



## ACCELERATING COAL TRANSITION INVESTMENT PROGRAM

### Design Document



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# 1. Introduction

1. Despite the developments supporting transformation of the energy sector in recent times, energy-related carbon dioxide emissions have continued to rise over the last five years and reached record levels in 2018. According to IEA, CO<sub>2</sub> emitted from coal combustion was responsible for over 0.3°C of the 1°C increase in global average annual surface temperatures above pre-industrial levels, making coal the single largest source of global temperature increase.
2. In 2019, worldwide coal production was 7953 Mt accounting for 36.5% of global electricity generation in 2019. Furthermore, there is approximately 2,000 GW of coal-based generation capacity worldwide. There are more than 15,000 active coal mines globally, heavily concentrated in South and East Asia where China alone produces more than 1.8 billion tons of coal per year from more than 10,000 mines; and India, Pakistan, Indonesia, Philippines and Vietnam produce another 561 million tons (2017).

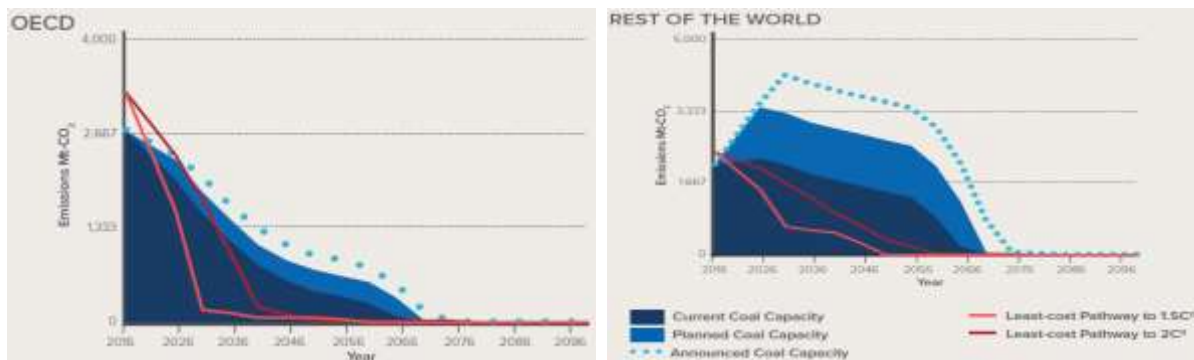


Figure 1. Potential CO<sub>2</sub> emissions from existing and planned coal capacity against least-cost pathways

3. Renewable energy has been eroding the commercial viability of coal, especially in older, inefficient operations with share of uncompetitive coal power plants estimated to rise to over two-thirds globally by 2025. The advent of low-cost solar, wind and (increasingly) battery and other energy storage technologies provide an opportunity for countries to re-evaluate new coal assets being built, re-purpose existing assets which still have considerable life left, or decommission existing assets accelerating their retirement. This is not only expected to save customers money but also offer climate, public health, and environmental benefits.
4. There are fewer jobs in the coal industry today than ever before making coal, for reasons mentioned above, no longer an industry of the future. Job growth in renewables is estimated to be greater than job losses in fossil fuels in the short-term as investments in a renewables-based energy transition are expected to kickstart economies, create jobs and open up new growth and development possibilities.
5. Significant social, economic, and political challenges remain to be resolved. Coal regions are typically mono-industry areas, and transition may involve re-orienting the structure of the economy itself. Developing country demand-driven regional transition strategies is key to identifying new labor opportunities for existing and future workforces of a coal region.

Alongside these nationally driven efforts, there is the need to strengthen local and regional institutions to manage the transition, notably the capacity to implement large social protection, education, and economic innovation programs. The remaining economic life of existing coal assets as well as the huge underlying costs associate with reclaiming, decommissioning, and re-purposing of these coal assets are key barriers for a coal transition.

6. The heavy reliance on coal as a source of electricity generation, which as a technology is limited in terms of its operational flexibility, has also influenced the design and operation of coal-reliant countries' power grids, which as a result face additional challenges integrating other sources of electricity generation with more flexible characteristics.
7. The transition is further challenged by the outbreak of COVID-19 in 2019 that has caused unexpected negative impacts on the global economy. Given the scale and scope of economic downturn, large public lenders have been looking to engage with interested countries in integrating coal transition as part of their recovery efforts. This presents a unique window of opportunity at hand to transform economies and accelerate the energy and coal transition by ensuring a green and resilient recovery coming out of the global pandemic.
8. Most of the cost savings associated with transitioning from coal to clean energy sources do not even account for the overall social and environmental benefits of reducing carbon dioxide and other coal pollutants.<sup>1</sup> These are especially relevant given the current environment of challenges faced globally by health and climate crises. So far, coal phaseout has not kept pace in order to reach the Paris Agreements goals by 2030. This delayed transition comes at high cost to governments and the general public. According to IEA, global coal usage has continued to even increase over recent years.
9. The associated costs with clean energy have been steadily decreasing and have already reached a point where it is cheaper to build new renewable energy capacity than continuing to operate most coal plants. Efficiently structured financial solutions are the key to phasing out the global coal fleet over the next decade. This will save more in public spending in the long run than continuing to remain dependent on coal.
10. Multilateral financial institutions play a key role in catalyzing this transition due to their mandates, capital, and regional expertise. This is the base principle that guides the Accelerating Coal Transition (ACT) program, and its implementation. To keep the Paris Agreement's temperature targets within reach, global coal use must decline by 80% below 2010 levels by 2030, requiring rapid transition. Multilateral finance institutions are well positioned to lead the accelerated coal phaseout and ensure a just transition. In 2028, the uncompetitive share of the coal fleet in developing countries will grow to 83%, with associated annual savings of US \$20 billion.

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<sup>1</sup> [How To Retire Early: Making Accelerated Coal Phaseout Feasible and Just](#)

## 2. Purpose and Objectives

11. The main objective of the ACT Investment Program is to tackle key barriers related to governance, people, and infrastructure, and address funding gaps leading to the successful implementation of country-level strategies and associated kick-start projects; building support at the local and regional levels; and accelerate the retirement of existing coal assets (coal mines and coal power plants) together with enabling new economic activities for those impacted by the transition. The program would look to support both public and private sector entities with the relevant toolkit necessary to affect the transition.



### Governance

12. It is important to provide a clear policy signal, identify and support relevant institutions, stakeholders, and decision-making structures, both at the local and regional levels, and ensure a well-coordinated implementation strategy across different ministries and agencies within a country. This may include developing a transformation strategy, an economic and social development plan, communications strategy, among others, as part of implementation of investment projects, through close consultation with key stakeholders.

### People and communities

13. This pillar will form an integral part of the program and ensure holistic approaches and socio-economic measures are applied to address economic challenges faced by people and communities most affected by the transition. Where possible, activities will strive to align with the COP24 declaration on Just Transition and other best practices including emerging MDB guidance and practices on the topic.

14. Although support from CIF under this component will only be to climate-related activities, funds under this pillar are expected to be mobilized from MDBs' own resources for wider activities such as social protection/ job creation activities.
15. The program activities will also focus on both upskilling and re-skilling to help the people retain jobs where feasible and prepare for new jobs as available. Some of the activities included under this pillar may include the following:
  - Implementation of social plans including funding support for labor retrenchment packages and reskilling/retraining packages, including a gender action plan.
  - Economic regeneration stimulus package with targeted improvements in gender-balance composition of sunrise and sunset industries' workforces through the development of new productive activities to retain employees and create sources of income.
  - Temporary income support measures would also be within the scope of this program to assist workers in instances where there is a gap in employment.

### Infrastructure

16. The program will provide funding for reclamation, decommissioning and repurposing of the coal assets. Both brownfield (e.g., repowering, industry) and greenfield (e.g., commercial, residential) options can be considered for repurposing depending on location and feasibility of potential alternatives. Under repurposing, repowering, using existing or innovative technologies, will be a major area of support.
17. Based on the identified list of the most effective, efficient, and high-impact activities at the plant-level, one or more of the following areas may be supported by the program:
  - **Renewable energy for power and/or heat generation:** Energy generation using renewable sources of energy such as solar, wind, or a combination with storage will be eligible to take advantage of the existing infrastructure on the site and to replace the baseload power and heat from the coal power plant with (variable) renewable energy. The choice of the technology or the mix of technologies will be guided by plant-level studies to determine the feasibility and viability of the proposed activities.
  - **Ancillary services:** The existing generator can be retained to provide reactive power service that is critical for maintaining voltage level and voltage stability, especially in a power system with high share of variable renewable electricity (VRE). Alternatively, a battery/thermal/pumped storage system can also provide frequency control service. If the existing site can effectively become a flexibility center to replace much of the ancillary services that the original coal plant was providing, it will ensure the power system can continue to operate securely. ACT funding will support such activities that involve renewable sources and technologies such as energy storage.
  - **Energy efficiency:** Depending on location and use, not all sites may be suitable for power generation, and other economically productive alternatives may need to be considered. The CIF, through the Clean Technology Fund (CTF), has supported the development of energy efficient buildings that result in greenhouse gas emissions

reduction while promoting sustainable methods of construction in countries like Mexico and Turkey. Building on such experience, and where deemed feasible, the ACT-IP could also support the development of more energy efficient buildings including on the site previously used for mining or other associated practices. Such support will be contingent upon such buildings adhering to strict international standards such as LEED, IFC's EDGE or others, with a clear goal of reducing greenhouse gas emissions.

- **Biodiversity:** Options such as reforestation/afforestation activities can be particularly relevant in the case of coal mines given their sequestration role. Such activities could also be supported by (sustainable) biomass-based generation depending on the site. Other activities could also include restoring the quality of soils / ecosystem to their pre-mining level (e.g., pastures or other ecosystems); uprooting of invasive plant species used for land stabilization; biodiversity offsets (in cases where the mined areas had a high-biodiversity value and land restoration is not an option) etc. On the upstream side, some of the activities that could be considered by countries may include , among others, policy reforms and institutional strengthening related to environmental regulatory procedures and requirements for mine closure and related financial assurance; and to systems and capacity at national, regional, and local level to sustainably protect rehabilitated sites.

### 3. Governance

18. The ACT is in line with the strategic objectives of the CTF which aims to finance transformational actions by: (a) incentivizing low carbon development and mitigation of GHG emissions through public and private sector investments; (b) promoting scaled-up deployment, diffusion and transfer of clean technologies by funding low carbon programs and projects; (c) promoting realization of environmental and social and economic co-benefits thereby contributing to sustainable development; (d) leveraging the MDB-partnership and other climate funds to mobilize additional resources at scale; and (e) offering experience and lessons as a learning laboratory with more than ten years' experience on the cutting edge of climate finance innovation.
19. The ACT investment program is established under the CTF within the current CIF governance. The CTF Trust Fund Committee will be the decision-making body that oversees the operations and activities of CTF, and by extension, the ACT investment program. The CTF Trust Fund Committee will be responsible for:<sup>2</sup>
  - a. approving programming and pipeline priorities, operational criteria, and financing modalities
  - b. ensuring that the strategic orientation of the program is guided by the principles of the UNFCCC

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<sup>2</sup> [Governance framework for the Clean Technology Fund \(CTF\)](#)

- c. endorsing further development of activities in investment plans for financing
- d. approving allocation of resources for programs and projects
- e. approving allocation of resources for administrative budgets
- f. providing guidance on the convening of key CIF Forums
- g. ensuring monitoring and periodic independent evaluation of performance and financial accountability of the MDBs
- h. approving annual reports of the CTF
- i. ensuring that annual reports and evaluations, including lessons learned, are transmitted to the UNFCCC
- j. reviewing reports from the Trustee on the financial status of the CTF, including ACT, and
- k. exercising such other functions as the CTF Trust Fund Committee may deem appropriate to fulfill the purposes of the ACT investment program

#### **4. Country Eligibility and Selection of Pilot Programs**

20. All countries that meet the following criteria can express their interest in becoming a CIF country under the program:
- a. Country must be eligible for Official Development Assistance (ODA)<sup>3</sup> at the time of the call(s) for EoI.
  - b. Country should meet one or more of the following criteria:
    - i. Electricity produced from coal higher than 4 TWh per year.
    - ii. Electricity produced from coal higher than 10% of total electricity generation.
    - iii. Coal production higher than 4,000 Mst per year.
  - c. Country must have an active lending program with at least one of CIF's partner MDBs.
21. Additional information regarding the country selection process and eligibility can be found in Country Selection Process for ACT Investment Program, which describes in depth the following:
- a. Details and procedures on recipient countries eligibility and how they can prepare and submit an EoI to access funding under the program.

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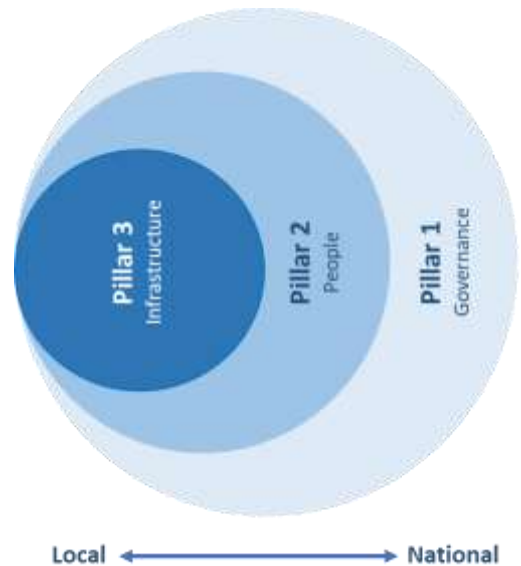
<sup>3</sup> The Organization for Economic Co-operation and Development/Development Assistance Committee's (OECD/DAC) list of ODA recipients for 2020 and 2021 is available on the OECD web site: [DAC List of ODA Recipients](#). The DAC revises the List every three years. The next review of the DAC List will take place in 2023. In instances where a country graduates from one lending category to another, new pricing may apply. See the *CIF Pricing Policy* [forthcoming] for additional information.



- b. Details and procedures on how independent expert groups will be identified and selected to review EoIs and make recommendations to the CTF Trust Fund Committee on the countries to invite to participate in the new CIF programs.
- c. The criteria and selection process by which countries that have submitted an EoI will be assessed.

## 5. Design Principles, Financing Modalities and Types of Investments

22. **Program/ project boundary:** It is important to demonstrate the relevance of the proposed program/project to the existing site/ asset as well as to draw strong linkages of the project to the people who are potentially affected by the transition. Under the *infrastructure* pillar, the program will prioritize funding for the most effective, efficient, and high-impact activities to be implemented at the site level; however, activities could also be supported in specific cases beyond the site level, in the coal regions where the underlying coal assets are located as long as strong linkages could be established with the closure of those coal assets.



23. Activities under the *people and communities* pillar should support new economic opportunities and be prioritized for workforces and communities most affected by the coal transition. Where possible, these opportunities should be generated locally; however recognizing the “monotown” nature of coal areas, activities could also be supported in specific cases beyond local areas as long as strong linkages could be established with those most affected by the coal transition.
24. Finally, given the role of national and sub-national entities in coal transition, support for activities under *governance* pillar could be at the national, sub-national or local level depending on the nature of the activities.
25. **Site selection:** In order to have significant demonstration, replication and transformational impact, the underlying sites must be carefully selected under the program. Efforts will be made to ensure that the funding does not subsidize coal companies or relieve them of their responsibilities. The following set of considerations and criteria will be applied in the selection of the project sites:
- a. Long-term sustainability
  - b. Greenhouse gas emissions reduction potential
  - c. Demonstration potential
  - d. Financial condition

- e. Remaining operational life of the coal assets
  - f. Ensure compliance with appropriate environmental permits
  - g. Ensure prevention of risks and hazards to public health and safety
  - h. Ensure prevention of pollution of valued environmental components
26. **CTF country ceiling:** As per the *Governance framework for the Clean Technology Fund* (adopted November 2008 and amended June 2014), in approving financing for programs and projects, the CTF Trust Fund Committee will seek to achieve an allocation of resources so that no one country receives more than approximately fifteen (15) percent of the CTF resources. This guidance was included to ensure a broader pool of countries could access funding from the program.
27. Large-scale resources, focused on a limited set of countries, can contribute to transformational change through demonstration and replication potential of underlying activities informing energy transition strategies of both developed and developing countries. Given the unique nature of the ACT investment program, that intends to offer a significant scale of funding with a focus on high impact countries, the country ceiling criteria will **not** be applicable to the funding made available through the program.
28. **MDB allocation:** The six regional and global MDBs are key implementing partners of the CIF covering all countries where the program will be implemented. The following principles will be applied for allocating funding to each MDB under the ACT investment program.
- a. Geographical coverage of operations
  - b. Level of engagement on the topic of coal transition in individual countries
  - c. Readiness of potential pipeline
  - d. Historical share of CTF allocations as of June 30, 2021
29. The program will follow CIF's business model with the following characteristics:
- a. Country-led programmatic participatory approach
  - b. Risk-appropriate financing tools at scale
  - c. Ability to target new technologies for transformational impact
  - d. Flexibility
30. A country could receive support using one of the following modalities:
- a. Investment Plan: Upon invitation, a selected country will put together an investment plan which will consist of a coherent program of investments targetting the phase out of coal assets. This investment plan must support activities under all three pillars, especially under the people and communities and infrastructure pillars.
  - b. Private sector window: Stand-alone activities, especially under the *people & communities* and *infrastructure* pillars could be supported through this window. To be supported under the *people & communities* pillar under this window, the project must

demonstrate strong linkage to the closing of a coal asset, and must be based in one of the countries to have *submitted* an Expression of Interest (EoI) for consideration under the program.

31. **Investment Plan:** CIF’s programmatic approach encompasses the development and implementation of a country-led investment plan—supported by MDB collaboration, informed by multi-stakeholder consultation, and associated with a predictable and flexible resource envelope—that sets out strategically linked investments, unified by a transformative plan.
32. The programming of CIF concessional resources includes the following steps:
  - a. Diagnostic and investment action planning at the national/ sub-national/ sector-level
  - b. Development of a coherent intervention package
  - c. Implementation of strategically aligned interventions
33. These steps will be undertaken on an as-needed basis, depending on context-specific circumstances and recipient countries’ requirements. With a view of enhancing the cost- and time-efficiency in the programming of CIF’s resources, these steps will harness, where available, existing national/ sub-national/ sector-level programs, plans, or frameworks, including MDBs’ country strategies.
34. The diagnostic and investment planning phase will include at least one joint mission led by the relevant government entity working together with the respective MDBs. Solid pre-work will ensure the joint mission is inclusive and involves consultation with a wide range of stakeholders, including representatives from relevant government agencies, private sector groups, other development partners, non-governmental organizations (NGOs), academia, youth organizations, Indigenous Peoples’ organizations, and other community-based and civil society organizations (CSOs). This phase will result in the formulation of an investment plan setting the foundation for subsequent development of strategically aligned program and project pipelines and mobilizing resources from other public and private sector entities. The investment plan will be submitted to the relevant governing body of CIF for review and endorsement as a basis for preparing program or project proposals for CIF funding. Ideally, the country’s Ministry of Finance or Planning will submit the investment plan, which will identify how it will seek to mobilize finance from other public and private sources (particularly private sector ones) and define how CIF support will help the country boost its ambition in accelerating climate action.
35. **Private sector window:** CIF’s programmatic approach for private sector operations envisions the MDBs working together to identify priority thematic and technology-based private sector funding opportunities in target countries deemed eligible for funding through the ACT investment program by the CTF Trust Fund Committee. This approach seeks to harness CIF’s comparative advantage in enabling innovation by supporting MDBs in pursuing frontier approaches in difficult contexts and attracting private investors and financiers in new ways.

36. All countries who have submitted an Expression of Interest (EoI) and are finally selected to be supported through the program will be eligible to receive funding through this window. Up to ten (10) per cent of the total funding available under the program can be made available to the private sector for developing innovative solutions consistent with key objectives of the program. These resources could also be used to support early stage climate ventures with a focus on various nascent low-carbon technologies in developing countries that can lead to potentially transformative impacts consistent with the objectives of the program.
37. Section 6 describes in detail how concessional resources under the program will be deployed.

## 5.1 Financial Terms and Conditions

38. The financial terms and conditions for this program are governed by the [\*Climate Investment Funds Financial Terms and Conditions\*](#),<sup>4</sup> which includes information on:
  - a. The principles and guidelines for using CIF concessional resources under the program
  - b. The financing modalities supported
  - c. The financial terms and conditions for public sector concessional loans, grants, and guarantees
  - d. The financial terms and conditions for private sector projects
  - e. Eligibility for concessional funding
39. The policy will be updated annually to reflect changes to lending/guarantee rates, eligibility for concessional funding, and other information. The policy will be reviewed biennially to address policy-related matters pertaining to financial terms and conditions and country eligibility criteria.

## 5.2 Investment Criteria

40. With a view to maximizing the impact of CIF's resources, each program/project proposed for financing shall demonstrate how it will meet the following criteria:
  - a. Potential for transformational change
    - Relevance (strategic alignment)
    - Systemic change
    - Speed
    - Scale

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<sup>4</sup> Available at: [https://www.climateinvestmentfunds.org/sites/cif\\_enc/files/meeting-documents/joint\\_ctf\\_scf\\_cif\\_financial\\_terms\\_and\\_conditions\\_nov\\_10\\_0.pdf](https://www.climateinvestmentfunds.org/sites/cif_enc/files/meeting-documents/joint_ctf_scf_cif_financial_terms_and_conditions_nov_10_0.pdf).

- Adaptive sustainability<sup>5</sup>
- b. Potential for GHG emissions reduction/avoidance
- c. Financial effectiveness
- d. Implementation potential
- e. Potential to significantly contribute towards a holistic, integrated, socially inclusive and gender equal just transition away from coal in recipient countries
- f. Development impact potential

41. See Annex 1 for details on these criteria.

## 6. CIF Programming

42. To maximize the comparative advantages of CIF's proven business model in support of accelerated transition away from coal, the program will aim to address three main interlinked challenges related to country-level strategy, people & communities and land & infrastructure while aiming to ensure a holistic, integrated, socially inclusive and gender equal just transition approach.

- a. Governance: To achieve support and commitment at the country level for transitioning out of coal assets, the program will consult with key stakeholders, building technical and institutional capacities and helping governments develop transformation strategies, and economic and social development plans, among other activities. Up to five (5) per cent of the total funding could be used for activities under this pillar that are consistent with the mandate of the program.
- b. People and communities: In line with the premise of ensuring a holistic approach to address the coal transition challenges, the program will support socio-economic measures to minimize the impacts of transition on people and communities including a focus on upskilling and re-skilling to help people not only retain jobs where feasible, but also prepare for new jobs as available. Investment funding will also be made available for supporting green economic diversification projects under this pillar that can create alternative income generation opportunities for the people and communities impacted by the transition. Up to twenty five (25) per cent of the total funding could be used for activities under this pillar that are consistent with the mandate of the program.
- c. Land and infrastructure: A core area of support under the program will include reclaiming and repurposing the existing infrastructure, including land and power plants. Up to seventy (70) per cent of the total funding could be used for activities under this pillar that are consistent with the mandate of the program.

43. The program will look to build on the CIF experience by offering a flexible toolkit to demonstrate innovative solutions- instruments, technologies and business models. It will

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<sup>5</sup> Adaptive sustainability refers to transformational changes that are robust, resilient, and lasting over the long-term, as well as adaptive to evolving contexts and able to balance social, economic and environmental factors. Please see Annex 1 for further elaboration of the transformational change dimensions.

offer concessional funding, including grants, equity, guarantees, and loans, among others, to support underlying climate-related activities at the selected sites.

44. Mobilizing private capital at scale (for example, by piloting new blended finance solutions) calls for CIF's toolbox of flexible cost and risk-bearing instruments. Meeting context-specific investment needs and achieving risk-return profiles attractive to private investors requires a wide array of tailored financial and non-financial instruments.
45. Concessional funds from CIF have long been used to drive innovation. The program will look to continue that effort and encourage new ideas to accelerate clean energy investments. Among others, these could include use of policy-based loans, results-based finance, and other options to affect high-impact transformational change.
46. The program will address areas previously underserved by traditional financial instruments. It will seek to enhance MDBs' ability to innovate how concessional finance is delivered on the ground by supporting them in the design and implementation of new financing strategies. The program will be executed in close coordination with other MDB financing, in order to pair program operations with appropriate MDB projects that can maximize its effectiveness.

## 6.1 Pipeline Management and Cancellation Policy

47. The [\*CIF Pipeline Management and Cancellation Policy\*](#)<sup>6</sup> ensures the efficient and effective implementation of programs and projects and disbursement of approved funds in order to maximize the use of available resources under the program over time. The policy sets out the core criterion guiding the commitment of CIF concessional resources for programs and projects developed under the program. It also establishes deadlines and timeframes for each of the steps in the project cycle and identifies the procedures to be followed in case an extension of those timeframes is required and/or there are any changes in the Investment Plans or projects.
48. Resources will be committed for projects and programs that are ready to move forward to MDB board approval and implementation so that CIF resources are effectively and efficiently used for on-the-ground activities. Programming projections should be as realistic as possible regarding the timing of program/project processing and should include information on the expected timeline for approval.
49. Private sector programs encompassing an envelope of funding for a number of sub-projects should be presented to the CTF Trust Fund Committee for approval only when sub-projects utilizing at least one third of program's resources have been identified.
50. For private sector projects, each MDB may choose when, within its own internal processes, it submits a proposal to the CTF Trust Fund Committee for approval. In all cases, this must be prior to an MDB's final board approval.

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<sup>6</sup> Available at: [https://www.climateinvestmentfunds.org/sites/cif\\_enc/files/meeting-documents/joint\\_ctf-scf\\_tfc.23\\_4\\_cif\\_pipeline\\_management\\_and\\_cancellation\\_policy.pdf](https://www.climateinvestmentfunds.org/sites/cif_enc/files/meeting-documents/joint_ctf-scf_tfc.23_4_cif_pipeline_management_and_cancellation_policy.pdf)

51. Public sector programs and projects should be presented to the relevant CIF governing body for approval before appraisal and negotiations of the lending terms.
52. Refer to the complete policy document for more details on procedures applicable in case of non-compliance or risk of non-compliance with the applicable time frames.

## **7. Monitoring and Reporting**

53. Over the past 10 years CIF has been a pioneer in climate finance monitoring and results reporting. It employs a unique participatory monitoring and reporting system that fosters a programmatic approach from investment planning to implementation to completion. Working through a transparent, country-led process that engages a range of stakeholders—including government ministries, CSOs, Indigenous Peoples and local communities, the private sector, and the MDBs—the process builds capacity and country ownership. It integrates with existing monitoring and evaluation systems at the country level and aligns with national monitoring and reporting systems.
54. CIF monitoring and reporting systems ensure in-country stakeholders and implementing MDBs have roles in tracking the performance of CIF-backed investments to ensure accountability, learning, progress, and results in advancing climate-smart development. This inclusive, programmatic approach is time intensive but serves to enrich the entire process for best results. It links a series of actions and investments that mutually reinforce each other and contribute to national development goals and existing programming and partnerships.
55. As the delivery of climate financing continues to evolve, so does the requirement to capture, analyze, and learn-from empirically robust data in real time. This is relevant to ensure that the program stays committed and accountable to core objectives, informs decision-making, and demonstrates progress toward national, regional, and international goals. It is also relevant to ensure that the activities pursued under the program are able to self-assess, course correct, and maximize impacts for the most urgent issues and most vulnerable populations.
56. CIF approaches Monitoring Evaluation and Learning (MEL) in an integrated way that is reflected in a common set of principles, integrated results frameworks, and collaboration and coordination across MEL activities. When implemented in complementary ways, these activities build on one another to produce compelling evidence, knowledge and learning opportunities for key stakeholders in support of CIF's overall goals and program objectives. The principles and approaches articulated in the CIF MEL policy can thus serve as a critical tool for advancing effective climate finance delivery in developing countries, leading to enhanced transformational impact. Given the increasing scale and urgency of the climate crisis, CIF's commitment to rigorous and strategic, evidence-based MEL as described in its new policy is an essential and integral part of its program delivery model.
57. The program's monitoring and reporting framework will be guided by CIF's MEL policy and move the needle both on how climate investments explicate scientifically rigorous theories of change, and on how they approach and treat the corresponding data while

striving towards transformational change. The Integrated Results Framework is using a new approach to results measurements for the ACT program that is laid out in a holistic manner, including the aspects of monitoring, reporting, evaluation, learning, gender, SDGs, just transition, transformational change, and co-benefits into a single integrated results framework. Results from all CIF programs (and by extension, projects) will also feed into the highest level of impact for the CIF (through 4 CIF-level indicators).

58. The monitoring and reporting framework will also build on current successes that have redefined the results measurement landscape in climate change. CIF's participatory stakeholder-driven approach to monitoring and reporting has allowed greater integrity, ownership, inclusiveness, empowerment, integration, and usability of the data that is collected and, therefore, also of the lessons learned. Enhancing the ability for climate finance to deliver the greatest impact per-dollar requires that financing entities can produce genuine findings that inform real-world challenges in deploying projects. This remains the foundational driver of CIF's monitoring and reporting frameworks.
59. The new monitoring and reporting framework will operate to ensure the program aligns with CIF objectives on two tiers:
  - a. Strength-of-fit with new programs, assessing the rationale behind a project's requirements for CIF concessional financing, and its ability to create long-term, viable, and inclusive systemic change that shifts into an improved low-emission environment and climate-resilient development. The integrated results frameworks at this overarching program level will tag projects to key aspects under the four primary transformational change parameters (relevance, systemic change, scale and sustainability) using qualitative measures.
  - b. Strength-of-fit with programmatic objectives, tracking a project's ability to deliver on core climate-change objectives. At the program level, the framework will carry core indicators that underpin the primary drivers of the financing window. Each program area will report against a set of pre-established core indicators. At the national level, country information will be assessed using a country led process as well as MDBs reporting on set program outcomes. At the project level, the framework will draw on the MDB project log-frame indicators that define more specialized indicators tracking sector-, country-, or population-specific (including gender-specific) metrics that are also fundamental to assessing impact delivery. The frameworks will be built to track results at different levels and timeframes of decision-making and tie in with CIF's research on development co-benefits.
60. To meet these goals, a detailed integrated results framework, monitoring and reporting guidance tools, and quality at entry measures of indicators and results system set-up will be established for the program.



## 8. Resources for Country Engagement and MDB Support

### 8.1 Investment Plan Preparation Grant

61. Funding in the form of Investment Plan Preparation Grants (IPPGs), and up to USD 1 million, will be provided to selected countries to enable them to take a leadership role in working with the MDBs to develop their investment plan. These resources may be made available to the selected countries for additional work, including stakeholder consultations and planning sessions. Funding would be made available up-front to complete the investment plan preparation process.

### 8.2 MDB-Coordinated Country Engagement

62. Funding is provided to MDBs to support their costs related to investment plan preparation, monitoring and reporting by countries at investment plan level, in-country stakeholder engagement during investment plan implementation, gender mainstreaming, and the development of regional or country knowledge products or south-to-south learning activities. Details of these activities are as follows.

- a. **MDB support for investment plan preparation:** These resources will facilitate the process of agreeing, at the outset, the respective roles, division of tasks, and overall approach between the MDBs. The implementing principles of collaboration between MDBs will promote lessons sharing and a consistently wide scope of consultations. These resources will also be used to undertake other activities associated with investment plan preparation, such as missions, studies, and consultancies. Eligible activities include:
  - Travel expenses for scoping, joint missions, and other technical missions relating to the preparation of the investment plan
  - Supporting countries in the stakeholder consultation process, including outreach to women's organizations and efforts to expand participation of women in the consultation process
  - Cost of hiring local and international consultants to support the investment plan preparation or the country programming process, including on gender
  - Activities aimed at sensitizing MDB country teams on the spirit of CIF collaboration and on CIF guidelines and procedures
  - Cost of staff time for MDB sector and gender specialists based in-country and at headquarters<sup>7</sup>
  - Other stakeholder meetings and events held to ensure that CIF investment plans are prepared under a joint framework, coordinated by the MDBs, and under the leadership of CIF countries

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<sup>7</sup> Staff time for CIF focal points are covered under the CIF Administrative Services Budget

- b. **Other country engagement activities post-investment plan endorsement:** This will include funding for gender mainstreaming activities, monitoring and reporting at the investment plan level, South-South learning, convening of stakeholder reviews of investment plan implementation progress and completion, integrating CIF lessons, and promoting the application of learning studies and activities. Activities will be implemented and coordinated by the MDB focal point teams, in response to demand from CIF countries.

### **8.3 Annual Administrative Budget Support to MDB Focal Point Teams**

- 63. The focal point teams for the MDBs receive an annual budget related to coordination costs for managing their CIF portfolio. Core administrative costs for the MDB focal point teams, as it relates to the new programs, will be submitted in the annual CIF business plan and budget.
- 64. Focal point teams within each MDB coordinate CIF financing within their organizations and provide guidance to task team leaders in implementing CIF projects and programs. The focal point teams work closely with the Trustee and the CIF Administrative Unit to achieve the following:
  - a. Overall coordination and advisory support to leverage best practices across CIF programs
  - b. Participate in CIF governance through MDB Committee meetings, preparation and review of policy documents, and participation in CIF events
  - c. Support investment plan preparation and other country engagement activities across CIF programs
  - d. Support the project and program approval process by responding to questions and comments from Committee members
  - e. Conduct financial reporting to the Trustee based on the requirements of the Financial Procedures Agreements (FPAs)
  - f. Provide mid-term review and reporting on projects to track underperforming projects, and advise teams on restructuring and other changes to approved projects
  - g. Monitor and report on risks and overall risk management of the portfolio
  - h. Manage communications on the MDB portfolio and support knowledge management and analytics across CIF in terms of publications, seminars, fora, community of practices, regular dissemination of best practices and lessons learned across the portfolio
  - i. Engage across MDB institutions to leverage partnerships and additional funding to existing CIF programs
  - j. Identify synergies and complementarities between climate funds, including the Green Climate Fund (GCF), Global Environment Facility (GEF), Adaptation Fund (AF), and explore possibilities for upscaling CIF investments where possible

## 8.4 MDB Project Implementation and Supervision Services

65. MDB Project Implementation and Supervision Services (MPIS) will reimburse MDBs for the incremental staff, consultant, travel, and related costs of project development, appraisal, implementation support, supervision, and reporting. While CIF operations are largely integrated into MDBs' own operations to minimize additional workflow and transaction costs, there will be some incremental costs to the MDBs for staff, due diligence, and reporting, which will be recovered through the MDB fee. Such costs can include, for instance:

- Additional financial analysis to justify the need and role of CIF's concessional financing
- Inclusion of strategic program specialists and/or blended finance specialist in operations teams
- Monitoring, reporting and evaluation according to CIF's results measurement system
- Additional cost of legal, loan and accounting services to administer CIF's concessional resources

## 9. Risk Management

66. The CTF Trust Fund Committee has determined CTF's risk appetite statement and the CIF Administrative Unit has codified this in the CTF Risk Appetite Statement. As act will fall under CTF, the CTF Risk Appetite Statement will apply to ACT. In many cases, the level of tolerance for a given risk will influence its ability to deliver transformational change.
67. The CTF Trust Fund Committee should be particularly focused on risks which could affect the ACT strategy and ability to meet its objectives, as well as risks which could damage the program's reputation.
68. The manner in which risk-related information is able to flow within the ACT's governance and organizational structures affects the nature of risk-related discourse and risk-based decision-making within the program. ACT's governance and organizational structure involves four primary parties (1. CTF Trust Fund Committee; 2. CIF Administrative Unit; 3. MDBs/implementing entities; and 4. Trustee), with varying roles for carrying out the four integral tasks to the risk management function (1. Risk Identification; 2. Risk Assessment; 3. Risk Monitoring/Reporting; and 4. Risk Mitigation/Control).
69. Appetite or tolerance for a given risk is classified as either Low (which includes risks for which there is no appetite/zero tolerance), Medium, or High. The level of risk to which the program is exposed, is determined based on the combination of the risk's likelihood and severity.
70. Risk exposures which may be assessed and reported depend on the characteristics of a program, as well as the program's level of maturity, and may include credit risk, currency risk, resource availability risk, implementation risk, fraud risk, risk of sexual exploitation and abuse, and the risk of external events. Each risk will be assessed relative to its corresponding risk appetite and reported to ACT's governing body regularly via an ACT-specific risk dashboard, and periodically via an ACT-specific risk report.

## 10. Gender and Social Inclusion

71. The '[CIF Gender Policy](#)<sup>8</sup> and the [CIF Gender Action Plan Phase 3](#)<sup>9</sup> structure CIF's approach to gender mainstreaming in its programming. These documents outline key requirements and resources in the areas of inclusive consultation during investment plan and project design and implementation, CIF Administrative Unit gender technical upstream support and review, monitoring and reporting, and CIF governance.<sup>10</sup>
72. **Gender-representation in design and implementation process:** Consultations for investment plans preparation under CIF ACT should include relevant women's organizations and diverse gender-related CSOs, private sector stakeholders working to promote gender inclusion, the ministry in charge of women's affairs, and gender focal points of relevant line ministries. Efforts to consult with CSOs representing interests of other groups that are likely to face barriers to inclusion in project-related activities, such as Indigenous People, youth, persons with disabilities, and consultations with local communities in the project areas are also encouraged. Joint mission teams for investment plan development will include gender expertise (e.g., a gender specialist) from concerned MDBs. Liaison with the country gender focal point of UNFCCC is also encouraged. Participatory, gender-inclusive monitoring and reporting scoring workshops, to include CSO representation, particularly of women's organizations, will assess investment plan implementation regularly and during any investment plan revision processes. Some CIF countries have adopted the good practice of identifying gender focal points for investment plan implementation, as well as separate budget line items for gender work under the plan; and such practice is highly encouraged under ACT. All of the efforts to reach out and include women and other social groups in project design and implementation should be described in the project documents, and issues and concerns raised by them clearly reflected in gender and social inclusion analysis.
73. **Gender equality and social inclusion analysis:** Project design should include explicit analysis of gaps between men and women, as well as also strive to identify other groups that might face exclusion barriers in regard to specific project activities – youth, Indigenous people, persons with disabilities etc. Such analysis should look at differences in access to services, productive assets and resources, employment and income levels, skills and capacity. It should also consider context-specific roles and norms, affecting their participation in decision making and leadership roles, as well as gender-responsiveness of policies. Based on the results of such analysis, specific actions to reduce those gaps and ensure distribution effects for women and other social groups should be identified in the proposal and include indicators to monitor progress. CIF AU has begun the provision of upstream technical

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<sup>8</sup> Available at [https://www.climateinvestmentfunds.org/sites/cif\\_enc/files/knowledge-documents/joint\\_ctf-scf\\_17\\_4\\_rev.1\\_cif\\_gender\\_policy\\_rev1\\_2\\_final.pdf](https://www.climateinvestmentfunds.org/sites/cif_enc/files/knowledge-documents/joint_ctf-scf_17_4_rev.1_cif_gender_policy_rev1_2_final.pdf)

<sup>9</sup> Available at: <https://www.climateinvestmentfunds.org/knowledge-documents/cif-gender-action-plan-phase-3>

<sup>10</sup> [https://www.climateinvestmentfunds.org/sites/cif\\_enc/files/knowledge-documents/justtransition\\_final.pdf](https://www.climateinvestmentfunds.org/sites/cif_enc/files/knowledge-documents/justtransition_final.pdf)

gender review inputs based on demand by MDBs to strengthen gender integration in CIF project design. This will continue and interested MDB task teams are encouraged to engage with CIF AU early on during project and investment action plan design to seek gender technical review inputs. As outlined in the CIF Gender Action Plan Phase 3, CIF AU will track the number and % of new Investment Plans and projects that have received technical support on gender from CIF AU or other facilitated mechanism (such as Gender Groups of MDBs) prior to TFC submission for approval.

74. **Gender and social inclusion monitoring and reporting:** Gender reporting under Phase 3 of the CIF Gender Action Plan includes a range of reporting streams, including on a set of gender indicators on the plan overall, project reporting on program core indicators (including beneficiary tracking), and reporting on any gender-related indicators that teams have developed for their MDB project results frameworks. Reporting on “gender performance” ratings on CIF-financed projects present in MDB internal gender reporting systems (e.g., under gender tag or gender marker systems) will be consolidated to aid CIF reporting on gender performance trends. Additionally, disaggregated reporting on impact for other groups that are likely to face inclusion barriers is encouraged whenever relevant and feasible.
75. **Entry points for gender and social inclusion in ACT:** CIF is committed to gender mainstreaming and enhancement of gender equality outcomes across its programming and operations. It also increasingly places emphasis on social inclusion both through procedural justice and distributional impacts in the context of just transition. To ensure CIF delivers on its gender and social inclusion commitments, each program and project proposed for CIF ACT funding will articulate the process used to identify, evaluate, and address existing context-specific barriers and gaps in gender equality and social inclusion, including use of participatory approaches and climate-smart planning that include women and organizations for marginalized peoples, particularly marginalization based on gender, sexual orientation, or gender identity organizations. CIF projects should also ensure equitable outcomes with particular attention to vulnerable groups, particularly people marginalized by gender.
76. The program hosts myriad opportunities to reduce gender imbalances and expand inclusion of vulnerable groups, with such potential activities as:
  - a. Coal plant or coal mine retirement/re-purposing phase: Gender and social impact assessment and strategy preparedness ; including mapping of: i) institutional linkages to Ministry of Women’s Affairs or equivalent, gender focal points in line ministries (including in Social Protection and Labor, and Education ministries, as well as Environment, and Energy); ii) expected poverty impacts of the transition, including social and gender-based care burdens for workers affected directly and indirectly by the energy transition; and iii) policy mandates and measures to ensure gender equality outcomes in skill development and workforce transition.
  - b. Post-coal regional transformation phase: Social protection assessment of readiness and completeness of short and long-term social assistance programs, active labor market programs, and education and reskilling programs targeting jobs of the future including gender assessments of gaps between women and men in education, skills, employment, and participation rates in new

or similar jobs-related programs; and measures to ensure proposed interventions are contributing to transformational change.

## **11. Communications**

77. Communication is a central component of CIF partnerships, amplifying CIF’s visibility and enabling the effective dissemination of the successes and challenges stemming from one of the world's largest climate finance mechanisms.
78. Communications activities of the CIF Administrative Unit and MDBs under the program will be guided by the forthcoming CIF Visibility and Branding Policy. This policy provides guidelines on how MDBs and other partners involved in the new CIF programs are expected to brand information and communication material resulting from any projects under the new CIF programs. The policy covers the following:
- a. How the CIF logo is used in communication products (including printed materials and digital products)
  - b. How disclaimers and copyright texts should be used for CIF-related communications products
  - c. How milestone news and press-releases should be managed and executed for CIF projects
  - d. How events regarding CIF projects should be handled with regard to CIF and its partner MDBs
79. CIF stakeholders recognize the value that communications, media, art and storytelling can play in all phases of operations, including early-stage investment planning. The CIF Administrative Unit, MDBs, and other key stakeholders will explore how such communication tools can be incorporated into the development and delivery of investment plans and programs under the program.

## **12. Stakeholder Engagement**

80. CIF has a five-pronged approach to stakeholder engagement that includes country-led multi-stakeholder planning; inclusive and transparent governance structure; capacity strengthening; research, knowledge products, and evaluation; and support to the Stakeholder Advisory Network on Climate Finance (SAN).
81. CIF’s business model hinges on a country-led programmatic participatory approach and strong consideration for social cohesion at the outset and throughout the project cycle. Independent evaluations and results from consultations confirm that such a business model cannot be honored without attention to an inclusive and transparent decision-making process that brings together both contributor and recipient countries as well as non-state actors from civil society and the private sector as observers. The latter have a stake in the transparent and accountable use of climate finance and in ensuring that resources reach the most climate vulnerable communities at the grassroots level.

82. From its establishment, the CIF has maintained commitment to a stakeholder engagement approach that welcomes CSOs, private sector entities, and Indigenous Peoples organizations as an integral part of its governance and operational delivery. Upstream engagement of stakeholders in the project design cycle has helped CIF countries take into account multiple needs and perspectives and more strategically plan for climate action. CIF's inclusive model has reinforced integrated multisectoral investment plans comprising mutually reinforcing investments.
83. The CIF's Stakeholder Observers program, which has been in existence for 10 years, enables over 40 observers representing CSOs, the private sector, and Indigenous Peoples and local communities to participate in CIF governance committees at the global level, contribute to formulating climate strategies at the global and national level, and monitor climate projects at the local level. CIF also consults frequently with stakeholders on all three levels, carries out joint research, and facilitates capacity building efforts of stakeholders. The CIF also supports the SAN, a platform for convening past and present observers from across five climate and environment funds (GCF, GEF, AF, FCPF, and CIF) to promote cross-pollination and capacity strengthening in the global climate finance community.
84. CIF provides the platform, tools, and resources to effectively engage stakeholders in investment planning, project implementation and monitoring and reporting. These are key to securing the transparent, accountable, and sustainable use of funds at the national and local levels. While engagement of non-state actors at the global level has demonstrated replicable examples for other climate funds, study findings indicate that engagement at the national and local levels could be further strengthened. Based on experience, the CIF stakeholder engagement program of activities will further reinforce adoption and use of stakeholder mapping tools, provide tailored capacity building training, carry out country-level policy dialogue and consultation sessions to better engage marginalized and vulnerable communities, and enhance local stakeholder constituency representation at the CIF governance and policy-making level.

### **13. Knowledge, Evaluation, and Learning**

85. Robust knowledge, evaluation and learning are critically important to maximize the impact of investments and ensure that emerging lessons are used to inform ongoing course corrections as well as the design of future projects. In particular, the new programs and related investment models represent frontier areas where existing evidence is scarce and robust learning activities can have wide influence, both within CIF and the wider climate finance sector. CIF's mandate as a learning laboratory for scaled up climate finance and dedicated efforts in this area in recent years have provided strategic and operational insights to inform decisions on many levels and have demonstrated the value of investing early in evidence-based learning activities.
86. CIF's Evaluation and Learning (E&L) Initiative uses demand-driven, user-centric approaches to collectively prioritize and undertake a range of evaluative studies and learning activities relevant to the new program areas. This includes, for example, cross-cutting thematic or program-level independent evaluations, sector-specific learning reviews, case studies, and

facilitated learning events at the global, regional, and country level. Current priority learning themes, such as transformational change, development impacts of climate finance, just transition, private sector investment, and local stakeholders, are pertinent and timely to both the new programs and the COVID-19-influenced global context. In line with the E&L Business Plan and more specific annual work plans, the E&L Initiative will work together with MDBs, countries, and other stakeholders to develop and implement these activities as they relate to the new programs. MDBs and countries will be consulted in the development of these plans and will be expected to engage in studies and learning activities as relevant according to the annual work plans. This may include, for example, sharing relevant information and facilitating field visits and other contact points with program implementers, as well as engaging productively with third-party evaluators and other entities.

87. Other related knowledge and learning efforts will entail similar expectations with regards to MDB and country partners within the program. This includes, for example, engagement with future Global Delivery Initiative (GDI) and Development Impact Evaluation (DIME) studies, as well as program-level knowledge management products, initiatives, and learning events, such as regional or global learning forums or cross-visits. These will also be prioritized and implemented in consultation with MDBs, countries, and other partners and stakeholders (including through country engagement activities and budgets).



## Annex 1. Investment Criteria ACT Investment Program

1. The ACT investment program offers, to both public and private sector entities, a one-of-its-kind, holistic toolkit to tackle three critical challenges associated with a transition away from coal: *governance, people, and infrastructure*.
2. With a view to maximizing the impact of CIF’s resources, each program/project proposed for CIF financing shall demonstrate how it will meet the following criteria:

### 1. Potential for transformational change

3. Transformational change requires attention to five dimensions – Relevance, Systemic Change, Speed, Scale, and Adaptive Sustainability. The specific emphasis and significance of these dimensions are context dependent. Ultimately attention to these dimensions should support fundamental system change, with large-scale positive impacts, that shift and accelerate the trajectory of progress toward climate-neutral, inclusive, resilient, and sustainable development pathways. The following descriptions and questions should guide the initial assessment, design, implementation, and evaluation of ACT programs and projects for transformational climate action. The ‘what’ questions below pertain to what the change needs to be, while the ‘how’ questions pertain to how the change is brought about.

#### 1.1. Relevance

4. Each program/project proposed for CIF financing shall demonstrate relevance to advancing the strategic objectives and transformational change goals of ACT through the alignment of context, goals, and action. Programs/projects will consider the alignment of context (e.g., environmental stress, technology/finance challenges, economic development, social justice, policies, etc.), goals (e.g., ACT program strategic objectives, national development plans, low-emission goals and commitments, etc.), and action (e.g., specific programs, projects, etc.). This may include, for example, enhanced governance through policy alignment and implementation capacity for a coal-to-clean transition; social protection and improvement through job and livelihood creation and skills development; and infrastructure enhancements that may involve decommissioning or repurposing of mines and power plants, and restoring local environments.

What	What are the fundamental changes and large-scale positive impacts relevant to ACT that we wish to bring about?
How	<p>Context: How is the intervention relevant to the context, with reference to existing assets, barriers to change, and complementary existing efforts related to governance, people and infrastructure?</p> <p>Alignment: How does the intervention align with the strategic objectives and expected development impacts of ACT including relevant governance, social, economic, technological, and environmental goals and impacts such as equity and inclusion, just transitions, sustainable development, and ecological integrity?</p>

Proposed Action: How is the intervention logic relevant to the fundamental change and transformational impacts required for, and resultant from, an accelerated coal transition?

## 1.2. Systemic change

5. Each program/project proposed for CIF financing shall demonstrate how it will lead to fundamental shifts in the structures and functions of relevant systems for transformational change by identifying and defining strategic systems, removing entrenched barriers, opening new opportunities or pathways, and shifting of power dynamics within and between key systems. This requires a process (e.g., stakeholder consultations, social and economic planning, technology reviews etc.) to identify the most strategic coal-based systems (e.g., power stations, coal mines, legal and regulatory frameworks, commercial and financial markets, technology systems, governance systems, related social systems, and ecosystems). Within those systems, the most significant barriers to accelerating the coal transition (e.g., institutional, regulatory and policy failures; market failures and financial barriers; knowledge and technical capacity barriers) will need to be addressed, and opportunities (e.g., through economic diversification, supportive policy and regulatory frameworks, and improved risk perception) for change will need to be identified.

What	What are the governance, social and technological systems where change is needed and what change is required between and within these systems to achieve an accelerated coal transition?
How	<p>Systems: How has the system, including system boundaries, related to coal been identified and defined (e.g., systems mapping, market studies, stakeholder consultations, etc.)?</p> <p>Barriers and Pathways: How does the intervention remove entrenched barriers and open new pathways for systemic changes that accelerate a transition from coal towards cleaner sources of energy?</p> <p>Power: How does the intervention elevate the influence of beneficiaries and other stakeholders, including marginalized and vulnerable groups, to contribute to and benefit from an accelerated coal transition?</p>

## 1.3. Speed

6. Each program/project proposed for CIF financing shall demonstrate how it will balance the speed of change required by the urgency of addressing climate change, while considering the time required for inclusivity and addressing system complexities. Accelerating the energy transition requires identifying and overcoming barriers to change while simultaneously identifying and enhancing enabling conditions (e.g., policy coherence, strategic planning, individual and institutional capacity, access to technology and funding).

What	What will it take to achieve a transition away from coal in a timeframe that aligns with the urgency and complexity of the climate crisis?
How	Acceleration: How does the intervention accelerate progress away from coal and towards cleaner sources of energy?  Complexity and Inclusivity: How does the intervention use safeguards, impact assessments, and socially inclusive processes to ensure adequate engagement with complex and contested issues associated with the coal transition?

**1.4. Scale**

7. Each program/project proposed for CIF financing shall demonstrate how it will seek to deliver contextually large-scale impacts, such as explicit strategies for enabling subsequent scale-up or replication of the CIF-funded intervention and wider sustainability impacts. This may involve a combination of vertical (e.g., governance, policy/ implementation), horizontal (e.g., numbers or geographic spread) and depth (e.g., understanding, support, and capacity) scaling pathways within and beyond the intervention.

What	What contextually large changes need to be scaled within and beyond the project intervention?
How	Vertical Scaling: How does the intervention support scaling pathways within and across policy and implementation processes needed for an accelerated coal transition?  Horizontal Scaling: How does the intervention expand the number of people/institutions or geographic areas engaged with or benefitting from an accelerated coal transition?  Depth Scaling: How does the intervention deepen understanding of and support for an accelerated coal transition?

**1.5. Adaptive sustainability**

8. Each program/project proposed for CIF financing shall demonstrate how it will seek to deliver transformational changes that are resilient and lasting over the long-term, after concessional finance support is terminated, as well as adaptive to evolving contexts. This involves building capacity (e.g., to understand, formulate, implement, maintain, and monitor climate strategies and activities) in relevant stakeholders and institutions. Interventions should enable experimentation (e.g., of new technologies, policies, and business models) and flexibility to learn and course correct during and after implementation. Programs should also support resilience from backsliding (e.g., creating demand for renewable energy through job creation and awareness building, ensuring a just transition, installing appropriate technologies, etc.). These processes should progressively build, refine, and retain climate-neutral, inclusive, resilient, and sustainable development pathways.

What	What relevant changes need to be sustained and advanced beyond the intervention?
How	<p>Capacity: How does the intervention build the capacity of stakeholders and institutions to advance and sustain the transition away from coal and towards cleaner sources of energy?</p> <p>Flexibility: How does the intervention enable experimentation and flexibility, including the ability to learn and course correct when necessary?</p> <p>Resilience: How does the intervention insulate and accelerate coal transition from stalling or backsliding due to endogenous and exogenous pressures or shock and enable recovery when required?</p>

**2. Potential for GHG emissions reduction/ avoidance**

9. Each program/ project proposed for CIF financing shall demonstrate how it will contribute to achieving the objectives of the program by including, as applicable, an assessment of its contribution toward the following:
- a. Increased rate of renewable energy deployment, energy savings, sequestration based on a range of land-use activities among others.
  - b. Reduction/avoidance of GHG emissions. Each program/project proposed for CIF funding will contain an assessment of direct CO2-equivalent emissions savings over the lifetime of the proposed investment program/project. This indicator should be reported as direct vs. indirect reductions (per MDB-approved methodologies) with evidence provided. Emission reductions will be calculated by subtracting projected lifetime emissions of a CIF-financed intervention from the projected lifetime emissions of the business-as-usual program/project that would have otherwise been pursued. Each program/project interventions should seek to achieve the greatest GHG abatement opportunity available in the target context, providing a sizeable contribution towards the achievement of a country’s climate goals, strategies, or plans and/or in rising ambitions.
  - c. Contribution to technology development. CIF’s priority is to prioritize the deployment, diffusion, and transfer of low-emissions technologies that are at, or approaching, the “market take-off” phase and in sectors that make major contributions to GHG emissions. Each program/project proposed for CIF financing shall outline a given technology’s stage of development and mitigation potential (tCO2-equivalent/year) as well as on their ability to increase power system’s flexibility, reliability, and resilience. CIF will not support technologies that are still in the research stage. CIF’s concessional resources should be focused on technology deployment, which may include commercial demonstration of new low-emission technologies.
  - d. Enhanced integration of climate-related risks (transition risk) considerations in project

stakeholders' decision-making processes, including through enhanced climate-related financial disclosures.

### **3. Financial effectiveness**

#### **3.1. Value for money**

10. Each program/project proposed for CIF financing will include:

- a. A detailed analysis of the financial effectiveness of replacing coal by clean energy or other alternatives while integrating the socio-economic cost of carbon
- b. A detailed assessment of the need for concessionality and how the program/project meets the principles for using concessional resources (with evidence and calculations as appropriate)
- c. An assessment of the cost-benefit ratio and/or other relevant indicators of cost-effectiveness
- d. An analysis of the expected reduction in the cost of the technology due to technological progress and scale effect at the country, regional, or global level or through organizational learning and scale effects at the country level, where applicable<sup>11</sup>

#### **3.2. Mobilization potential**

11. CIF aims to mobilize additional resources at scale to achieve rapidly and efficiently the objectives of ACT investment program. Each investment program/project proposed for financing is expected to mobilize co-financing by MDBs and other public and/or private entities (e.g., governments, project sponsors, other bilateral and multilateral development partners, and philanthropic organizations).

#### **3.3. Implementation potential**

12. Consistent with standard MDB appraisal procedures, programs/projects proposed for CIF funding shall articulate how they will ensure successful implementation, including arrangements for long-term operations. Successful implementation implies identifying the institution(s) with the capacity and the responsibility for implementation' coordinating and collaborating with relevant stakeholders or initiatives; and addressing institutional, policy, or regulatory failures or market, financial, knowledge, or technical capacity barriers to achieve the program's/project's objectives.

### **4. Just transition**

13. Addressing climate change and achieving the Sustainable Development Goals requires deep and multi-dimensional change that will impact different segments of society in diverse ways.

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<sup>11</sup> Technology learning curves, which show a constant reduction of the investment cost for each doubling of production, can be used to derive cumulative capacity needed for a technology to become competitive. While recognizing the limitations of learning curves, it is possible to quantify deployment costs of a new technology and assess cost-effectiveness relative to the emissions savings potential, for a given learning rate, initial cost of the technology, and cost of the competing incumbent technology.

Consideration of the potential positive and negative impacts of the transition to low-carbon and climate resilient economies, as well as the underlying causes of inequality, exclusion and injustice, is needed to develop strategies for the mitigation of losses and the distribution of gains in the transition. CIF is committed to ensuring that those affected by these changes, particularly vulnerable and marginalized groups, be included and empowered in the decision-making processes that will affect their lives. CIF projects should support a just transition through socially inclusive processes that seek to identify and address the distributional impacts of the transition for workers and communities drawing on guidelines, tools and international standards.

## 5. Gender equality and social inclusion

14. CIF is committed to gender mainstreaming and enhancement of gender equality outcomes across its programming and operations, in line with its CIF Gender Policy. It is also committed to enhancing the representation and voice of Indigenous Peoples, local communities, and youth in identifying program investments. To ensure CIF delivers on its gender and social inclusion commitments, each program/project proposed for CIF funding shall articulate the process used to identify, evaluate, and address existing context-specific barriers and gaps in gender equality and social inclusion with the aim of reducing these gaps and improving gender and social inclusion outcomes on the ground. Expected gender equality outcomes in the context of planned investments should be clearly identified in relation to sector-specific gender gaps and monitored using sex-disaggregated gender indicators included in the program/ project results framework.

## 6. Development impact potential

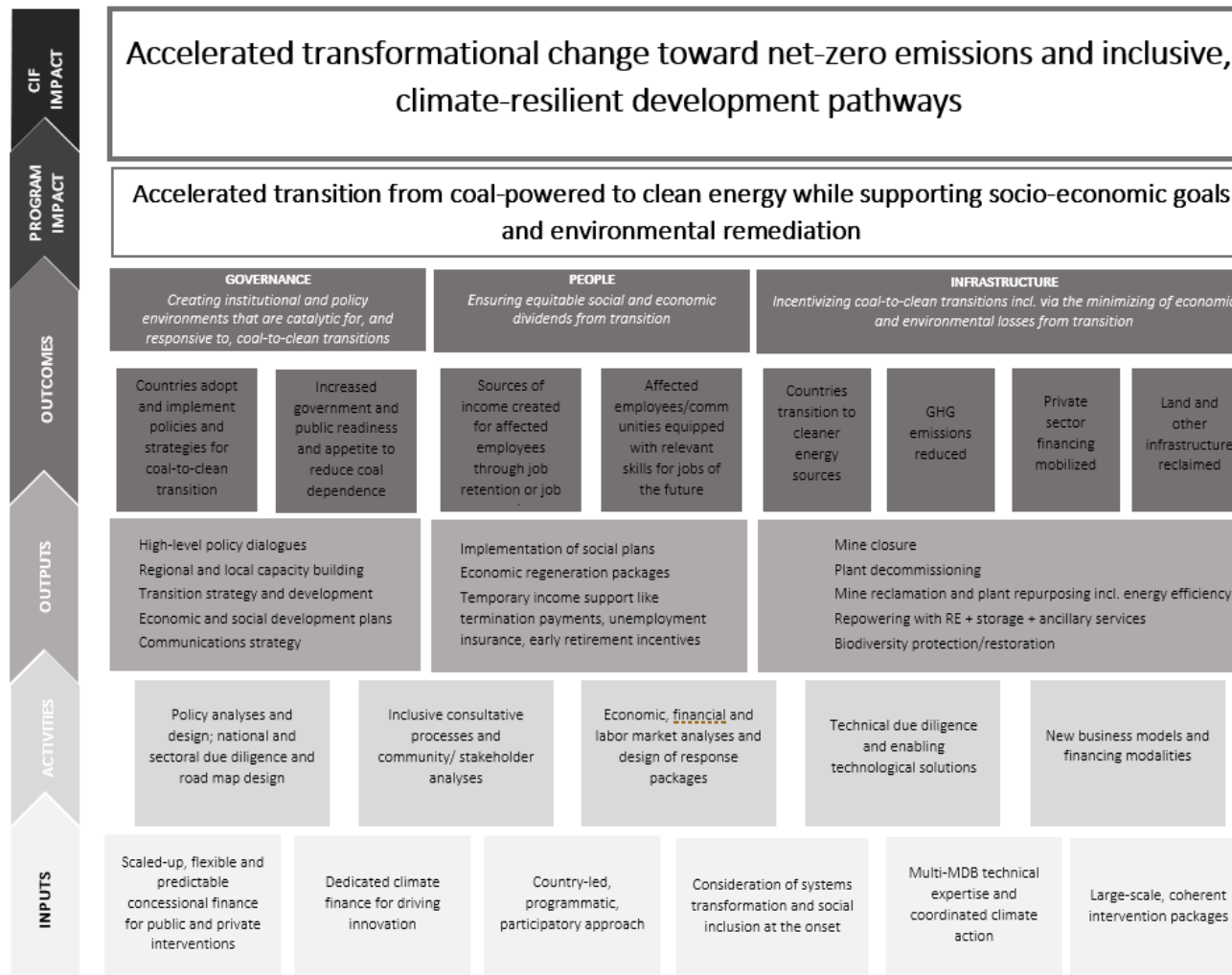
15. CIF aims to demonstrate the potential for low-emission and resilient technologies and to contribute to achieving the Sustainable Development Goals (SDGs), particularly but not limited to the following:
  - a. SDG 5: Gender equality: Achieve gender equality and empower all women and girls
  - b. SDG 7: Affordable and clean energy: Ensure access to affordable, reliable, sustainable and modern energy for all
  - c. SDG 13: Climate action: Take urgent action to combat climate change and its impacts
16. Each program/project proposed for CIF financing shall seek to demonstrate its potential development impacts (co-benefits) consistent with standard MDB appraisal criteria and with selective emphasis on the following:
  - a. **Social impacts** relating to improvements in health outcomes such as reduction in air-pollution linked illness or deaths; improvements in livelihoods through increased or diversified earnings activities; increase in wealth due to new asset-building or protection; or improved access, quality, or affordability of essential services such as energy.
  - b. **Economic impacts** linked to national indicators of economic growth or performance. For example, employment opportunities in sectors of investments and the value

added of these sectors to the domestic economic (through payment of salaries and taxes as well as company profits) are frequently tracked economic impact indicators. These results may be calculated for direct, indirect, induced and/or forward effect (energy enabled) impacts.

- c. **Environmental impacts** relating to the conservation or improved use of natural resources. This could include improved water conservation, ecosystem or biodiversity conservation, improved soils or related crop productivity as a result of other program outcomes such as reductions in air pollution from transitions to fossil fuels to clean energy sources.
- d. **Markets or systems impacts** felt at the entire sector or national level and are broader than individual project outcomes. These include energy sector security and resilience, creation or expansion of national green energy or green finance markets, industrial competitiveness or development, and sector diversification/sector inclusiveness including factors affecting new entrants.

## Annex 2: ACT Program Theory of Change

If CIF addresses funding gaps related to the successful implementation of country-level strategies and associated kick-start projects; builds support at the local and regional levels to reconsider the development of new coal plants; and supports policy and investment activity in economic regeneration, social plans and income support for affected employees and communities, then national governments, public sector utilities and private sector operators will act to accelerate the retirement of existing coal assets and their replacement with new sources of renewable energy while ensuring a holistic, integrated, socially inclusive and gender equal just transition away from coal.







## 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.

### THE CLIMATE INVESTMENT FUNDS

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