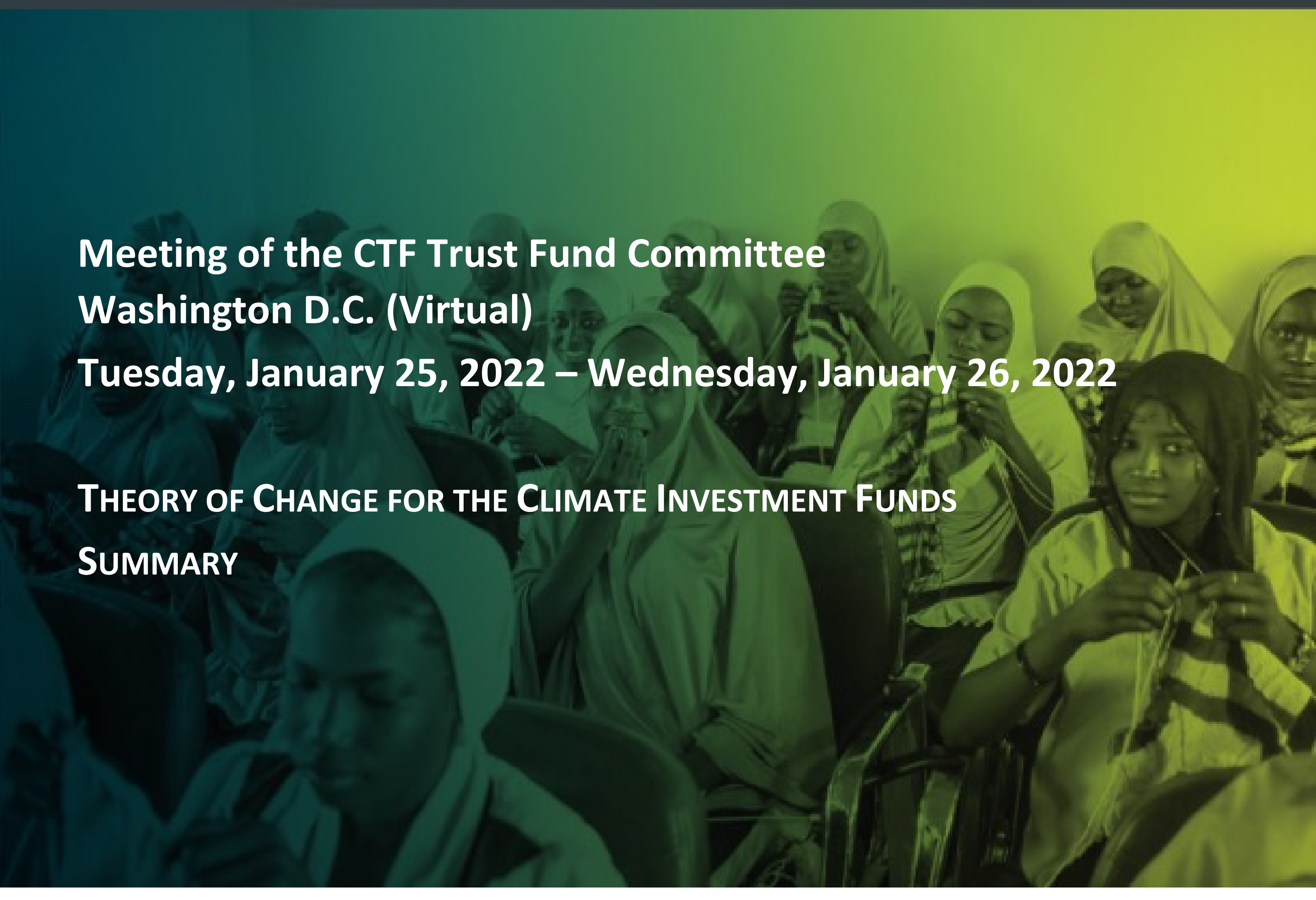
CLIMATE INVESTMENT FUNDS

Investing in the future



Meeting of the CTF Trust Fund Committee
Washington D.C. (Virtual)
Tuesday, January 25, 2022 – Wednesday, January 26, 2022

THEORY OF CHANGE FOR THE CLIMATE INVESTMENT FUNDS

SUMMARY

CLIMATE INVESTMENT FUNDS
1818 H Street NW
Washington, D.C. 20433 USA
T: +1 (202) 458-1801
climateinvestmentfunds.org

Joint CTF-SCF/TFC.25/4.2
January 13, 2022

PROPOSED DECISION

The joint meeting of the CTF and SCF Trust Fund Committees has reviewed the document Joint CTF-SCF/TFC.25/4.2, *Theory of Change for the Climate Investment Funds*, and welcomes it as a comprehensive update to the CIF Logic Model (2010) based on new and existing CIF programming areas and the overarching CIF business model. The Committee endorses the CIF Theory of Change as a guiding document to be taken under consideration for future investment planning, design, and implementation purposes.

1. After more than a decade of implementation experience and lessons generated through CIF's role as a climate finance learning laboratory, the theoretical basis for how CIF contributes to transformational change[1] through climate action has evolved. Moreover, as new CIF programs, initiatives, and activities take shape, there is a strategic and operational need to reformulate how these concepts work in concert to drive CIF's overarching mission: *accelerating transformational change toward net-zero emissions and inclusive, climate-resilient development pathways.*

2. This document presents a holistic Theory of Change (ToC) applicable to all of CIF. It serves as a comprehensive update to the initial CIF logic model established in 2010, combining elements from the logic models for CTF, SREP, FIP, and PPCR approved for these programs at their inception, along with elements from the theories of change for newer CIF programs. The ToC also covers non-programmatic aspects of CIF's business model, such as gender, monitoring, evaluation, and learning (MEL), risk, technical assistance and capacity-building, stakeholder engagement, knowledge management, policy support, and governance.

3. Low- and middle-income countries face several key challenges to ensuring climate-responsive development trajectories: insufficient coordination mechanisms for scaled-up, multi-sectoral climate investments; inadequate public/private market incentives for new and additional climate finance; unfulfilled financing gaps in priority sectors and countries; unproven technologies and innovations; and policy and regulatory barriers, among others.

4. CIF fulfills an important niche in the international climate financing architecture by providing and enabling scaled-up resources in targeted sectors and countries with significant untapped transformational potential. The CIF mechanism aims to help close the global climate financing gap while also supporting multilateral development banks (MDBs), private investors, countries, and other stakeholders to enhance their own climate financing, investments, and broader actions in line with the tenets of the Paris Agreement.

5. CIF's Theory of Change (illustrated graphically as a diagram on pg.5 of the document) is comprehensively summarized in the following three-part statement:

   CIF employs a signature country-led, programmatic, participatory approach that draws from multi-MDB technical expertise and coordinated climate action to deliver large-scale, coherent packages of public- and private-sector interventions addressing strategic gaps in targeted countries. Backed by scaled-up, flexible, and predictable sources of concessional finance, CIF's investments are also buttressed by dedicated resources for driving innovation, policy support, and technical assistance, alongside the consideration of systems transformation, gender equality, social inclusion, distributional equity, accountability, and learning from the outset.

[1] CIF defines transformational change as: "fundamental change in systems relevant to climate action, with large-scale positive impacts that shift and accelerate the trajectory of progress towards climate-neutral, inclusive, resilient, and sustainable development pathways"

The implementation of CIF investments—in the areas of renewable energy, clean transport, energy storage and grid integration, off-grid systems, coal phase-out, land and ecosystems, cities, industries, forests, clean technology, and climate resilience—enables a broad, yet strategic range of climate-responsive outcomes for the energy sector, land/resources/assets, people, markets, policies, and innovation. CIF's ability to drive these outcomes is further supported by scaled-up co-financing, technical assistance, policy dialogues, gender mainstreaming, stakeholder engagement, and learning, in coordination with MDBs.

The combination of outcomes, together with context-specific enabling environments, demonstration effects, replication, catalytic outcomes, and disruptions, will directly result in the reduction/avoidance of greenhouse gas (GHG) emissions, strengthened climate resilience, improved social and economic development (including gender equality), and increased climate financing. At the same time, their complex interplay with/within social, economic, and environmental systems will contribute, in part, to new signals of transformational change and a just transition across sectors and dimensions.

6. CIF's impact statement—accelerated transformational change toward net-zero emissions and inclusive, climate-resilient development pathways—covers both primary climate objectives (i.e., net-zero emissions and climate-responsive development) and complex systems change (i.e., inclusive transformational change). Six impact statements undergird this singular CIF impact: mitigation; resilience; systems transformation; social and economic development; financial transformation; and disruption.

7. CIF's main outcome areas include: energy; land/resources/assets; people; markets; policies; and innovation. The main outputs leading to these outcomes are: the implementation of new investments; climate action; demonstrated inclusivity and systems-level coordination; markets and policies; and learning and innovation. Activities span: investment planning; climate financing; enhancing activities; and CIF-MDB technical and administrative support. At the input level, the CIF ToC incorporates: the programmatic approach; intervention capacity at scale; a multi-MDB approach; inclusive, transformational design considerations; climate finance at scale; and resources for innovation and technical assistance.

8. Several *impact pathways* are color-coded in the ToC diagram: implementation design elements; systemic design elements; financial elements; policy elements; and enhancing elements. This heuristic is intended to organize a high-level understanding of mechanisms and processes of change. Pathways may overlap and intersect more fluidly than illustrated.

9. The assumptions, barriers, and risks underpinning CIF's ToC guide how effectively this theoretical model can capture CIF investments, their implementation, and results in practice. They span several types of factors: political, institutional, and regulatory; financial and economic; enabling environmental; socio-cultural; operational; and technical factors.

The Climate Investment Funds

The Climate Investment Funds (CIF) were established in 2008 to mobilize resources and trigger investments for low carbon, climate resilient development in select middle and low income countries. To date, 14 contributor countries have pledged funds to CIF that have been channeled for mitigation and adaptation interventions at an unprecedented scale in 72 recipient countries. The CIF is the largest active climate finance mechanism in the world.

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c/o The World Bank Group
1818 H Street NW, Washington, D.C. 20433 USA

Telephone: +1 (202) 458-1801
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