percent of the country's gross domestic product and 111 million jobs (prior to COVID-19). It also makes up 20–25 percent of the energy consumed by industries, and electricity constitutes a significant portion of MSMEs' operating expenses.[22]

Cleaner, more efficient energy consumption can have important benefits for both the climate and MSMEs, for example, through lower energy costs, increased energy access, and less exposure to power outages, thus improving marginal costs and productivity. Rooftop solar solutions can help to meet these needs. However, MSMEs face several challenges in accessing suitable finance for such solutions. The study and CIF's experience in India suggest that new forms of dedicated, concessional financing for rooftop solar targeted at specific clusters of MSMEs could help to unlock this huge market potential, thus bolstering an important sector of the economy during a critical time of need. At the same time, increased demand could enable rooftop solar companies to scale up and generate thousands of new installation jobs.[23]

Strategically placed investments in renewable energy, which have helped to sustain or propel sector growth during times of uncertainty and downturn, could play a similar role in the current context. A recent study on the CTF portfolio shows that concessional climate finance investments can boost investor confidence, sustain momentum, and accelerate large-scale private sector investments in clean technology sectors, even during times of economic turbulence. For example, when private investments in Mexico's wind energy sector stalled after the 2008 financial crisis, CTF helped to finance two seminal private sector wind projects through the International Finance Corporation (IFC) and the Inter-American Development Bank (IDB). This enabled a fledgling market to progress at a time when it was most needed and sparked a significant uptick in new private investments (see Figure 2). Later, as uncertainty once again reigned during the

Figure 2.
SHARE OF WIND ENERGY INVESTMENT BY TYPE AND ANNUAL CAPACITY IN MEXICO



Source: Bloomberg New Energy Finance

introduction of new energy sector regulations, CTF and MDB investments supported the demonstration of proof of concept, helping to eventually catalyze nearly USD12 billion in investments and over 4.3 gigawatts of installed capacity between 2011 and 2017, mostly in private sector investments. Similar examples exist in Thailand, Kazakhstan, and other markets.[24] In the current context, these efforts can help fragile renewable energy sectors to survive the COVID-19-induced downturn and stimulate future expansion.

The same study shows that concessional finance can help facilitate the speeding up of future "tipping points," when the price of new renewable energy projects are cost-competitive with new or existing coal and other fossil-fuel based power plants, by 2–4 years, depending on the market.[25] It highlights the key role of energy storage in accelerating these tipping points to further sector growth. Another CIF-supported study by the World Bank likewise shows that adequate technical capacity for renewable energy integration is a key consideration for private investors.[26] Investments in these areas can enable cheaper and cleaner energy futures, assisting governments over the longer term, while stimulating growth in economies impacted by the COVID-19-induced recession.

Energy efficiency investments can boost employment and productivity, while reducing costs, thereby assisting businesses and households negatively impacted by COVID-19. Energy efficiency has been noted as a high economic multiplier sector in the context of COVID-19 recoveries and an area that can quickly deliver job growth.[27] Based on a recent study, "energy efficiency projects improve energy productivity across the board, delivering economic, social, and environmental benefits while lowering energy use."[28] Despite these benefits, the sector's full potential remains untapped.[29]

Climate finance can help by reducing entrenched barriers and mitigating risk perceptions. A recent study notes, "Whilst energy efficiency remains unfamiliar and outside traditional business models, concessional finance will continue to play a fundamental role in scaling-up nascent markets."[30] The example of Turkey (see Box 2) highlights this potential. In Mexico, the CTF-supported EcoCasa program, implemented through IDB, helped build over 36,000 new energy-efficient houses, generating high interest among Mexican mortgage lenders, developers, and homebuilders.[31] These programs can stimulate markets to deliver on the myriad socioeconomic benefits of energy efficiency, thus supporting businesses and households hurt by the COVID-19-induced recession.

An energy efficient insulation factory in Turkey.

Photo: EBRD

Box 2

STIMULATING ENERGY EFFICIENCY MARKETS IN TURKEY

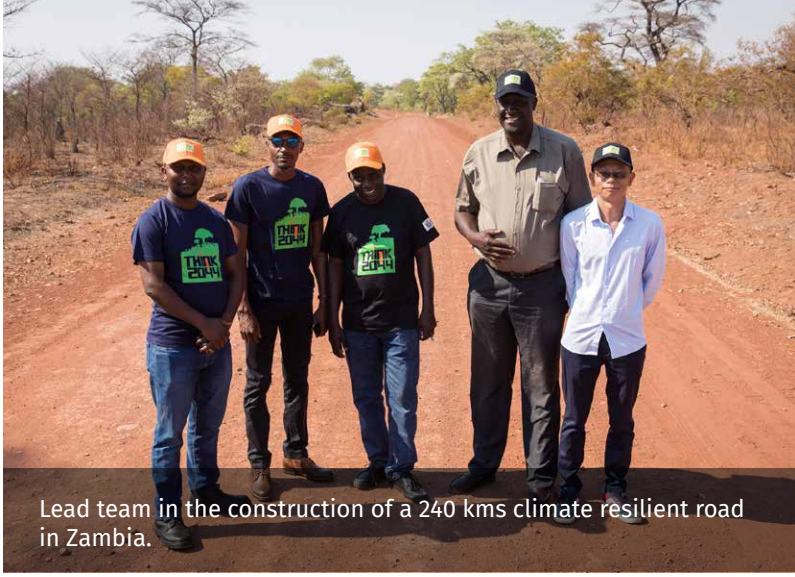
Energy efficiency has been highlighted as a win-win investment for both climate and COVID-19 recoveries. In Turkey, CTF, in partnership with the World Bank, IFC, and the European Bank for Reconstruction and Development (EBRD), helped catalyze a viable energy efficiency market. An initial CTF investment, implemented by EBRD, financed 240 projects (targeting different sectors and technologies) through seven national banks that cover approximately 60 percent of all banking assets in Turkey. Policy and technical assistance complemented concessional financing, underpinning the banks' confidence in co-investing their own capital.[32] The model led to follow-on, more specialized credit lines developed without the use of concessional finance, including one for the residential sector and another for larger companies.

Another project with IFC scaled industrial energy efficiency finance by supporting leasing operations with lead companies, as in the example of YapiKredi, which achieved an estimated energy efficiency leasing portfolio of USD750 million in 2015. IFC went on to provide additional financing to YapiKredi, including a fully commercial loan of USD96 million — IFC's largest loan to the leasing sector globally at the time.[33] This experience shows how climate finance can activate sustainable energy efficiency markets that support businesses and households, thereby triggering the multiple benefits of increased energy efficiency and greener, more resilient COVID-19 recoveries.

KEY LESSON #2: CLIMATE RESILIENCE INVESTMENTS CAN STIMULATE ECONOMIC ACTIVITY AND GENERATE EMPLOYMENT TO SUPPORT COVID-19 RECOVERIES, WHILE PREPARING COUNTRIES FOR FUTURE SHOCKS.

Investments in climate adaptation can deliver significant economic outcomes and reduce harm from climate change and extreme weather events. This can help support COVID-19 recoveries as well as long-term growth. Recent literature shows that investing in climate resilience and adaptation makes sense from an economic standpoint in terms of avoided losses and net benefits. For example, the Global Commission on Adaptation (GCA) estimates that investing USD1.8 trillion globally in five areas from 2020 to 2030 could generate USD7.1 trillion in total net benefits (see Figure 3).[34] CIF's Pilot Program for Climate Resilience (PPCR) has been channeling climate finance and investments to all five of these areas (see Figure 4), the benefits of which can assist with COVID-19 recoveries.[35] PPCR has also recently made available USD28 million in resources to support new projects and technical assistance that pilot-test innovative business models and solutions to enhance climate resilience in CIF countries, while explicitly supporting their COVID-19 response strategies.

Investing in climate-resilient infrastructure can provide employment and market access opportunities, thus helping to rejuvenate economies during the COVID-19 downturn.[36] CIF's PPCR provides significant support for climate-resilient infrastructure, which can create jobs and connect remote populations to markets and essential services to assist with COVID-19 recoveries, while enhancing longer-term climate resilience. In Zambia, for example, investments implemented through the World Bank and African Development Bank (AfDB) have included the construction and rehabilitation of over 240 kilometers (km) of strategic farm-to-market access roads and the rehabilitation of 350 km of priority canals to help with irrigation in times of drought.[37] A recent case study finds that this approach is reaching scale in targeted regions, with over 730,000 direct beneficiaries.[38] In Mozambique, PPCR, through the World Bank and AfDB, is supporting climate-smart infrastructure in the southern Gaza province, where an estimated 70 percent of its transportation networks have been impacted by floods.[39] With PPCR support, nearly 300 km of roads and other vital infrastructure are being fitted with climate-resilient upgrades. These investments are helping to spur economic growth and increase market access, leading to improved livelihood options and overall resilience for 6.1 million rural Mozambicans.[40] These examples show how climate-resilient infrastructure investments can generate economic activity and jobs, along with access to markets and other facilities for populations affected by the COVID-19-induced downturn.

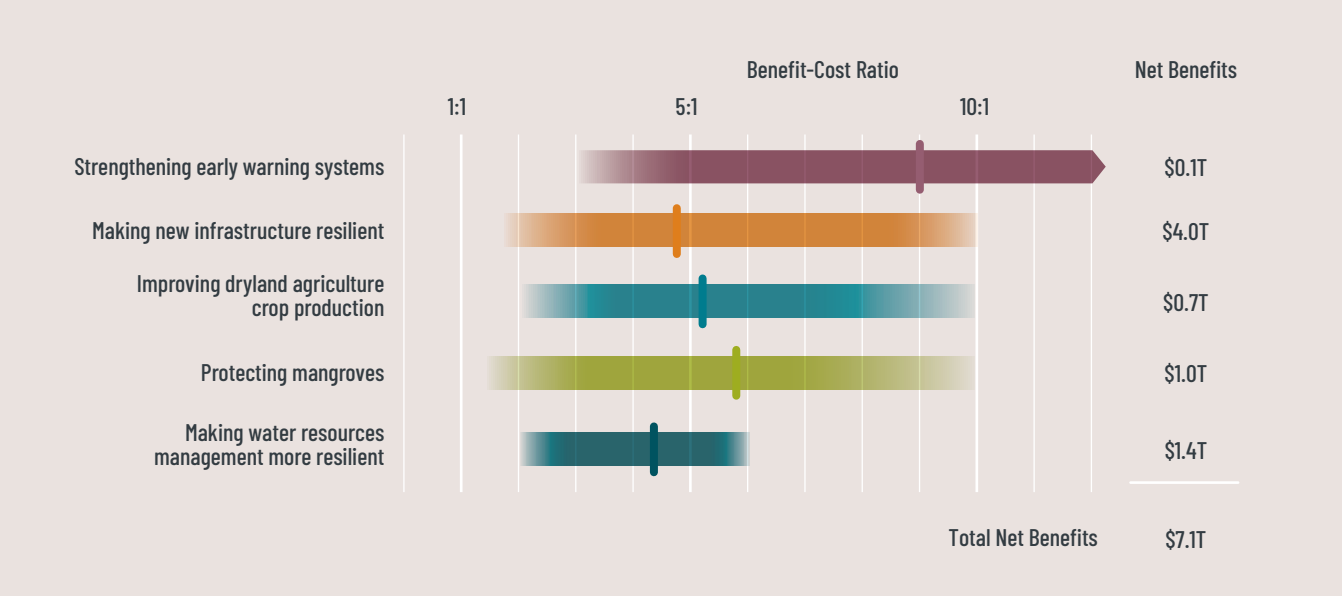


Lead team in the construction of a 240 kms climate resilient road in Zambia.

Climate-smart agriculture investments can stimulate rural economies and support adversely affected smallholder farmers through increased productivity and food security, as well as enhanced resilience to future shocks. Globally, around two-thirds of adults living in poverty make a living in part through agriculture.[41] Farmers who are already feeling the impacts of climate change, both as producers and consumers, are also likely to be negatively affected by disruptions in the supply chain and other areas caused by the pandemic, leading to lower incomes, increased risk of food insecurity, and other adverse outcomes.[42] Climate-smart agriculture interventions can help mitigate these effects, while supporting agricultural growth and productivity.

In Mozambique, PPCR, through AfDB and the World Bank, provides investments in small-scale irrigation infrastructure and drought-resistant seeds. Early evidence from an impact evaluation shows that the yields of these irrigated plots were approximately four times higher than those of rainfed plots due to the

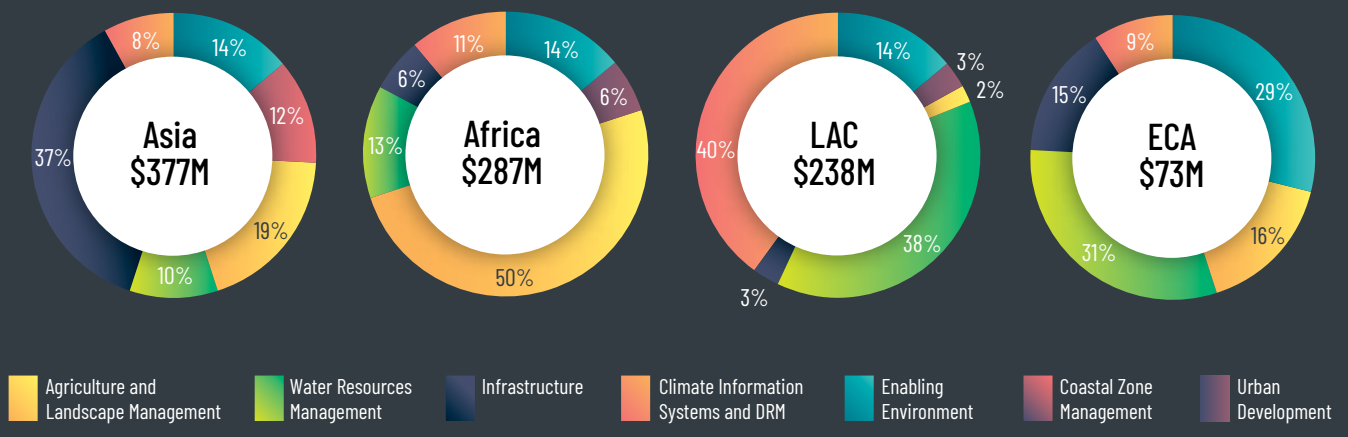
Figure 3.
ESTIMATED RATIO OF BENEFITS TO COSTS FOR CLIMATE ADAPTATION INVESTMENTS



Note: This graph is meant to illustrate the broad economic case for investment in a range of adaptation approaches. The net benefits illustrate the approximate global net benefits to be gained by 2030 from a hypothetical investment of $1.8 trillion in five areas (the total does not equal the sum of the rows due to rounding). The vertical bar/line represents the average benefit-cost ratio for the five different sectors, while the length indicates the range of the benefit-cost ratios for each of the sectors.

Source: World Resources Institute (WRI) as cited in Global Commission on Adaptation

Figure 4.
CIF'S PILOT PROGRAM FOR CLIMATE RESILIENCE (PPCR) PORTFOLIO, BY REGION AND TYPE



Source: CIF

extension of the growing season and the ability to cultivate higher-value crops. This significantly increased farmers' revenues, thereby enhancing the farmers' resilience and prosperity. An early findings brief notes that these approaches can be "particularly valuable for lower-income countries trying to balance pressing income and social protection needs (food security, nutrition, etc.) in tandem with climate vulnerability."[43]

Activating the private sector in these efforts can improve sustainability and further stimulate local economic activity in hard-hit areas to help with recovery efforts. In Niger, a PPCR-supported project, implemented through IFC, provided financing and technical assistance to private sector companies to pilot test commercial small-scale drip irrigation, complementing a concerted government strategy in this area. According to a recent study, the project "tested the expansion of drip irrigation through partnership with the private sector, demonstrated that private sector participation in the agricultural sector in Niger was feasible, and paved the way to build Nigerien farmers' climate resilience using irrigation technology."[44] This included establishing a network of Nigerien companies to more sustainably deliver commercial solutions going forward.[45]

Other PPCR investments have involved working with private sector actors to build more resilient agricultural value chains, as in Bangladesh and Nepal.[46] In these and other countries, smallholder farmers in remote areas are experiencing an increased risk of food insecurity and other negative effects due to the pandemic. Bolstering resilience and livelihoods through enhanced agricultural techniques and value chains can directly impact their ability to cope with these negative effects, while also engaging the private sector in climate resilience activities and stimulating local economic activity.

Working with financial institutions to support farmers and rural businesses with climate-resilient investments can also be effective. In Jamaica, CIF and the World Bank extended credit through a financial institution with deep reach in rural communities. Loans were provided to MSMEs for adaptation investments in agriculture and tourism — Jamaica's most vulnerable sectors to climate change, which together account for a third of the employed labor force.[47] Both sectors have also been hit hard by the pandemic, with tourism reeling from reductions in international travel and farmers unable to sell produce to restaurants and hotels due to a lack of demand.[48] Increased support to these and other similarly affected sectors, through subsidized climate resilience lending, can help them to navigate the current downturn and prepare for increased future shocks and risks caused by climate change.

KEY LESSON #3: INVESTMENTS IN SUSTAINABLE FORESTRY CAN GENERATE SIGNIFICANT ECONOMIC RETURNS AND EMPLOYMENT FOR COVID-19-AFFECTED COMMUNITIES, ALONGSIDE ENVIRONMENTAL AND CLIMATE BENEFITS.

Unlocking natural capital investments can benefit people, economies, and ecosystems to help rural communities negatively impacted by COVID-19. As noted in a recent study by World Resources Institute, "this triple dividend is precisely why nature-based solutions should play an important role in COVID-19 economic recovery packages."[49] In particular, investments in sustainable forestry have the potential to yield high economic returns, while also assisting remote, forest-based communities adversely affected by COVID-19.[50] Given that about 1.6 billion people globally rely on forests for food, income, and livelihoods, these efforts can have wide-ranging impacts.[51] However, there is a significant gap between the potential of sustainable forestry as a sector and its relatively small size in many places.

A CIF-supported study by AfDB on sustainable forestry in Africa finds that "persistent structural and technical barriers continue to dissuade possible investors from entering the market and sustainably developing Africa's forests to their full potential." It notes that a targeted financing facility to help overcome these barriers and unlock investments could potentially result in approximately 100,000 hectares (ha) of new forestry plantation, with "direct and indirect jobs created for women, men, and youth."[52] Another CIF study on financing forest-related enterprises highlights an "enterprise support gap", with relatively

Men working in a crop plantation in the semi-arid Sahel Region of Niger.

few investments targeting forest enterprises of various sizes due to real and perceived risks, market barriers, and capacity constraints.[53] Efforts to close this gap could significantly reduce deforestation, while generating income and employment to help populations and rural economies negatively affected by COVID-19.[54]

Concessional finance can help mitigate risks and attract increased investment in small- and medium-scale sustainable forest enterprises, thus assisting vulnerable forest-based households with income and livelihood options while stimulating rural economies. Studies show that blended finance mechanisms using concessional resources can create a more attractive commercial risk-return profile for investments in forest-related enterprises. This can help trigger a range of benefits for vulnerable forest-based communities and wider rural economies in the context of COVID-19 recoveries.[55]

For example, the Forest-Related MSMEs project in Mexico, supported by the Forest Investment Program (FIP) and implemented through IDB, established a business incubator supporting more than 360 MSMEs, worked with communities to aggregate products, provided business development and technical support as well as microfinance, and developed tailored financing instruments and credit to de-risk financing. This enabled investors and financial intermediaries to work with communities and provide loans to MSMEs with low credit histories, thereby generating revenue and supporting thousands of jobs in remote areas where populations are especially poor and vulnerable to impacts from COVID-19.[56] Benefits include significant new jobs and financial gains for women: case studies of two participating community forest enterprises show that the numbers of female employees more than tripled, including some in Director-level positions, and annual profit-sharing returns for employees increased by over 50%.[57]

Working with larger-scale lead firms can also be an effective strategy. A study analyzing FIP-supported IFC projects in Laos notes, "The private sector can provide ample funding and resources to sustain reforestation on large scale… and provide benefits to local people in the form of jobs and out-grower schemes."[58] Investments with two lead companies in Laos helped to develop an agroforestry model that includes, among other things, the cultivation of agricultural crops between planted trees in the early years of

rotation, a first option for local villagers to access jobs at the plantation, and compensation to the village for the use of land. This generated "over USD1 million in payments for out-grower wood, USD4 million for daily labor wages, and USD4 million as contributions to Village Development Funds, while generating 3,200 full time jobs per year."[59] In remote communities adversely affected by COVID-19, these kinds of models and contextually significant outcomes can help vulnerable households by providing livelihoods and income, while stimulating increased economic activity.

2. STRENGTHENING POLICIES AND INSTITUTIONS

COVID-19 recovery efforts present an unprecedented opportunity for stimulus investments to be accompanied by climate-friendly policy reform and support for more effective institutions. As a recent evaluation notes, "CIF country experiences indicate significant evidence of the need for a combination of policy, institutional, and financial levers to advance markets for low-carbon technologies."[60] Governments across the globe are expanding their role to respond to COVID-19, and current experience demonstrates the extent to which government policies and institutions, at all levels, influence countries' capacities to respond and recover.[61] Going forward, stronger and more effective policies and institutions can greatly enhance countries' abilities to accelerate green, resilient recoveries.

KEY LESSON #4: CLIMATE-FRIENDLY POLICY REFORMS CAN BE ADVANCED BY COUPLING LARGE-SCALE FINANCIAL INVESTMENTS WITH TECHNICAL ASSISTANCE IN THE CONTEXT OF COVID-19 RECOVERY LENDING.

The provision of policy and regulatory support alongside large-scale investments can help create the necessary incentives and technical capacity to enable climate-related reforms. CIF's experience demonstrates the power of financial incentives, combined with technical assistance and capacity-building, to help countries enact policy reforms that advance low-carbon, climate-resilient trajectories. A similar twinning of investment and policy support, in relation to COVID-19 recovery lending, can advance climate goals while enabling green recoveries.

An evaluation notes that in CTF, "there is evidence of large investments changing behaviors, and strong results from policy and institutional interventions. In all five in-depth case studies there was evidence of… strengthening policy commitments."[62] The evaluation similarly finds that in SREP, investments were designed to be coupled with "policy, regulatory, and capacity-building activities to leverage both public and private sector strategies to speed up or deepen market maturity of both on-grid and off-grid energy sources."[63] PPCR and FIP have also had success with this model, as noted further below.

In Kazakhstan, for example, prior to providing finance for wind energy and solar PV plants, CTF, with EBRD and IFC, supported Kazakhstan's clean energy policy development. Early work was designed to improve the legal framework of the renewable energy law by analyzing existing barriers, identifying incentive mechanisms, and drafting primary and secondary legislation.[64] This included the introduction of a feed-in tariff mechanism and the modeling of different impact and pricing scenarios. Building on this work, an upgraded renewable energy law attracted national and international investors. A recent study finds, "In 2013, the country established feed-in tariffs supporting wind, PV, hydro and biofuel power generation projects. The policy succeeded in jump-starting Kazakhstan's renewable energy market, helping to attract over USD1 billion in clean energy investment."[65] The study notes that CTF also helped address market liquidity — the most pressing challenge faced by developers — by providing finance and blending it with capital from MDBs.[66] Within the current context, finance to support green COVID-19 recoveries can be similarly coupled with technical assistance and capacity building to accelerate climate-related policy reforms.

Supportive policies and governance arrangements are also pivotal in promoting sustainable, productive forests that yield wider socioeconomic benefits to assist COVID-19 recoveries. For example, a recent study states, "In Burkina Faso, the impact of FIP on

government commitment to sustainable forestry has been strong, with FIP being a key driver in supporting the national approach to the creation of a REDD+ strategy."[67] A separate study notes that countries such as Burkina Faso do not normally get much attention within the wider global forest discourse, and its inclusion in a high-profile forestry program helped create broader awareness of the contribution of savanna forest biomes to national climate change strategies and rural development goals.[68] As elaborated upon in the next section, these REDD+ approaches and related investments in Burkina Faso are helping to provide food and livelihood security for vulnerable populations likely to be adversely impacted by COVID-19, while also decreasing deforestation and forest degradation.

A programmatic approach to investment planning can deepen the linkages between policy reforms and investments. CIF's experience and independent evaluations show that a government-led, multi-stakeholder approach to investment planning, combined with the presence of large-scale, predictable, and flexible finance, can help create the conditions for wider systemic change.[69] In particular, bringing together a wide range of key actors around a common transformative vision, with sufficient resources and support, can enhance synergies among investments and build momentum for broader institutional and policy reforms.[70]

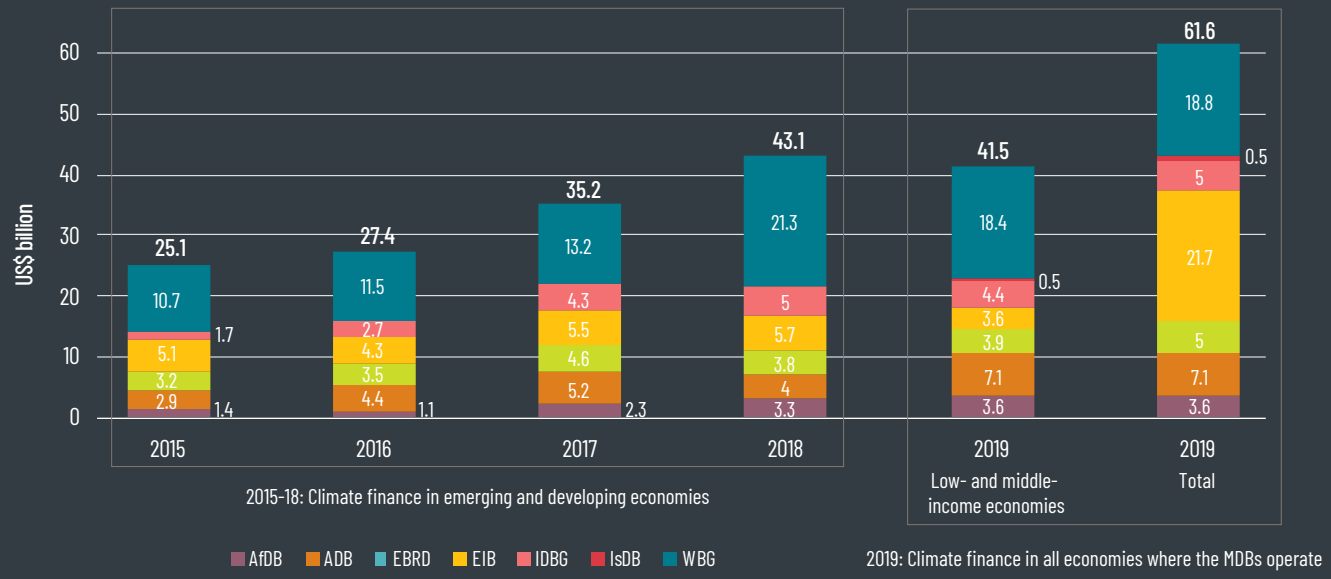
In the examples of Kazakhstan and Burkina Faso cited above, and other examples cited elsewhere, strategies for enacting policy reforms alongside investments were developed as part of a holistic, programmatic investment planning process in these countries. Flexibility in the application of these kinds of programmatic approaches is critical, however, and it's important to consider tradeoffs between the extent of planning processes and the speed at which investments can be deployed. Nonetheless, as COVID-19 recovery efforts progress further, similar types of programmatic approaches can help ensure that recovery lending and climate-related policy reform efforts are synergistic and mutually reinforcing in unlocking broader, more transformative climate action.

Climate investments can also provide a demonstration effect to help prove the viability of new climate policies, enhancing the buy-in for adoption during COVID-19 recoveries. These investments help to pilot, strengthen, and promote broader uptake of new policies and regulations. An example of this can be seen in Mexico's wind energy market, described previously: "The case of Mexico illustrates the potential for the demonstration effect of CTF programs to incentivize policymakers to strengthen policy and institutional frameworks. There is broad-based stakeholder agreement that the demonstration effect of early wind energy projects (and a solar PV project) co-financed by CTF helped to lay the groundwork for Mexico's Energy Policy Reforms in 2014. These reforms further incentivized renewable energy, [and] helped drive down investment risk perception."

The area of geothermal energy provides another example, where CIF-supported technical assistance grants are implemented alongside demonstration projects in several countries. Geothermal project developers interviewed as part of a recent evaluation indicated that these "first-mover projects are helping to 'test and strengthen' policy, regulatory, and legal frameworks guiding geothermal development."[71] As policy reforms are pursued in the context of COVID-19 recoveries, large-scale climate finance investments can similarly help to prove the value and viability of such reforms to enhance broader support and investor confidence.

Investments can also build support for wider climate mainstreaming reforms. In Mozambique, the PPCR and World Bank-financed climate-resilient roads project cited in the previous section combined infrastructure investment with support for developing country-appropriate roads standards. A recent evaluation notes, "This model, which uses investments to demonstrate feasibility and then inform and support mainstreaming, can be a highly effective approach to bringing about fundamental changes in systems and scaling."[72] Similar results are evident across PPCR: a recent study found that more than 80 percent of PPCR-relevant survey respondents believed that the combination of institutional

Figure 5.
MULTILATERAL DEVELOPMENT BANKS' (MDBs) CLIMATE FINANCE COMMITMENTS, 2015-2019 (IN USD BILLION)



Source: Joint Report on MDBs' Climate Finance

climate mainstreaming support along with resiliency investments had provided practical learning opportunities to inform more effective climate resilience planning and policymaking.[73] In the current context, there are similar opportunities for using COVID-19 recovery lending to help trigger and support broader climate mainstreaming efforts, thus leading to greener and more resilient recoveries.

Provision of policy and regulatory support through MDBs in the context of green recovery lending can help promulgate broader climate-friendly policies and investments in client countries. Collectively, MDBs committed over USD61 billion in climate finance in 2019, highlighting their significant role in financing the fight against climate change in developing countries (see Figure 5).[74] A recent externally-commissioned evaluation finds that climate-related trust funds have helped mainstreamed the climate agenda into World Bank and other MDB operations, noting that "the CIFs are most widely recognized as having transformed the MDB business."[75] Other studies similarly conclude that concessional finance and technical support opened up discussions with country clients and enabled MDBs to test new concepts, pursue riskier projects, and deploy resources sooner.[76] For example, "CTF has supported countries' enabling environments for transformational change with concessional finance that complements and leverages MDBs and bilateral donors' technical assistance on policy, institutional and regulatory work."[77]

MDBs are currently scaling up lending to support COVID-19 response and recovery efforts. As of May 2020, the World Bank had committed to mobilizing USD160 billion over the ensuing 15 months to support COVID-19 responses, with other MDBs pledging to provide USD80 billion during this period.[78] By delivering technical assistance and policy support alongside COVID-19 lending and other climate investments, MDBs have a major opportunity to influence more innovative and accelerated climate action across their portfolios and within client countries.

KEY LESSON #5: INSTITUTIONAL STRENGTHENING EFFORTS CAN HELP GOVERNMENTS AND FINANCIAL INSTITUTIONS TO SUPPORT EFFECTIVE COVID-19 RECOVERIES, WHILE MAINSTREAMING CLIMATE ACTION.

Strengthening the abilities of key ministries to coordinate and mainstream climate-friendly COVID-19 recoveries in an integrated way can help drive effective response strategies and enhance outcomes. Similar to climate change, the pandemic impacts all sectors, highlighting the need for coordinated, whole-of-government approaches. CIF's experience suggests that strengthening key ministries with the convening power to address a multi-sectoral crisis like climate change or the pandemic can help in orchestrating an effective response.

A recent study finds, "First, there is evidence that the CIF planning approach of extensive consultation has secured the necessary collaboration for multisector engagement where it is needed for planning climate change actions that require different sectors and groups of actors to work together. Second, national ownership over CIF investments has been strengthened by working through ministries that have the mandate to coordinate action across the government administration."[79] Examples are evident in Zambia (see Box 3), Brazil, Morocco, and elsewhere. In the current context, strengthening key ministries or agencies to mainstream climate action and COVID-19 recovery efforts across governments in a cohesive manner can similarly help to integrate climate-friendly investments into recovery plans and enhance overall responses to both crises.

In Brazil, a FIP-supported agroforestry project implemented by the World Bank in the Cerrado biome helped set up an inter-ministerial committee led by the Ministry of Finance, which comprises the Ministry of Environment, the Ministry of Agriculture, Livestock, and Food Supply, and the Ministry of Science, Technology, Innovation, and Communication. A recent study highlights this entity as a key to success, pointing out that "these ministries began working together on a regular basis and were able to find common ground around the broader goal of low-carbon development."[82] This enhanced capacity for collaborative action has led to positive impacts for rural communities adversely affected by COVID-19, thus demonstrating the role that these efforts can continue to play in supporting pandemic recoveries.[83]

Hon. Alexander Chiteme, M.P., Zambia's Minister of National Development Planning, speaking at a high-level workshop on climate resilience.

Box 3

INSTITUTIONAL STRENGTHENING IN ZAMBIA

A case study on PPCR in Zambia notes that, prior to CIF engagement in 2010, "institutional structures for addressing climate change lacked convening power, coordination, and integration across sectors and levels of government, resulting in fragmented efforts with limited overall success."[80] To address this gap, PPCR, through the World Bank, helped to set up an Interim Climate Change Secretariat within the more influential Ministry of National Development Planning, which effectively integrated climate change into national development plans (NDPs). As the study points out, "mainstreaming climate change into the NDPs contributed to the fact that most sectors and ministries now have budget allocations to help address climate-related issues."[81] Similar efforts can help government entities to coordinate and mainstream climate change and COVID-19 responses across the government in a way that promotes synergies and catalyzes cross-cutting action for green, resilient recoveries.

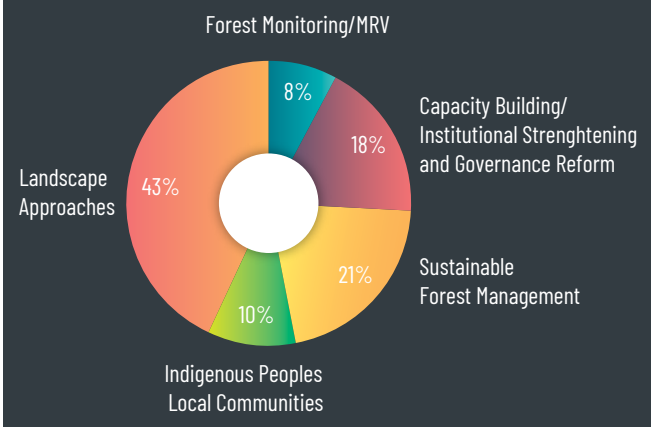
A separate study shows that country-level coordination among international climate funds and their respective national focal points is also critical for promoting synergies, building progressively on multiple investments, and maximizing outcomes. It lists the CIF programmatic approach as an effective model for fostering this kind of coordination and synergy.[84] Given the need for well-coordinated, cross-sectoral approaches to planning climate investments within broader national COVID-19 recovery efforts, approaches that strengthen these capacities among institutions are especially relevant to the current context.

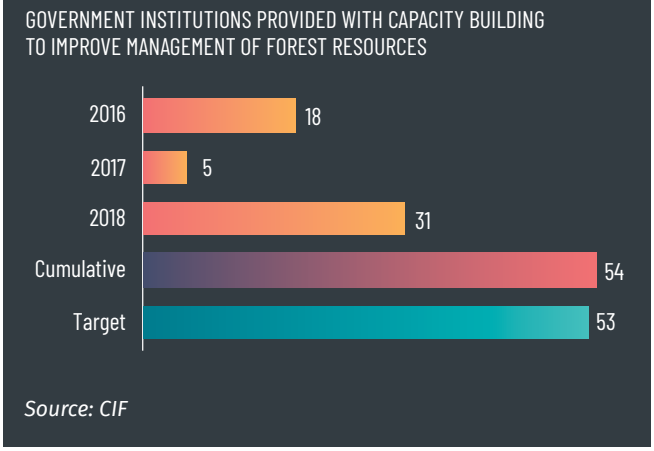
Building institutional capacity in key sectors can help deliver both climate and socioeconomic development impacts to support COVID-19 recoveries. CIF-supported technical assistance and capacity building, which have helped institutions accelerate their progress on climate and development goals while adapting to new challenges, can similarly assist with current recovery efforts. In Morocco, CTF was pivotal in building the early capacity of the Moroccan Agency for Solar Energy (MASEN), "allowing it to evolve into a highly effective financing and project management structure with overall responsibility for renewable energy."[85] As seen in the previous section, this led to growth in renewables and local development relevant to economic recovery. Building institutional capacity for more effective forest policies, governance, and management is also a key focus within the FIP portfolio, as illustrated in Figure 6.[86] Examples cited throughout this brief demonstrate how instrumental this support can be for recovery outcomes.

In PPCR, a project implemented by IDB has helped to build institutional adaptive capacity for water governance in Bolivia — a country highly sensitive to the effects of climate change on water supply. A CIF-supported study on this project by IDB and the University of Geneva notes the importance of improving institutional decision-making under conditions of uncertainty and complexity. It recommends that countries develop short-term emergency response and contingency plans, promote intersectoral governance and project management, and engage in longer-term climate change planning and integration.[87] Support to strengthen institutions in these areas can help governments and others to better plan for and manage future shocks under conditions of uncertainty, including in relation to COVID-19 as well as other future health, water, and climate scenarios.

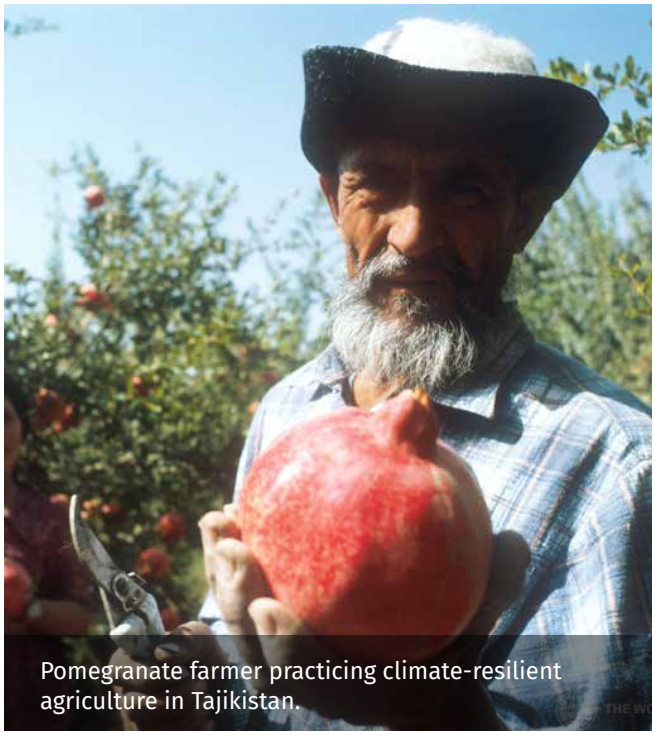
Strengthening the capacity of local governments at the provincial, district, and community levels can help to strengthen front-line responses to climate and COVID-19-related challenges. A recent evaluation notes, "In several projects, investments in capacity building for government and local stakeholders improved their ability to consult and collaborate in design and implementation."[88] For example, the PPCR Tajikistan Pyanj River Basin resilience project, implemented by ADB, "supported local government and nongovernment stakeholders with technical skills. Equally important, it enhanced different constituencies' abilities to meaningfully participate in policy dialogue and program development despite differences in role and status."[89] These transferable skills can help local actors to more effectively engage in and respond to a variety of climate, health, and economic-related challenges, including those wrought by COVID-19. Similarly, in Zambia, as climate considerations were mainstreamed into local development planning and actions, institutional strengthening was coupled with the capacity building of district officers to more effectively plan and implement community-driven adaptation interventions.[90] Here as well, strengthened

Figure 6.
THEMATIC FOCUS OF FOREST INVESTMENT PROGRAM (FIP) PORTFOLIO AND CAPACITY BUILDING FOR GOVERNMENT INSTITUTIONS





Source: CIF



Pomegranate farmer practicing climate-resilient agriculture in Tajikistan.

local government skills and capacities developed in the context of addressing climate change can be equally beneficial for improving responsiveness to local-level COVID-19 recovery needs.

Channeling climate finance through national and local financial intermediaries can boost small businesses and households affected by COVID-19, while strengthening financial institutions. Providing finance through national or local banks, microfinance institutions, supply chain actors, and other intermediaries can strengthen financial sectors, while broadening the scale and reach of climate-friendly investments and services.[91] This includes concessional finance investments as well as technical assistance to help financial intermediaries better understand new business opportunities and develop new products.

This approach can be important for crowding in private sector investments, and is especially useful for supporting smaller-scale businesses, farmers, and communities. Establishing and financing targeted credit facilities through these institutions can provide subsidized on-lending for businesses and households to strengthen climate resilience, promote sustainable agriculture and agroforestry practices, and adopt clean energy technologies. These activities can assist with COVID-19 recovery efforts aimed at supporting banks, MSMEs, and households, stimulating economic activity while reducing borrowing costs for institutions and households struggling with increased debt burdens. They can also pave the way for more resilient and green recoveries, as well as build the capacities of financial institutions for supporting these areas in the longer term. As a recent evaluation highlights, "Intermediation represents an effective way for MDBs and international financial institutions (IFIs) to engage in smaller-scale markets where transaction costs would otherwise be too high. The use of intermediated models across a broad range of sectors (energy, resilience, forestry) has helped broaden understanding among IFIs about what is possible."[92]

For example, while most forest and farm production come from smallholders, MDBs generally prefer larger-scale investments. Financial intermediaries can help close the gap.[93] In Mexico, government credit guarantees, supported by FIP and World Bank, allowed FINDECA, a national development bank, to work with small-holder farmers by absorbing financial risks.[94] In Tajikistan, PPCR and EBRD financed the Climadapt project's initial USD10 million credit line. This provided finance through banks and microfinance institutions to farmers, MSMEs, and households for climate adaptation and clean energy solutions. As of October 2019, these banks had provided USD10 million in loans to approximately 3,500 beneficiaries for a range of investments, generating broader economic and social impacts (see Box 4). The program was subsequently scaled up in Tajikistan and elsewhere in the region.[95] This financing can be a vital form of support for struggling small businesses and households during the current downturn.

Intermediated finance can also help scale clean energy and energy efficiency solutions among small businesses and households impacted by COVID-19. Through CTF, energy efficiency investments have supported financial intermediaries with financial risk mitigation mechanisms, such as credit lines and guarantees, along with capacity-building support, in countries such as India, Kazakhstan, Mexico, Philippines, and Turkey. As a consequence, institutions

in these countries have been able to support smaller-scale businesses and households with energy efficiency solutions.

SREP is supporting the development of financial and supply chain intermediaries in at least 14 countries. For example, projects focused on off-grid lighting solutions in Ethiopia and cook stoves in Honduras have been successful in engaging intermediaries for household-level clean energy solutions.[96] As noted in the next section, scaling up these interventions can stimulate a range of socioeconomic benefits that help businesses and households to mitigate the effects of the pandemic. Evaluations have noted that there can be limitations to the intermediated approach, particularly when markets are not yet sufficiently primed for such interventions.[97] Overall, however, under the right conditions, intermediated finance can help to provide a much-needed boost to small businesses and households suffering from COVID-19-related effects, while reinforcing climate-related business lines among financial sector institutions to maintain momentum during the current downturn.

Evidence-based learning can provide important feedback loops to strengthen policies, institutions, and investments, thus enhancing their effectiveness in stimulating green, resilient recoveries. Current COVID-19 response efforts demonstrate the crucial role of real-time learning and informed decision-making by government institutions and others, as they continuously adjust strategies in response to new information. Given the highly unpredictable nature of the pandemic and the related economic downturn, as well as climate change and its impacts, continuous learning to support decision-making within climate-related recovery investments and institutional support is critical.[98]

CIF's experience with initiatives such as the Transformational Change Learning Partnership, which undertakes independent analytical work alongside a multi-stakeholder facilitated learning process, have demonstrated the usefulness of these approaches to institutions and practitioners. As noted by one government representative, "TCLP's approach to active learning has ensured that concepts and findings were much more directly 'disseminated' through the multiple stakeholder groups and institutions represented."[99] For example, findings helped inform the development of Zambia's new National Climate Change Action Plan, along with various other country, MDB, and donor frameworks and strategies.[100] An evaluation by the UK's Independent Commission for Aid Impact finds that learning from the CIF E&L Initiative is "already having a wider influence on global practice."[101] Participatory monitoring and reporting systems in FIP and PPCR have also proven to be effective for engaging stakeholders and institutions in continuous program improvements.[102] Engaged, real-time monitoring in CIF's new Global Energy Storage Program (GESP) and ongoing learning from the DIME impact evaluations offer similar opportunities.[103] Overall, evidence-based, participatory learning can help maximize the impact of policies, institutions, and investments to stimulate and accelerate green recoveries.

3. SUPPORTING VULNERABLE POPULATIONS AND SOCIAL INCLUSION

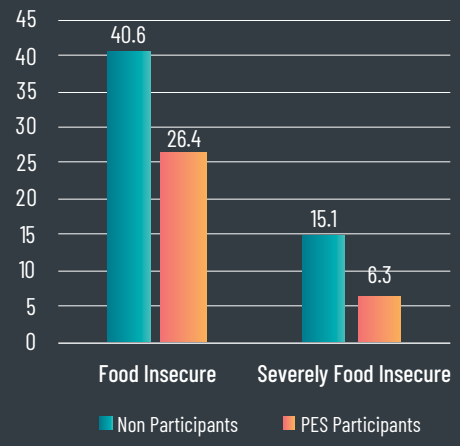
The COVID-19 pandemic and the climate crisis are exposing and deepening persistent inequalities. For example, the pandemic and related economic downturn are adversely impacting women, indigenous peoples, smallholder farmers, and the urban poor.[104] These populations are also often disproportionately affected by climate change, and have less capacity to cope with, recover from, and adapt to its impacts. Without dedicated efforts, these twin crises will continue to have worsening impacts for the world's most vulnerable populations. CIF's experience shows that targeted green recovery investments can help by generating important social and economic benefits, including improved health and education, food security, reduced energy poverty, enhanced livelihoods, and gender equity impacts, for these and other disadvantaged groups.[105] As countries work to strengthen social protection and poverty alleviation schemes to protect the most vulnerable in the face of the pandemic, climate-related interventions in support of green recoveries can complement or integrate with these efforts to help reduce inequalities and boost the well-being of at-risk populations.

KEY LESSON #6: CLIMATE-RELATED INVESTMENTS CAN IMPROVE HEALTH, LIVELIHOODS, AND OTHER SOCIOECONOMIC OUTCOMES FOR VULNERABLE HOUSEHOLDS AND COMMUNITIES DISPROPORTIONATELY IMPACTED BY COVID-19.

Short-term livelihood and monetary support through climate-related interventions can help provide immediate relief and social protection for vulnerable communities, while building greener, more resilient infrastructure and landscapes. These efforts can help expand social safety nets, address job losses, and alleviate food insecurity for populations facing income shocks due to COVID-19, as well as boost local economies.[106] As noted by a World Bank COVID-19 briefing note, "Targeted social safety net programs are also needed for vulnerable groups to deal with immediate economic impacts. This includes cash transfers and cash for work programs."[107] Many climate finance investments, especially in climate resilience, forestry, and agriculture or agroforestry, also target vulnerable populations in the form of similarly designed conditional cash transfers and climate resilient and/or nature-based public works. As shown in examples below, these activities can have important positive impacts for the well-being of populations especially susceptible to the negative socioeconomic impacts of COVID-19.

Payments for Ecosystem Services (PES) programs have been shown to increase food security for at-risk populations and can deliver similar benefits to vulnerable groups during COVID-19 recoveries. For example, in a FIP-supported AfDB project in Burkina Faso, communities receive a monetary reward conditional on the success of reforestation and afforestation activities.[108] Early evidence from an impact evaluation finds that the PES schemes and related cash payments increased participating household incomes, which were often used for food-related expenses. As shown in Figure 7, "Results indicate that participants in the PES scheme experienced less food insecurity than non-participants at multiple levels of severity. Participation in the PES schemes was shown to have shielded farmers against food insecurity at a time when they were most vulnerable to it – thereby aiding objectives

Figure 7.
SCALE OF FOOD INSECURITY IN BURKINA FASO
PAYMENTS FOR ECOSYSTEM SERVICES (PES) PARTICIPANTS VS. CONTROL GROUPS



Source: CIF, DIME.

for social protection during hungry months." This is in addition to the positive environmental services and climate mitigation benefits derived from improved forest conservation. The study notes that "in similar contexts, there is opportunity for PES schemes to work akin to traditional cash transfers, delivering welfare outcomes such as food security while contributing to ecosystem regeneration and climate resilience."[109] PES programs have delivered similar results in Mexico, where over 60% of those supported were in localities with a high or very high marginalization rate, and deforestation rates among PES participants were reduced by about half.[110]

Another World Bank study, analyzing the welfare impacts of FIP-financed interventions for improved natural resource management in Laos and Mexico, similarly shows that these projects improved the well-being of vulnerable rural populations through cash income and non-cash benefits, while reducing deforestation and forest degradation. By creating temporary jobs for forest restoration and helping households diversify their activities, these projects increased households' abilities to fulfill basic needs such as food, housing, education, and medical expenses. Loans and grants also enhanced households' ability to respond to shocks without depleting their income, which is especially relevant

in the COVID-19 context.[111] Rural, forest-based communities that are often poor and lacking access to services have been shown to be especially susceptible to the negative effects of the pandemic.[112] Providing relief and social protection through these kinds of transfers and micro-credit arrangements can help these communities and other similarly disadvantaged groups cope with the adverse socioeconomic effects of COVID-19.

Community-driven development models that enhance climate resilience among vulnerable populations can complement poverty alleviation and social protection programs to support COVID-19 recoveries. In Zambia, for example, PPCR, through the World Bank and AfDB, have supported a successful community adaptation model that is "leading to improvements in capacity and livelihood options for vulnerable groups."[113] Focused on the poorest, most climate-affected regions of the country, it provides sub-grants to communities and districts based on priority needs identified through climate vulnerability assessments and participatory decision-making processes. As noted in a recent case study, over 2,000 community sub-grant projects have been approved and initiated, and "the community adaptation model is now being replicated in additional regions as a proven approach to decentralized finance for locally-driven rural resilience." Many beneficiaries are poor rural farmers who often suffer climate-related losses, and a majority are women.[114] A separate study is finding that these efforts and others are increasing agricultural value added per worker and reducing the impacts of droughts on productivity.[115] The PPCR approach in Zambia targeted the most vulnerable and was explicitly linked to broader poverty reduction and social protection agendas.[116] As many social protection and poverty alleviation programs are scaled up in the COVID-19 recovery context, investments in community-driven climate resilience can complement and strengthen such efforts to enhance outcomes for especially at-risk populations.

Investments in low-carbon energy access can improve health, education, livelihoods, and other benefits for underserved communities struggling in the COVID-19 context. As noted in a recent World Bank article, energy is critical for "preventing disease and fighting pandemics – from powering healthcare facilities and supplying clean water for essential hygiene, to enabling communications and IT services. Yet, in sub-Saharan Africa, only 28% of healthcare facilities benefit from reliable electricity, and only 43% of the population is electrified at all."[117] The lack of electricity and lighting hinders the development of small- and medium-sized enterprises, as well as the delivery of public services, including health, security, and education.[118] This is especially true for women, whose time poverty, health outcomes, and potential for remunerative work are adversely affected by their lack of access to energy.[119]


Solar cooking system in the high mountains of Nepal.

Recent evaluations find that in several countries, SREP programs are effectively expanding energy access to support livelihoods and services in underserved communities.[120] In Nepal, for example, SREP has supported the scale-up of electricity access through renewable energy-based mini-grids systems, with isolated communities benefiting from new lighting and charging systems.[121] Projects have also been providing the infrastructure to "expand productive use of energy in sectors like agriculture, rural enterprise,

health, and education to enhance the income and welfare of rural communities."[122] The productive capacity of these sectors and services is critical in ensuring an effective COVID-19 response and recovery for vulnerable, rural populations. In a recent example, in June 2020, the SREP Sub-Committee approved a request to reallocate USD1.4 million of available grant funds to a new project deploying mobile Solar Powered Peripheral Clinics in Honduras, thereby strengthening the health system's capacity to meet new COVID-19-related demands.[123]

Clean energy investments, such as in renewable energy, urban transport, and clean cookstoves, can decrease susceptibility to COVID-19 and other respiratory illnesses, especially for poor households. Evidence suggests a strong association between poor air quality and virus-related mortality, which affects the urban poor in particular.[124] According to the World Health Organization (WHO), 80 percent of people in urban areas are exposed to health-damaging levels of air pollution, which can worsen vulnerabilities to COVID-19.[125] Exposure to greenhouse gas emissions is associated with increased air pollution-related mortality and illness. Therefore, reducing this exposure and increasing the share of clean electricity can improve public health.[126] Low-carbon urban transport can help. In Colombia, for example, CTF supported the purchase of a pilot fleet of clean technology buses in Bogota and other public transport upgrades in seven Colombian cities.[127] A recent study finds that globally, enhanced low-carbon bus networks could prevent the premature deaths of approximately 560,000 people from ambient air pollution in 2030, compared to a business-as-usual scenario.[128]

A hybrid bus on the streets of Bogota, Colombia.

Indoor air pollution also impacts respiratory health, particularly for women and children. According to the World Bank, the lack of access to clean cooking exposes households to air pollution that "significantly increases their vulnerability to respiratory illnesses, such as COVID-19 and pneumonia."[129] A recent CIF study notes that more than half of households in Honduras use traditional cookstoves. It finds that an SREP-supported project implemented through IDB has succeeded in strengthening a sustainable private market for clean cookstoves, with increased adoption helping to avoid 33,000 tons of CO_2 emissions and reducing health risks for poorer households.[130]

Strengthened hydromet and climate services (HMCS) enhance disease surveillance, early warning systems, and socioeconomic decision-making to help mitigate the impacts of COVID-19 and future pandemics among at-risk populations. COVID-19 has underscored the importance of strong early warning and disease surveillance systems for emerging public health risks.[131] These efforts are greatly strengthened by more effective HMCS in countries.[132] A recent CIF-supported study examining the links between health and climate change in Uganda notes that "as the frequency and intensity of weather and climate extremes like flooding and drought increase, so do the occurrences of water-borne and vector-borne diseases and malnutrition-related illnesses."[133] To address this challenge, the study developed a digital predictive modeling tool that estimates the likely occurrences of future climate-sensitive diseases based on historical weather and health data, as well as predictions of future weather conditions. The authors state, "Such predictive tools enhance preparedness and capacity of national health systems and can prove critical and life-saving, as they have the potential to trigger early warnings."

Communities work in savannah woods areas as part of a forestry project in the Cerrado biome in Brazil.

Another CIF study demonstrates that enhanced capabilities to forecast and deliver weather, water, and climate information and services can inform the design of climate-resilient infrastructure investments, as well as assist potentially vulnerable farmers and coastal populations with enhanced decision-making.[134] Strengthened HMCS can thus help encourage smart investment planning and support vulnerable groups as part of broader socioeconomic recoveries.

Natural capital investments can help to reduce the incidence and spread of zoonotic diseases such as COVID-19, along with other health and livelihood-related impacts for disadvantaged communities. Evidence suggests that deforestation could lead to a rise in the occurrence of diseases like COVID-19. A recent study finds, for example, that the loss of tropical forests in Uganda puts people at greater risk of physical interactions with wild primates and the viruses they carry: "Its findings suggest that when forests are cleared for agricultural use, the chances for transmission of zoonotic, or animal-to-human diseases, increase."[135] CIF investments in places such as Ghana, Mexico, and Laos, where interventions have helped to decrease the rate of deforestation in project areas, can help to limit these risks.[136]

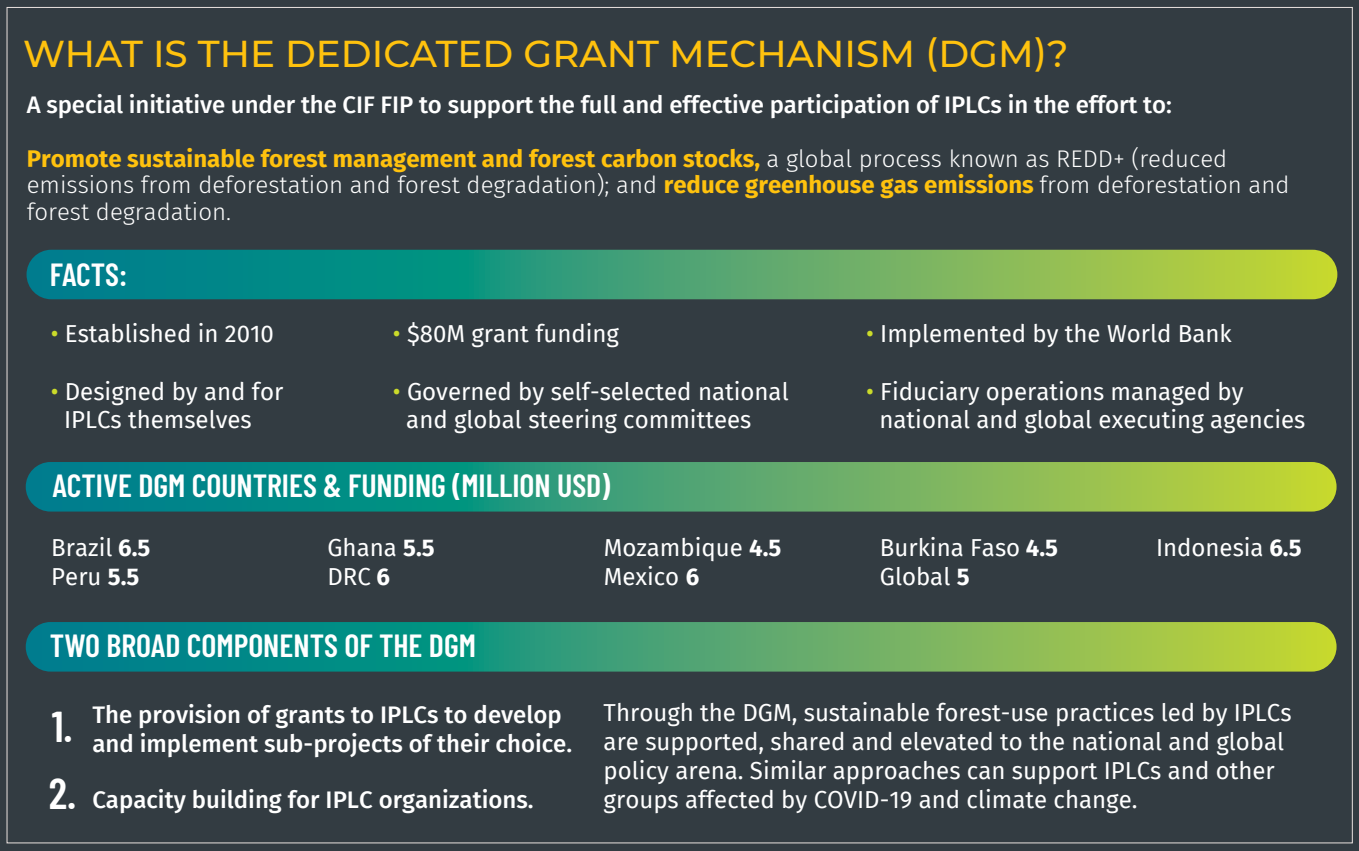
Nature-based solutions focused on restoring forests, wetlands, and soils also improve water supply, health, and agricultural productivity. In Mexico, forests cover roughly 47 percent of the country and provide "natural habitats for the support of biodiversity, mitigation of erosion…soil fertility, water filtration, and the supply of raw material for productive sectors."[137] They are also home to some of the country's most isolated, poor, and vulnerable populations that count on healthy forests for food and livelihoods. These populations have also been adversely affected by the pandemic.[138] According to a CIF study, between 2012 and 2018, FIP projects in Mexico helped double the amount of forest area under sustainable management by local communities from approximately two million to four million ha, leading to enhanced forest preservation and sustainable livelihood opportunities.[139] Increasing the role of indigenous peoples in managing forests has also been shown to increase forest preservation and management, as seen in examples below.[140] The improved forest management and increased forest cover resulting from these kinds of interventions can help to reduce the spread of diseases, while providing life-sustaining ecosystem services for vulnerable populations susceptible to the adverse effects of COVID-19.

KEY LESSON #7: DEDICATED SUPPORT TO INDIGENOUS PEOPLES, WOMEN, LOCAL STAKEHOLDERS, AND OTHER VULNERABLE OR MARGINALIZED GROUPS CAN REDUCE ADVERSE COVID-19 IMPACTS, WHILE FOSTERING MORE EQUITABLE AND INCLUSIVE GREEN RECOVERIES.

Climate interventions that support indigenous peoples, who are particularly vulnerable to climate change and COVID-19, can provide emergency relief while building social inclusion and improving forest preservation. COVID-19 has exposed the preexisting vulnerabilities of Indigenous Peoples and Local Communities (IPLCs), as manifested in a higher prevalence of poverty, inadequate housing, and poor access to healthcare, clean water, and sanitation.[141] Evidence shows higher rates of COVID-19 infections among IPLC populations.[142] Implemented across 12 countries, CIF's Dedicated Grant Mechanism (DGM) for IPLCs in FIP — a USD80 million special initiative designed and governed by and for IPLCs — supports IPLCs in reducing deforestation and forest degradation (see Figure 8).

Studies confirm that DGM sub-projects have achieved impressive tangible results, such as improved land rights, better natural resource management, and higher income, alongside important intangible results, such as increased capacity, trust, and inclusion

Figure 8.
THE CIF's DEDICATED GRANT MECHANISM (DGM) FOR INDIGENOUS PEOPLES AND LOCAL COMMUNITIES



Source: CIF

in national REDD+ and other forest governance processes.[143] In Burkina Faso, for example, shea butter producer groups in DGM sub-projects have seen their revenue increase from an equivalent of USD5 per day to USD20 per day. In Peru, "by creating a low-cost approach to land titling, which involved IPs working alongside local governments, the DGM has facilitated 133 communities' claims to 400,000 ha of ancestral land."[144] The Mexico DGM, through its social inclusion window, is financing 55 sub-projects, of which 47 are women-led.[145] In the current context, similar forms of dedicated support to IPLCs can boost the livelihoods, well-being, and inclusion of this especially vulnerable and COVID-19-affected population, while enhancing forest preservation and sustainable management.

The DGM offers a useful example and template for reaching other vulnerable or marginalized groups that have been hit hard by the pandemic and are important in a climate change context. For example, the urban poor, particularly slum dwellers in developing countries, face increased risks in the COVID-19 context, due to persisting over-crowded and unsanitary conditions.[146] As with IPLCs, they are also at greater risk to the adverse effects of climate change, underrepresented in decisions that affect them, and often at odds with governments over land use and other policies. Targeting the immediate needs of these groups, while also building a sense of ownership, trust, and inclusion in climate-smart urbanization programs and policies, can be a win-win for all. This type of model could also be applicable to subsistence farmers in rural areas. Overall, the principles, processes, and structures inherent in the design and implementation of CIF's DGM have the potential to be creatively applied to other highly

affected groups relevant to the climate crisis and COVID-19 recoveries.

Prioritizing gender equality in climate responses and including women's groups in the planning and implementation of investments can enhance gender impact and broader development outcomes relevant to COVID-19 recoveries. Women are disproportionately affected by the impacts of climate change and bear significant hardships related to COVID-19. This is partly due to their predominance in sectors hit hard by the economic downturn, such as hospitality, tourism, and other services, as well as their role in caring for household members. Moreover, women are often clustered in the informal sector, thus making it difficult for them to access formal income support and unemployment benefits.[147] A recent evaluation finds that "by engaging with women and gender-related groups as stakeholders in program design and implementation, and as direct beneficiaries and agents of change, investments have advanced gender equality outcomes such as employment, income generation, and overall well-being."[148] Examples in Tajikistan (see Box 4), Mexico (see below), and elsewhere show that mainstreaming gender in climate investments can provide a range of benefits to women who are struggling with added COVID-19-induced difficulties, while advancing broader social inclusion and climate goals.

Ensuring that local stakeholders engage and benefit from climate investments can help vulnerable groups during COVID-19 recoveries, while boosting longer-term climate and development goals. An evaluation of local stakeholder engagement (LSE) in CIF finds that effective LSE throughout the investment cycle can enhance development benefits for local people, especially marginalized groups and communities that may be disproportionately affected by the COVID-19-induced downturn: "[CIF's] commitment to engaging local stakeholders in governance, investment planning, and implementation is notable… Local stakeholders have benefitted from their engagement in CIF-supported projects, through enhanced individual and community capacities, improved livelihoods and market opportunities, reduced climate vulnerability, and greater energy access."[149]

Women at a market in Tajikistan that uses energy from a rehabilitated hydroelectric plant.

Box 4

MAINSTREAMING GENDER IMPACT IN TAJIKISTAN

The PPCR-supported Climadapt project in Tajikistan, implemented through EBRD, helped design credit lines and targeted approaches for reaching women-led businesses and households with climate resilience products and services. A study finds that these investments often led to more efficient energy and water usage, along with access to more reliable, alternative sources of energy. This had positive impacts on women's time poverty, income and productive capacity, living conditions, health and well-being, and level of influence in household financial decisions.[150] Such programs and outcomes can enhance the ability of women to cope with new challenges related to COVID-19 and climate change.

In Zambia, for example, robust LSE in investment planning influenced PPCR Zambia's focus on community-based climate resilience initiatives that were integrated with local development plans, thereby leading to positive outcomes for vulnerable communities and households. Similarly, the PPCR-supported Pyanj River Basin project in Tajikistan used participatory risk assessments and extensive local stakeholder consultations to improve the health, safety, and livelihoods of 100,000 vulnerable households by reducing risks and future losses from extreme climate events.[151] FIP-supported projects in Burkina Faso and Peru also demonstrate the benefits of participatory approaches to issues of land tenure, which is critical to decreasing the marginalization of disadvantaged communities.[152] These forms of high local stakeholder participation and benefits can produce positive socioeconomic outcomes for poor and vulnerable groups in support of broader COVID-19 recovery efforts.

Inclusive engagement in investment planning is especially key for amplifying local benefits and creating support networks that can help sustain climate action in the face of COVID-19-induced disruptions. As noted in a recent evaluation, "The transformational impact of CIF's programmatic approach was enhanced where interventions gained the support of influential political champions who were able to mobilize commitment and engagement across a wider range of stakeholders... Where this occurred, such support allowed programs to achieve momentum, build wider engagement, and maintain progress even during periods of political and economic dislocation."[153]

Some areas may be especially conducive to these kinds of inclusive planning approaches during COVID-19 recoveries. For example, COVID-19 has hit cities especially hard, and also presents an opportunity to rethink urban life.[154] Investments in low-carbon transport, renewable energy, energy efficiency, resilient infrastructure, and circular economy can all play a role in this transformation, as evidenced by CIF's experiences in Turkey, Mexico, Colombia, and elsewhere.[155] With multiple levels of government, neighborhood organizations, private sector, and other groups, inclusive and holistic approaches to urban investment planning is crucial. Similarly, natural rural landscapes often include forests, agricultural areas, mining and other industrial areas, and interspersed cities and towns, thus sharing an interconnected network of multi-use space, actors, and resources. Broad engagement of stakeholders through programmatic approaches in these areas may also be timely and relevant in the context of supporting green and equitable COVID-19 recoveries.

Leveraging civil society, youth, and other groups through capacity building and roles in project implementation can strengthen local responses to both the COVID-19 pandemic and the climate crisis. Strengthening the roles and capacities of CSOs, youth (see Box 5), and other local organizations or groups can benefit climate, health, and a range of other socioeconomic development areas relevant to COVID-19 recoveries. In Mexico, for example, FIP, through the World Bank, helped the National Forest Commission (CONAFOR), in partnership with the National Women's Institute (INMUJERES), build staff capacity on gender integration and enhance technical support at the field level for productive forest enterprises led by women in indigenous communities. This supported income generation and other positive impacts.[156]

Box 5

EMPOWERING CSOs AND YOUTH IN RESPONSES TO CLIMATE CHANGE AND COVID-19

CIF recently engaged African youth leaders and CSOs in consultations on COVID-19 and climate action. As participants noted in a joint statement, "CSOs and networks have been at the forefront of the response, mobilizing resources, identifying and engaging with vulnerable communities, and educating citizens on the virus. CSOs are making use of technology both to advance the climate agenda as well as to educate and support communities on COVID-19."

This includes providing independent monitoring and accountability of COVID-19 response and recovery efforts, as well as climate commitments: "We expect leadership from climate funds, communicating the right messages and seeking opportunities to improve civil society and youth participation. If COVID-19 can be an opportunity for a successful energy shift, civil society can help guide and monitor this transition."[157]

FIP-DGM representatives from the Dawadawa community in Kintampo, Ghana.

Figure 9.
CIF FINANCING AND THE SUSTAINABLE DEVELOPMENT GOALS (SDGs)

CIF projects have directly contributed towards 10 of the 17 UN-Sustainable Development Goals.

CIF projects generally deliver additional benefits that go beyond the climate mitigation and adaptation scope.

CIF projects have successfully leveraged over $54.5 billion in expected co-financing from MDBs, private sector and other sources that contribute to the SDGs.

A study on LSE in Cambodia similarly notes: "Cambodia's SPCR [Strategic Program for Climate Resilience] makes it clear that local stakeholders are more than beneficiaries, they are also good project observers, collaborators, and service providers."[158] Local CSOs have played a key role in project implementation, helping to serve communities through their local presence, knowledge, and expertise. Fully leveraging the contributions of these local stakeholders and non-state actors can help support more equitable, climate-friendly, and sustainable COVID-19 recovery efforts at the local level.

Policies and practices mandating attention to transformational change, development impacts, just transition, gender mainstreaming, and local stakeholders can support more equitable, sustainable COVID-19 recoveries. The institutional policies and practices of climate finance institutions can influence how investments are designed and the extent to which they contribute to COVID-19 recoveries. For example, evaluations have noted that including transformational change as an explicit area in CIF program investment criteria and planning documents encouraged broader systems-level thinking in the design of country investment plans. This includes the "identification of barriers (financial, institutional, policy, and knowledge and information related) that would need removal to achieve transformation."[159] New CIF programs will go further by requiring plans and projects to demonstrate actions along specific dimensions of transformational change related to relevance, systemic change, scale, and sustainability.[160]

As noted in Figure 9, CIF investments are contributing significant financing to several UN Sustainable

Intern at the Xina Solar One concentrated solar power plant in South Africa.

Box 6

CIF CASE STUDY ON JUST TRANSITION: SOUTH AFRICA

A CIF case study on just transition in South Africa describes several national efforts that provide important tools for planning just transitions for vulnerable communities, regions, and economic sectors. It also suggests ways for development and climate finance partners to reinforce these efforts. It notes that CIF, MDBs, and others could play an important role in just transitions by "supporting long-term modeling and planning; social dialogue;...anticipatory skills development; transitions in particularly vulnerable regions and sectors; and research into transitions across multiple geographic scales."[163] Such efforts can also help ensure equitable and sustainable COVID-19 recoveries.

Development Goals, and new CIF programs will require greater attention to these kinds of social and economic impacts based on emerging lessons from new analytical work in this area.[161] Gender mainstreaming and local stakeholder engagement are also areas where CIF policies and practices have been strengthened over time, leading to enhanced outcomes as well as improved policies and guidance for new investments.[162] Deliberate attention and requirements in these areas can increase the proclivity of climate investments to support a broad range of socioeconomic development areas, especially for vulnerable groups, in the context of COVID-19 recoveries.

Socially inclusive processes can also help to engage communities, households, and workers adversely affected by climate-related policies and changes. As highlighted in CIF's recently initiated analytical work on supporting just transitions, doing more in this area is key to achieving equitable, sustainable COVID-19 recoveries and reaching climate goals. For example, the COVID-19 pandemic, coupled with the early 2020 oil market crash, has further accelerated job losses in the power sector, thus exacerbating challenges already felt in many fossil-fuel dependent groups and communities. Many other groups are also disproportionately affected by transitions in agriculture, forestry, and other sectors, as well as by accelerated rates of climate change and related adaptation efforts.

Given the unprecedented changes taking place within the context of climate change, COVID-19, and other influences, recoveries will need to take social justice and equity concerns seriously within short-, medium-, and long-term planning, and with respect to specific geographies and groups (see Box 6).[164] Recent experiences in places such as France and Chile have shown that when climate-friendly policies are perceived to be exclusive, unjust, or unequal in their impacts, the resulting reaction and social unrest can significantly derail the implementation of such policies.[165] For green recoveries to be sustainable, they must also be just and equitable.[166]

Communities growing climate resilient crops in Zambia.

CONCLUSION

The COVID-19 pandemic and related economic crisis have drastically changed the context in which efforts to combat climate change are taking place. Climate and other development-related finance must adapt to stay relevant and effective in supporting the recovery efforts of countries within this context. This requires new ways of thinking and innovation in how investments are designed and implemented. Maximizing the economic, social, environmental, and institutional impacts of such investments is critical.

CIF's implementation experience over the past decade demonstrates that climate investments can contribute immensely to countries' COVID-19 recovery efforts by supporting governments, MDBs, the private sector, local actors, and others to simultaneously advance socioeconomic development and climate goals. The extent to which future investments can optimize these contributions will help determine our collective ability not only to address climate change, but also to implement green COVID-19 recoveries that pave the way for a more sustainable and prosperous future for all.

ACRONYMS

ADB	Asian Development Bank
AfDB	African Development Bank
CIF	Climate Investments Funds
CONAFOR	National Forest Commission
CSO	Civil Society Organizations
CSP	Concentrated Solar Power
CTF	Clean Technology Fund
DIME	Development Impact Evaluation
DGM	Dedicated Grant Mechanism
E&L	Evaluation and Learning
ENB	Environment, Natural Resources & Blue Economy Global Practice
FIP	Forest Investment Program
GCA	Global Commission on Adaptation
GESP	Global Energy Storage Program
GPURL	Urban, Disaster Risk Management, Resilience and Land Global Practice
Ha	Hectare
HMCS	Hydromet and climate services
IDB	Inter-American Development Bank
IFC	International Finance Corporation
IFIs	International Financial Institutions
IMF	International Monetary Fund
INMUJERES	National Women's Institute
IPLCs	Indigenous Peoples and Local Communities
IRENA	International Renewable Energy Agency
Km	Kilometer
LSE	Local Stakeholder Engagement
LTMS	Long-Term Mitigation Scenarios
MASEN	Morocco Solar Energy Agency
MDBs	Multilateral Development Banks
MSMEs	Micro, Small, and Medium-Sized Enterprises
NAFIN	Nacional Financiera
PES	Payment for Ecosystem Services
PPCR	Pilot Program for Climate Resilience
SREP	Scaling Up Renewable Energy Program in Low Income Countries
WBG	World Bank Group

ENDNOTES

1 IMF, 2020
2 ILO, 2020
3 World Bank, 2020a
4 Hammer and Hallegatte, 2020
5 IMF, 2012
6 CIF, 2020a. CIF currently comprises the following four programs: the USD5.7 billion Clean Technology Fund (CTF); the USD769 million Scaling Up Renewable Energy Program in Low-Income Countries (SREP); the USD1.2 billion Pilot Program for Climate Resilience (PPCR); and the USD742 million Forest Investment Program (FIP).
7 See more on CIF E&L Initiative at: https://www.climateinvestmentfunds.org/evaluation-and-learning
8 Hepburn et al., 2020
9 Hallegatte and Hammer, 2020
10 World Bank Climate Change Group, 2020
11 Pasricha, 2020; Person-year of employment represents one person employed full-time for one year, or two people for half a year, etc. It is often used for manufacturing, installation, and construction employment, which may be temporary in nature, but may also be used for permanent employment. The numbers cited represent totals calculated from estimations on the CTF portfolio, using the Employment Factor Approach (EFA) model for direct employment impacts and the Joint Impact Model (JIM) for indirect employment impacts; direct and indirect economic value added of the portfolio during construction; and economic impacts of power produced by the CTF portfolio for each projected year of project operations.
12 Pasricha, 2020; CTF approved financing of USD4.5 billion has leveraged an additional USD47.9 billion, for a total project portfolio of approximately USD52.4 billion. CTF's renewable energy portfolio is valued at approximately USD37.1 billion in total financing.
13 Ibid.
14 IRENA, 2020
15 Garrett-Peltier, 2017
16 According to ILO, decent work involves "opportunities for work that are productive and deliver a fair income, security in the workplace and social protection for families, better prospects for personal development and social integration, freedom for people to express their concerns, organize and participate in the decisions that affect their lives and equality of opportunity and treatment for all women and men."; See also CIF Just Transition Initiative.
17 ILO, 2014
18 Sanz Cortes, 2019
19 Ward et al., 2020
20 Savage et al., 2019
21 Patgiri and Patgiri, 2020
22 Deloitte, 2019
23 Ibid.
24 BNEF, 2019
25 Ibid.
26 Toga Makang and Dobrotkova, 2019
27 Hepburn et al., 2020; Hallegatte and Hammer, 2020; IEA, 2020
28 Boyd et al., 2017
29 Retallack et al., 2018
30 Ibid.
31 Retallack et al., 2018; CIF CTF, 2020
32 Retallack et al., 2018
33 Bird et al., 2019; Savage et al., 2019
34 GCA, 2019; Actual returns depend on many factors, such as economic growth and demand, policy context, institutional capacities, and condition of assets. Also, these investments neither address all that may be needed within sectors (for example, adaptation in the agricultural sector will consist of much more than dryland crop production) nor include all sectors (as health, education, and industry sectors are not included). Due to data and methodological limitations, this graph does not imply full comparability of investments across sectors or countries.
35 PPCR, 2018c
36 Ibid.; World Bank Climate Change Group, 2020
37 Kyle, 2020
38 Ibid.
39 World Bank, 2016a
40 Savage et al., 2019; CIF PPCR, 2018a; CIF, 2018
41 GCA, 2019
42 Blanke, 2020
43 CIF-DIME, 2020a; CIF-DIME, 2020b
44 Nesiama and El Abed, 2020
45 Ibid.
46 Garcia, 2018
47 CIF PPCR, 2018b; OneWorld and Oxford Policy Management November, 2018a; OneWorld and Oxford Policy Management November, 2018b; Savage et al., 2019
48 Hall-Hanson, 2020
49 Cook and Taylor, 2020; World Bank, 2016b
50 UN/DESA, 2020c
51 Cook and Taylor, 2020; World Bank, 2016b
52 Poulsen et al., 2019; AfDB, 2019
53 IIED/LTS, 2019
54 Ibid.
55 IIED/LTS, 2019
56 IIED/LTS, 2019; Bird et al., 2019; IDB, 2018
57 Cooper and Huff., 2017
58 Bolondi, 2018
59 Ibid.
60 Savage et al., 2019
61 UN/DESA, 2020b; Crabtree et al., 2020
62 Savage et al., 2019
63 Ibid.
64 EBRD, n.d.
65 BNEF, 2019
66 Ibid.
67 Savage et al., 2019
68 Bird et al., 2019
69 Kyle et al., 2018
70 Savage et al., 2019; Bird et al., 2019
71 Savage et al., 2019
72 Ibid.
73 Ibid.
74 MSBs, 2019
75 Reinsberg et al., 2020
76 Savage et al., 2019
77 Bird et al., 2019
78 Nelson and Weiss, 2020
79 Bird et al., 2019
80 Kyle, 2020
81 Ibid.
82 Little, 2018
83 Ibid.
84 Wörlen et al., 2020
85 Savage et al., 2019
86 CIF FIP, 2019
87 Allen et al., 2020
88 Fairman et al., 2020
89 Ibid.
90 Kyle, 2020
91 Savage et al., 2019

92 Ibid.
93 Ibid.
94 IIED/LTS, 2019; Savage et al., 2019
95 Modelewska and Vyzaki, 2019
96 Savage et al., 2019
97 Ibid.
98 Ibid.
99 Fairman et al., 2019; For more information on the Transformational Change Learning Partnership, please visit the webpage.
100 Fairman et al., 2019
101 ICAI, 2019
102 Kyle et al., 2018; CIF PPCR, 2017; CIF FIP, 2017a
103 CIF GESP, 2020
104 World Bank Urban, Disaster Risk Management, Resilience and Land Global Practice (GPURL, 2020); World Bank Environment, Natural Resources & Blue Economy Global Practice (ENB), 2020; de Paz et al., 2020
105 Pasricha, 2020
106 World Bank GPURL, 2020; Kuriakose et al., 2012
107 World Bank GPURL, 2020
108 CIF-DIME, 2019a
109 CIF-DIME, 2019b
110 Soler, 2018
111 Flores et al., 2020; World Bank, 2020b
112 UN/DESA, 2020c
113 Kyle, 2020
114 Ibid.
115 Chonabayashi et al., 2019
116 Kyle, 2020
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118 CIF SREP, 2018
119 Clancy et al., 2012; Ekouevl and Tuntivate, 2012; Adair-Rohani et al., 2016
120 Savage et al., 2019
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122 CIF SREP, 2018
123 IDB update on approval request email to CIF SREP SC.
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137 Reyes-Retana et al., 2020
138 Rainforest Alliance, 2020
139 Savage et al., 2019
140 Ding et al., 2016
141 UN/DESA, 2020a
142 Ibid.; Economist, 2020
143 Douthwaite et al., 2020; Toki, 2020
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145 Bird, 2020; Reyes-Retana, 2020
146 Baker et al., 2020
147 de Paz et al., 2020
148 Burns and Granat, 2020
149 Fairman et al., 2020
150 Modelewska and Vyzaki, 2019
151 Ibid.
152 CIF FIP, 2017b; Douthwaite et al., 2020
153 Savage et al., 2019
154 World Bank GPURL, 2020
155 Sharma, 2019; Retallack et al., 2018; CTF, 2015
156 Burns and Granat, 2020
157 CIF, 2020b
158 Live & Learn Cambodia, 2019
159 Williams, 2019
160 These dimensions relate to the TCLP's working definition of transformational change in climate action, defined as strategic changes in targeted markets and other systems, with large-scale, sustainable impacts that shift and/or accelerate the trajectory toward low-carbon and climate-resilient development. The definition and dimensions of transformational change of may be further updated in 2020/2021 in collaboration with the TCLP.
161 CIF, 2019b. Please note that only SDGs that are directly impacted by projects are taken into consideration. Matching of CIF projects with SDGs is based on available information in project documents. Data is based on MDB-approved projects in the CIF Semi-Annual Report ending in December 31, 2018. Reporting on CIF contribution to SDG5 is based on the assessment of projects, including sex-disaggregated indicators, in project results frameworks.
162 Savage et al., 2019; Burns and Granat, 2020; CIF Gender; 2020
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164 Ibid.
165 CIF-CSIS; 2020
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The Climate Investment Funds (CIF) were established in 2008 to mobilize resources and trigger investments for low carbon, climate resilient development in select middle income and developing countries.
To date, 14 contributor countries have pledged over US$ 8 billion to the CIF, which is expected to leverage an additional $60 billion in co-financing for mitigation and adaptation interventions at an unprecedented scale in 72 recipient countries.
CIF's large-scale, low-cost, long-term financing lowers the risk and cost of climate financing. It tests new business models, builds track records in unproven markets, and boosts investor confidence to unlock additional sources of finance. The CIF is the largest active climate finance mechanism in the world.

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