

CLIMATE INVESTMENT FUNDS

CTF-SCF/TFC.12/9

June 17, 2014

Meeting of the Joint CTF-SCF Trust Fund Committee

Montego Bay, Jamaica

June 25, 2014

Agenda Item 3

**ACTION PLAN IN RESPONSE TO RECOMMENDATIONS FROM THE INDEPENDENT EVALUATION
OF THE CIF**

PROPOSED DECISION

The joint meeting, having reviewed the *Action Plan in Response to the Independent Evaluation of the CIF* (document CTF-SCF/TFC.12/9), agrees to the actions proposed in the document taking into account comments received from Trust Fund Committee members. The meeting invites the CIF Administrative Unit and the MDBs to collaborate to implement the actions identified in the plan, specifically:

- i. To prepare a paper for the consideration of the joint meeting in November 2014 outlining options for the future operations of the CIF, including in-depth consideration of operational, financial and legal issues associated with the CIF sunset clause;
- ii. To revise the paper CTF-SCF/TFC.11/7/Rev.1, *Measures to Improve the Efficiency of CIF Committees* for the consideration of the joint meeting in November 2014, recommending additional options to improve the efficiency of CIF committee meetings and decision making;
- iii. To update the documents *Clean Technology Fund Investment Criteria for Public Sector Operations* (dated February 9, 2009) and *CTF Private Sector Operations Guidelines* (revised October 24, 2012), taking into account the recommendations of the evaluation to reduce ambiguity and improve the consistency of application of investment criteria, for approval by the CTF Trust Fund Committee at its meeting in November 2014;
- iv. To retire requirements for independent technical reviews of CTF projects and SCF investment plans;
- v. To implement the *CIF Gender Action Plan* (CTF-SCF/TFC.12/7);
- vi. To continue to provide accurate and clear reporting on other co-financing mobilized by CIF projects and to undertake additional knowledge work related to leverage;
- vii. Working with the Trustee, to continue to pursue proposals for addressing contributors' differing appetites for risk to enable the deployment of higher-risk financing instruments using CIF funds;
- viii. To continue to pursue innovative mechanisms for private sector engagement, including through the CTF DPSP and an assessment of the SCF set asides;
- ix. To prepare a paper for consideration of the joint meeting in November 2014 presenting options on how to enhance national-level stakeholder engagement in the implementation of CIF investment plans and projects;
- x. To prepare a paper for the consideration of the joint meeting in May 2015 outlining options for the commissioning of future national, thematic or program-level evaluations and/or a summative evaluation of the CIF; and
- xi. To implement evidence-based approaches to learning in selected CIF projects, as articulated in the paper CTF-SCF/TFC.12/4 *Approaches to Evidence-Based Learning in the CIF Project Cycle*.

I. INTRODUCTION

1. In October 2013, the joint meeting of the CTF and SCF Trust Fund Committees welcomed the presentation by the Chair of the Evaluation Oversight Committee (EOC) and the lead of the independent consultant team concerning the on-going preparation of the independent evaluation of the CIF. The joint meeting requested the EOC and the team to complete its work in sufficient time to circulate the final evaluation and a management response, well in advance of the next joint meeting. The joint meeting agreed to consider proposals and actions to address the recommendations of the independent evaluation of the CIF at its meeting in June 2014.

2. The action plan that follows, prepared by the CIF Administrative Unit and the MDBs, responds to the recommendations of the independent evaluation of the CIF. The action plan has been prepared in parallel with the CTF-SCF/TFC 12/8 *Draft Management Response to the Independent Evaluation of the CIF*.

II. ACTION PLAN IN RESPONSE TO RECOMMENDATIONS FROM THE INDEPENDENT EVALUATION OF THE CIF

Finding	Recommendation	Action Proposed by the CIF
<i>On the role and future of the CIF</i>		
<p>The lack of a strategy with respect to CIF’s sunset clause is causing uncertainty in operations; SREP is actively expanding through new pledges and soliciting additional pilot countries, while other Programs have deferred.</p>	<p>Put in place a strategic or contingency plan with respect to the sunset clause that distinguishes between maintenance of the existing pipeline of plans and projects and initiation of new ones.</p>	<p>The CIF Administrative Unit working with the MDBs will prepare a paper for the consideration of the joint meeting of the CTF and SCF Trust Fund Committees in November 2014 outlining options for the future operations of the CIF, including in-depth consideration of operational, financial and legal issues associated with the CIF sunset clause.</p>
<i>Governance and management</i>		
<p>CIF governance structure has achieved legitimacy in design through an inclusive and balanced framework, and expanded role for observers, and good disclosure and transparency.</p> <p>Efficiency and effectiveness has been undermined by the CIF’s complex architecture, consensus decision rule and lack of a secretariat with strong executive function.</p>	<ul style="list-style-type: none"> <input type="checkbox"/> Look to best practice in meeting and decision-taking procedures from other corporate and multilateral organizations with non-resident governing bodies. <input type="checkbox"/> Consider defining categories of decisions for which consensus is not required. <input type="checkbox"/> Delegate some approval and other decision-making responsibilities to working groups. 	<p>The CIF are already implementing efficiency measures approved in February 2014 through CTF-SCF/TFC.11/7/Rev.1, <i>Measures to Improve the Efficiency of CIF Committees</i>. These include: more active engagement of co-chairs in the organization of meetings; more active engagement with committee members during the preparation of policy papers; briefings for recipient country committee members in advance of committee meetings; revised procedures on chairing of meetings; steps to improve decision-by-mail project approvals; and web reforms.</p> <p>The CIF Administrative Unit working with the MDBs proposes to review and revise this paper for the consideration of the joint meeting of the CTF and SCF Trust Fund Committees in November 2014 to include: (i) an assessment of best practices in meeting and decision-making procedures; (ii) options for improved efficiency of CIF decision-making, consistent with the CIF principle of equitable governance but also considering recommendations</p>

<p>However, CIF have shown a capacity for organizational learning and adaptation over time.</p>	<p><input type="checkbox"/> Delegate operational decisions to the administrative unit, subject to strategic guidance from the TFC.</p>	<p>of this evaluation to define categories of decisions for which consensus might not be required; and (iii) recommendations for categories of decisions that could be delegated to the MDB Committee, such as the approval of project preparation grants and sub-projects under already approved programs.</p>
<p><i>Operations and quality control</i></p>		
<p>The Trust Fund Committees have maintained review responsibilities at the investment plan and project level, and over time added extra layers of duties to the administrative unit.</p> <p>Requirements for formal external review of projects have added little value to MDB procedures, coming too late in the process. Review functions have been undertaken by some contributors.</p> <p>Vague and sometimes contradictory CTF investment guidelines are not always complied with despite the layers of approval.</p> <p>Delay in the project cycle</p>	<p><input type="checkbox"/> Reframe CTF investment guidelines to be more realistic and less ambiguous</p> <p><input type="checkbox"/> Explicitly recognize, and offer guidance on trade-offs among objectives.</p> <p><input type="checkbox"/> External project review, if used, should come earlier in the cycle.</p>	<p>We agree that it is an appropriate time to reconsider investment guidelines for the CTF. The CIF Administrative Unit and the MDBs propose to update the documents <i>Clean Technology Fund Investment Criteria for Public Sector Operations</i> (dated February 9, 2009) and <i>CTF Private Sector Operations Guidelines</i> (revised October 24, 2012), taking into account the recommendations of the evaluation to reduce ambiguity and improve the consistency of application of investment criteria, for approval by the CTF Trust Fund Committee at its meeting in November 2014.</p> <p>We disagree that further guidance is required with respect to trade-offs among CIF objectives. MDBs and CIF recipient countries seek to manage trade-offs in all of their projects, including those supported by the CIF, consistent with countries' national priorities and development objectives and in line with each MDB's policies.</p> <p>In FY 14 the CIF Administrative Unit, working with the MDBs, led an effort to catalogue and rationalize reporting requirements under the CIF. The resulting paper, <i>Review of CIF Reporting Requirements: Findings and Recommendations</i>, proposes to amend or retire a number of requirements, including the independent technical review of CTF projects. This paper was circulated to the joint meeting of the CTF and SCF Trust Fund Committees for decision by mail in May 2014. The CIF Administrative Unit and the MDBs will carry out additional work to establish a structured reporting framework and prepare a more comprehensive list of proposals to further streamline the reporting requirements.</p>

<p>has been most notable in the project preparation stage, after plan endorsement. Factors contributing to delay include project novelty or complexity, lack of implementation readiness, and political changes.</p>		<p>Given the evaluation finding that the technical reviews of SCF investment plans do not substantially enhance quality (a view that has also been expressed by MDBs and pilot countries), nor do they diminish the perceived need by some committee members to conduct their own rigorous reviews, we do not feel that the reviews add enough value to merit the time and resources involved by all parties in the process, and we therefore propose to also retire this requirement.</p>
<p>The CIF began without a gender focus, but attention to gender increased over time in investment plans, though not always in consultations. Fieldwork for the evaluation showed some risk to follow-through in implementation. The recent appointment of a gender specialist is a step forward.</p>	<p><input type="checkbox"/> MDBs and CIF should maintain attention to gender in project design and execution</p>	<p>The CIF Gender Action Plan, which has been prepared by the CIF Administrative Unit Sr. Gender Specialist in collaboration with the CIF MDB working group on gender, will be considered by the joint meeting of the CTF and SCF Trust Fund Committees in June 2014 and provides a roadmap for moving forward on the recommendations of the 2013 CIF Gender Review. The plan seeks to ensure that gender equality goals, and interim measures, are addressed in the design, implementation, and monitoring and evaluation of CIF investment plans and associated projects and programs. The plan, which builds on the current gender policies of the MDBs, will address five key elements: (i) policy; (ii) program support, including development of tools; (iii) analytical work; (iv) monitoring reporting and evaluation; and (v) knowledge and learning. The Gender Action Plan will be implemented as a joint effort of the MDBs and the CIF Administrative Unit.</p>
<p><i>Transformation, leverage, and impact</i></p>		
<p>Some projects are plausibly transformational; others lack a convincing logic of transformation and impact.</p> <p>Leverage and cost-effectiveness are incorrectly or inconsistently calculated.</p>	<p><input type="checkbox"/> Agree on a specific interpretation of ‘transformation’ that focuses on the logic of demonstration effects, lowering technology costs through economies of scale, and removing policy and regulatory barriers. Ensure that research and learning</p>	<p>We agree with the recommendation that CIF—in particular CTF—projects should demonstrate a convincing logic of transformation and impact. We propose to address this as part of the above mentioned update of CTF investment criteria, proposing clearer guidance on how projects should demonstrate logic of transformation and impact and identifying topics for further CIF knowledge work.</p> <p>At its October 2013 meeting the CTF Trust Fund Committee reviewed the</p>

<p>Core indicators do not always capture steps to long term transformation, for example in the form of institutional change.</p> <p>Factors driving CTF implementation performance include country leadership with government focal points with the authority and ability to manage disbursement; existing MDB relationships and technology track records; and mature policies, regulations, and financial sectors.</p> <p>The policy, regulatory, and macroeconomic situations in more than half of CTF countries has the potential to limit or delay transformation and replication.</p>	<p>is geared to identify key barriers to impact and assess the degree to which CIF interventions address those.</p> <ul style="list-style-type: none"> <input type="checkbox"/> Adopt and enforce a more rigorous definition of cost-effectiveness of emission reduction. Discontinue the use of the term 'leverage' and devote effort to better understand when CIF has actually catalyzed private sector and other finance as a consequence of its investments. <input type="checkbox"/> Recognize that projects and plans focused on transformative institutional changes may not yield near-term carbon or resilience benefits. 	<p>paper CTF/TFC.12/7 <i>Cost-effectiveness of CTF Projects</i> and agreed on several measures for clarifying the presentation of cost-effectiveness calculations in CTF projects. We therefore do not believe that additional definition of cost-effectiveness is required at this time.</p> <p>We disagree with the suggestion to discontinue the use of the term “leverage”. The CIF Administrative Unit, working with the MDBs, will continue to report on other co-financing mobilized by CIF-supported projects and ensure that this reporting is accurate and clear, and that no claims of causality of leverage are made. We will continue to pursue knowledge work, such as the recent publication, Assessing Leverage in the CIF, to better understand the use of the term leverage, as well as case studies and other work to understand the additionality of CIF financing in individual projects.</p> <p>We agree with the recommendation to recognize that projects and plans focused on transformative institutional changes may not yield near-term carbon or resilience benefits.</p>
<p><i>Risk management</i></p>		
<p>Risk management has been unstructured in the CIF, although the development of</p>	<p>(If the CIF continue to initiate investment plans:)</p>	<p>The Enterprise Risk Management Dashboard has been launched and a first risk report will be presented to the joint meeting of the CTF and SCF Trust Fund Committees in June 2014.</p>

<p>a CIF-wide risk management framework is underway.</p> <p>Some stakeholders in the CIF are risk averse and thus, the CIF does not deploy the full range of originally-intended financial instruments. This is particularly the case for private sector engagement.</p>	<ul style="list-style-type: none"> <input type="checkbox"/> Find ways of matching contributor risk preferences to different elements of the CIF portfolio. <input type="checkbox"/> Pursue innovative mechanisms for private sector engagement. 	<p>In addition to the ERM Dashboard, the CIF Administrative Unit is leading discussions with the Trustee, the MDBs and CIF contributors to explore several proposals for addressing contributors’ differing appetites for risk and ultimately enable the MDBs to more effectively respond to the financing needs of the marketplace through the deployment of higher-risk financing instruments using CIF funds.</p> <p>We will continue to pursue innovative mechanisms for private sector engagement, including through a phase II of the CTF DPSP. The CIF is also commissioning an assessment of the SCF set asides to identify lessons from this process and generate recommendations for future efforts, including a new round of set asides (should funds be made available). MDBs have recognized the limitations of the existing mechanisms and are looking forward to having additional discussions that might lead to more relevant models which will be more flexible in terms of markets and timelines.</p>
<p><i>Private sector engagement</i></p>		
<p>The CIF have taken big strides forward in engaging the private sector, but have encountered some of the same hurdles as other climate funds. Government-led investment planning in most countries prioritized public sector over private sector investments, and the length of the investment planning process undermined private sector engagement. The CIF have</p>	<ul style="list-style-type: none"> <input type="checkbox"/> Deploy a wider range of financial instruments. <input type="checkbox"/> Place greater emphasis on capacity building, and on complementary public sector actions such as improving the enabling environment, supporting policy and regulatory reform, and building supporting physical infrastructure. 	<p>See explanation on risk management above.</p> <p>SCF programs already devote a large percentage of committed resources to capacity building activities. In addition, with the support of the CIF, the World Bank Group led an MDB initiative to develop the Readiness for Investment in Sustainable Energy (RISE) set of indicators, a major initiative focused on helping client countries to address policy and regulatory barriers and create an enabling environment for transformation and replication in the areas of renewable energy, energy efficiency, and access. RISE has been piloted in SREP countries and is expected to be scaled up starting from next year with continuous support from the CIF as well as from other partners that have already indicated interest to co-finance the scale up phase</p> <p>While the focus of the CIF, including the SCF, should continue to be the</p>

<p>begun to address this issue through SCF private sector set-asides and CTF's dedicated private sector program.</p>		<p>provision of investment finance, it is recognized that in the case of the FIP and the PPCR in particular, weak enabling environments in pilot countries are a deterrent to private sector investment especially among SMEs and financial intermediaries. Should the private sector set-asides under the SCF be continued, there would be value in making available grant funds for activities that would improve the enabling environment for private investment in relevant sectors in low-income countries.</p> <p>We do not agree with the recommendation that the CTF should place greater emphasis on capacity building. The CTF was designed to provide scaled-up financing to support the demonstration, deployment, and transfer of low carbon technologies in renewable energy, energy efficiency, and sustainable transport. The niche of the CTF is to provide larger volumes of concessional financing for investments. There are other funds along the climate finance continuum that have a mandate to provide grant funds for technical assistance and capacity building. A number of CIF-financed projects include co-financing from other sources to support related capacity building or policy activities.</p>
<p><i>Investment plans, national ownership and consultation</i></p>		
<p>Investment plans have succeeded in securing strong government ownership, but with uneven results in promoting mainstreaming and coordination. In most fieldwork countries, concerns were raised about the quality and depth of consultations at the investment plan level.</p>	<p><input type="checkbox"/> (If the CIF continue to initiate investment plans): Improve guidelines on consultation procedures at the investment plan level, encouraging the formation of enduring participatory structures.</p>	<p>With the intention of ensuring focus on the programmatic approach is carried over into investment plan implementation, the CIF Administrative Unit and the MDBs have identified lead MDBs at the country level for each CIF pilot.</p> <p>Among the activities to be undertaken by the lead MDB will be to support pilot countries in organizing stocktaking meetings bringing together a wide range of stakeholders to assess CIF investment plan implementation progress (as recently conducted in Samoa and Mexico).</p> <p>The CIF is preparing a study assessing stakeholder engagement in CIF investment plans and projects and exploring best practices in stakeholder engagement at the national level, with an aim to present recommendations on how to enhance national-level stakeholder engagement in the</p>

		implementation of CIF investment plans and projects. This study is underway and will be presented to the joint meeting of the CTF and SCF Trust Fund Committees in November 2014.
<i>Learning and evaluation</i>		
Aside from this report, there is no provision for independent evaluation at the national, Program, or Fund level, or for a summative evaluation of the CIF.	<input type="checkbox"/> Invite the GEF Independent Evaluation Office or the GCF Independent Evaluation Unit to cooperate on independent evaluation tasks, with funding directly from the Trust Fund committees. This could include a summative evaluation of the CIF. <input type="checkbox"/> Ensure that projects are aligned with and describe linkages to Program-level results.	We propose to prepare a paper for the joint meeting of the CTF and SCF Trust Fund Committees for consideration in May 2015 outlining options for the commissioning of future national, thematic or program-level evaluations and/or a summative evaluation of the CIF, recognizing that the evaluation function is inextricably linked to the future role of the CIF. The proposed timing will allow for recommendations to be made that take into account the discussion on the future of the CIF that is envisioned for November 2014.
The CIF have vast potential to provide valuable lessons on responding to the challenge of climate change. There are insufficient plans for learning from projects, although a few projects are beginning to incorporate impact evaluations.	<input type="checkbox"/> Integrate real-time feedback, learning, and rigorous assessment of impact into project activities; if needed, use grant funds to defray added costs of implementation that generate widely-applicable lessons.	The paper CTF-SCF/TFC.12/4 <i>Approaches to Evidence-Based Learning in the CIF Project Cycle</i> , to be considered by the joint meeting of the CTF and SCF Trust Fund Committees in June 2014, includes a stock-taking of existing evidence-based or evaluative approaches being implemented by MDBs, identifies a pipeline of projects in each of the four CIF programs that will incorporate evidence-based learning approaches into the project cycle, and includes a request to approve the release of currently available funds of the CIF to cover the added costs of implementation. The paper specifies each of these projects will share the lessons generated through a technical paper for an appropriate publication, a knowledge note, and a blog.