

# CLIMATE INVESTMENT FUNDS

CTF-SCF/TFC.9/5/Rev.1

October 15, 2012

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Joint Meeting of the CTF and SCF Trust Fund Committees

Istanbul, Turkey

November 2, 2012

Agenda Item 3

## **NOTE ON DEVELOPMENT IMPACT INDICATORS**

## **PROPOSED DECISION**

The joint meeting of the CTF and SCF Trust Fund Committees reviewed the document CTF-SCF-TFC.9/5/Rev.1, *Note on Development Impact Indicators*, and takes note of the information provided by the MDBs on the development indicators they apply within their regular operations and how they apply those indicators to CIF projects within the context of the CIF results frameworks. The joint meeting reiterates its expectation that each project/program submitted to it for approval of CIF funding will include at least one development impact indicator and recognizes that such indicators will be assessed at the closing of projects or program when the cumulative impacts can be quantified and qualified.

## **I. INTRODUCTION**

1. At the joint meeting of the CTF and SCF Trust Fund Committees held on November 3, 2011, the meeting reviewed the document, *Proposed Measures to Improve the Operations of the Climate Investment Funds* (document CTF-SCF/TFC.7/4), and approved the measures and associated follow-up actions to enhance the performance of the CIF. One key measure focused on indicators for measuring the development and poverty reduction impacts within projects. The Trust Fund Committee requested the CIF Administrative Unit to work with the MDB Committee to prepare indicators of development or poverty reduction impacts in the CIF-funded activities. The Committee noted that efforts should be made in carrying out this work to make maximum use of existing methodologies and tools and to closely coordinate with on-going efforts at the country, regional and international levels.

2. The purpose of this paper is to explain how the MDBs have taken the above recommendations into account when simplifying the CIF results frameworks. It also emphasizes that each of the MDBs is mandated to work towards achieving development and poverty reduction. Therefore the institutions themselves each have their respective overarching results frameworks in place with indicators that measure both progress towards development outcomes as well as progress in achieving poverty reduction outcomes.

## **II. DEFINITIONS OF DEVELOPMENT AND POVERTY REDUCTION IMPACTS AND CO-BENEFITS**

3. The CIF was designed to support developing countries' transition to low emission, climate resilient development pathways. To do this, the CIF provide financing for activities that will not only reduce GHG emissions and improve resilience to climate impacts but also alter the development trajectory of recipient countries through transformations at sectoral scale.

4. In many cases, activities to tackle climate change and actions to promote development and reduce poverty are mutually reinforcing. However, in other cases, actions to mitigate and adapt to climate change have more indirect or diffuse development and poverty reduction benefits. The CIF is focused on activities that balance both climate change mitigation/adaptation and development impacts, and therefore works at the intersection of climate change and development. This is captured in the operational policies of the CIF. For example, the CTF Investment Plan guidelines state that:

“The MDBs should mobilize new and additional financing for adaptation and mitigation programs to address climate change that are country-led and designed to support sustainable development and poverty reduction”.

5. Development impacts are captured through specific “co-benefit” indicators that can be built into project monitoring systems. Unlike core indicators, which reflect the primary aims of the project and which in the CIFs are mandatory (if applicable) to all projects, and which are measured, quantified, monitored and reported on an annual basis, development impact/co-benefit indicators are selected during project design based on the specific sector, theme, or location of activities. Each MDB will draw those specific development impact/co-benefit indicators from

their own menu of suggested indicators in order to make them fit with wider operational reporting requirements of the respective MDB. Many indicators are common across many development assistance projects. Others, such as increased access to health services, are appropriate in more specific cases. Development co-benefits are typically measured cumulatively by MDBs over the lifecycle of a project, unlike core indicators that can be measured at set intervals through the lifecycle. Co-benefits will be project specific and not always quantifiable. It will not always be possible to aggregate such co-benefits at country or program level.

6. Within the programming/investment plan guidelines of each CIF program, there are a selection of references to different development impacts and co-benefits that projects should look to incorporate (Annex 1). These refer to positive impacts that are additional to the primary aims (measured with core indicators) of a project. In some cases specific indicators are referenced, including:

- a) reducing poverty, by enhancing economic growth or by improving services to the poor;
- b) enterprise creation;
- c) job generation;
- d) wealth creation;
- e) reducing local pollution;
- f) increasing energy security;
- g) equitable benefit sharing; and
- h) increasing social capital, particularly greater involvement and empowerment of women and other vulnerable groups.

7. These examples illustrate the wide variety of possible development impacts, including but not limited to, poverty reduction and wealth creation. While poverty reduction remains the overall vision of the MDBs, it is set within a wider range of broader development impacts. This is in line with the broader development assistance discourse, principally the Millennium Development Goals (MDGs), which focuses on the different themes within development and poverty reduction (health, education, sanitation, etc).

8. Moreover, different programs and projects often focus on a particular area of development impacts. For example, activities within the Pilot Program for Climate Resilience (PPCR) are very closely aligned with broad development planning across entire sectors and economies. CTF activities, however, have more focused development impacts, such as increasing energy security and job creation. This underscores the importance of taking a broader

view of development impacts, which incorporates but it not limited to specific poverty reduction indicators.

### III. EXISTING MDB AND CIF PRACTICES

9. As development institutions, the MDBs use development and poverty reduction indicators primarily at country level and, to a more limited extent, for each project that they implement. These are based on corporate results frameworks developed by each MDB (see Table 1 below). Given that CIF projects are implemented by MDBs and leverage their own resources, many of these indicators are already applied to the wider projects and programs that CIF financing is catalyzing. These are principally applied at the project level and directly attributed to the intervention itself. Such benefits may include number of jobs created, volume of waste water treated, or number of households connected to electricity supply. In addition, co-benefits can also be measured at the country level through impacts such as increased GDP.

10. Within the CIF, CTF Trust Fund Committee and the SCF Sub-Committees are working to revise the respective results frameworks for their programs. Key features of these frameworks are indicators to monitor and evaluate the development impacts of CIF activities at the project level through a small number of specific co-benefit indicators. Complementary evaluative approaches could contribute to a better understanding of the co-benefits generated by CIF investments.

11. However, given the range of possible CIF activities and the even wider range of possible development and poverty reduction co-benefits, there is an interim need to draw on wider indicators that capture the development benefits of CIF projects.

### IV. GUIDELINES FOR CIF ACTIVITIES

12. Table 1 provides links to the development impact indicators currently used by MDBs.

**Table 1: MDB Indicators**

<b>MDB</b>	<b>Resources</b>
AfDB	<a href="http://www.afdb.org/en/topics-and-sectors/topics/quality-assurance-results/">http://www.afdb.org/en/topics-and-sectors/topics/quality-assurance-results/</a> (see document “Bank Group Results Measurement Framework)
ADB	<a href="http://www.adb.org/site/development-effectiveness/main">http://www.adb.org/site/development-effectiveness/main</a> <a href="http://www.adb.org/documents/development-indicators-reference-manual-concepts-and-definitions">http://www.adb.org/documents/development-indicators-reference-manual-concepts-and-definitions</a> <a href="http://www.adb.org/key-indicators/2011/main">http://www.adb.org/key-indicators/2011/main</a>
EBRD	<a href="http://www.ebrd.com/pages/research/analysis/impact.shtml">http://www.ebrd.com/pages/research/analysis/impact.shtml</a>
IBRD	<a href="http://web.worldbank.org/WBSITE/EXTERNAL/PROJECTS/0,,contentMDK:22453640~menuPK:5122355~pagePK:41367~piPK:51533~theSitePK:40941,00.html">http://web.worldbank.org/WBSITE/EXTERNAL/PROJECTS/0,,contentMDK:22453640~menuPK:5122355~pagePK:41367~piPK:51533~theSitePK:40941,00.html</a>
IDB	<a href="http://www.iadb.org/document.cfm?id=35804499">http://www.iadb.org/document.cfm?id=35804499</a> (see table 3)
IFC	<a href="http://www1.ifc.org/wps/wcm/connect/Topics_Ext_Content/IFC_External_Corporate_Site/IDG_Home/Result_Measurement_System/">http://www1.ifc.org/wps/wcm/connect/Topics_Ext_Content/IFC_External_Corporate_Site/IDG_Home/Result_Measurement_System/</a>

13. As Table 1 indicates, each MDB participating within the CIF has its own results framework, comprised of indicators to measure development impacts and poverty reduction, each with approved methodologies in place. These indicators include both specific poverty reduction indicators set within a wider suite of development impact indicators, reflecting the range of activities funded by the CIF. They vary based on the strategic focus of the MDB in question, although under the common performance assessment system<sup>1</sup> (COMPAS) all CIF MDBs are working toward aligning these frameworks. Significant research and analysis within MDBs underpins the design and use of these indicators across these institutions. As such, they form a strong basis from which to draw indicators for the CIF.

14. The existing indicators form a common supplement to CIF results frameworks across programs. They are intended to strengthen, and are consistent with, indicative co-benefits identified in each framework. It is not expected that MDBs will report on these indicators annually. Instead, development indicators should be assessed at the closing of projects where cumulative impacts can be quantified and qualified. However, it is expected that MDBs will apply *at least one* indicator for each project.

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<sup>1</sup> [http://www.mfdr.org/COMPAS/documents/2010\\_COMPAS-Brochure-Busan.pdf](http://www.mfdr.org/COMPAS/documents/2010_COMPAS-Brochure-Busan.pdf)

## **Annex 1: Relevant Extracts from CIF Programming/Investment Guidelines on Development Impacts**

### *CTF<sup>2</sup>*

[CTF investment plans and project should] provide evidence of poverty reduction and environmental and social co-benefits, by prioritizing activities that: (i) help reduce poverty, by enhancing economic growth or by improving services to the poor, and/or (ii) provide local or regional environmental benefits, such as improved air or water quality, or biodiversity benefits.

### *PPCR<sup>3</sup>*

The PPCR aims to help countries transform to a climate resilient development path, consistent with poverty reduction and sustainable development goals. In its nature as a pilot program and supporting learning-by-doing, PPCR implementation ultimately aims to result in an increased application of knowledge on *integration of climate resilience into development*. The PPCR will complement, yet go beyond, currently available adaptation financing in providing finance for *programmatic* approaches to upstream climate resilience in development planning, core development policies, and strategies.

### *SREP<sup>4</sup>*

[SREP will] seek wider economic, social and environmental co-benefits, such as reduced local pollution, increased energy security, enterprise creation, and increased social capital, particularly greater involvement and empowerment of women and other vulnerable groups.

### *FIP<sup>5</sup>*

A key objective of the FIP is to contribute to the livelihoods and human development of forest dependent populations, including indigenous peoples and local communities, and to sustain biodiversity and ecosystem services and enhance the adaptive capacity of forest ecosystems and forest dependent communities to the impacts of climate change.

To monitor and evaluate the contribution of projects and programs to sustainable development, a core set of indicators will be applied to FIP investments which are consistent with the FIP results framework.

Investment strategies, projects and programs will need to demonstrate economic, social and environmental impacts from FIP investments and demonstrate consistency with relevant national strategies and plans. Proposals should set out how FIP investment will catalyze, support and measure and monitor the delivery of, inter alia, the following (as appropriate):

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<sup>2</sup> CTF Guidelines for Investment Plans, August 2009

<sup>3</sup> PPCR Programming and Financing Modalities for the SCF Targeted Program, The Pilot Program for Climate Resilience, July 2009

<sup>4</sup> SREP Programming Modalities and Operational Guidelines, November 2010

<sup>5</sup> FIP Investment Criteria and Financing Modalities, June 2010

- a) Demonstrable improvement in social and economic well-being of forest dependent communities, including poverty reduction, job generation, wealth creation, equitable benefit sharing, and acknowledgement of the rights and role of indigenous peoples and local communities.
- b) Protection of biodiversity.
- c) Strengthened resilience of ecosystems, with associated ecosystem services.