Climate Investment Funds

CTF-SCF/TFC.12/3
June 13, 2014

Meeting of the Joint CTF-SCF Trust Fund Committee
Montego Bay, Jamaica
June 25, 2014

Agenda Item 3

INDEPENDENT EVALUATION OF THE CLIMATE INVESTMENT FUNDS

INDEPENDENT EVALUATION OF THE CLIMATE INVESTMENT FUNDS

VOLUME 1: DRAFT EVALUATION REPORT

June 2014

Independent Evaluation of the
CLIMATE INVESTMENT FUNDS

Conference Version

Table of Contents

Evaluation Team and Oversight

The **ICF International team** conducted this evaluation; the five Independent **Evaluation Departments of the MDBs** established an **Evaluation Oversight Committee (EOC)** that managed and oversaw the evaluation; and an **International Reference Group (IRG)** was constituted and provided independent review by a diverse and respected set of experts. More information on key roles and responsibilities is provided below.

ICF International Team: The ICF International team was selected via international competitive procurement to perform this independent evaluation. The team is led by ICF International, an international consultancy; the evaluation team was headed by Mark Wagner, and the deputy team leader was Jessica Kyle. Key support was provided by partners Marko Katila, Majella Clarke, and Marissa Camargo (Indufor Oy), Richard Hansen (Soluz Inc.), Steve Gorman, Joseph Asamoah, and Chris Durney (Phase One Consulting Group), plus local experts from each of the CIF countries visited (experts listed in Volume 2).

Evaluation Oversight Committee (EOC): The EOC provided direct oversight for the evaluation, including quality control and editorial review, under the general supervision of the Directors and Director-Generals of the respective Independent Evaluation Departments. The EOC was composed of the following representatives:

Multilateral Development Bank	Independent Evaluation Department	Oversight Committee members
African Development Bank	Independent Development Evaluation	Seetharam Mukkavilli Detlev Puetz (former)
Asian Development Bank	Independent Evaluation Department	Kapil Thukral Kelly Hewitt, alternate
European Bank for Reconstruction and Development	Evaluation Department	Karin Becker Dennis Long (former)
Inter-American Development Bank	Office of Evaluation and Oversight	Monika Huppi Veronica Gonzalez Diez, alternate
World Bank Group (World Bank and International Finance Corporation)	Independent Evaluation Group	Kenneth Chomitz (EOC Chair) Chris Gerrard (former) Rasmus Heltberg

International Reference Group (IRG): The IRG's purpose was to enhance the evaluation's quality and credibility by providing review from a diverse and respected set of experts. The IRG is not part of the evaluation team and is not responsible for the report. IRG members were: Dr. Qwanruedee Chotichanatawong, Dr. Kirit Parikh, Professor Martin Parry, Ms. Frances Seymour, Dr. Youba Sokona, and Dr. Alvaro Umaña.

Acknowledgments

The evaluation team and oversight committee would like to thank the nearly 800 individuals from around the globe—including members of civil society, indigenous groups, and the private sector; CIF Trust Fund Committee members and observers; multilateral development bank staff; and government officials—who provided valuable time and input during interviews conducted for this evaluation. A full list of stakeholders consulted is provided in Volume 2. We also thank those who provided input during the consultation phase.

We would also like to thank the leadership and staff of the CIF Administrative Unit, the MDB Committee, and the Trustee for their efficient assistance and collegial cooperation throughout this process. We are grateful to the International Reference Group for valuable advice.

Acronyms and Abbreviations

AfDB	African Development Bank
ADB	Asian Development Bank
AU	Administrative Unit
CIF	Climate Investment Funds
CSO	Civil society organization
CSP	Concentrated solar power
CTF	Clean Technology Fund
DGM	Dedicated Grant Mechanism
DPSP	Dedicated Private Sector Program
EBRD	European Bank for Reconstruction and Development
EOC	Evaluation Oversight Committee
ERM	Enterprise risk management
ER-PIN	Emission Reduction Project Idea Note
ESMAP	Energy Sector Management Assistance Program
FCPF	Forest Carbon Partnership Facility
FIP	Forest Investment Program
FLEGT	Forest Law Enforcement, Governance and Trade
FPIC	Free, Prior, and Informed Consent
GCF	Green Climate Fund
GEF	Global Environment Facility
GHG	Greenhouse gas
IATI	International Aid Transparency Initiative
IDA	International Development Association
IDB	Inter-American Development Bank
IFC	International Finance Corporation
IUCN	International Union for Conservation of Nature
LDCF	Least Developed Countries Fund
MDB	Multilateral Development Bank
M&E	Monitoring and Evaluation
M&R	Monitoring and Reporting
$MtCO_2eq$	million metric tons of carbon dioxide equivalent
NAMA	Nationally Appropriate Mitigation Actions
NAPA	National Adaptation Programmes of Action
ODA	Official Development Assistance
OECD	Organisation for Economic Co-operation and Development

PPCR	Pilot Program for Climate Resilience
PPP	Public-private partnership
PV	Photovoltaic
RACI	Responsible, Approve, Consult, Inform Matrix
REDD	Reduced Emissions from Deforestation and Forest Degradation
SCCF	Special Climate Change Fund
SCF	Strategic Climate Fund
SE4ALL	Sustainable Energy for All Initiative
SPCR	Strategic Program for Climate Resilience
SREP	Scaling Up Renewable Energy Program
tCO_2eq	metric tons of carbon dioxide equivalent
TFC	Trust Fund Committee
TOR	Terms of Reference
UN	United Nations
UNFCCC	United Nations Framework Convention on Climate Change

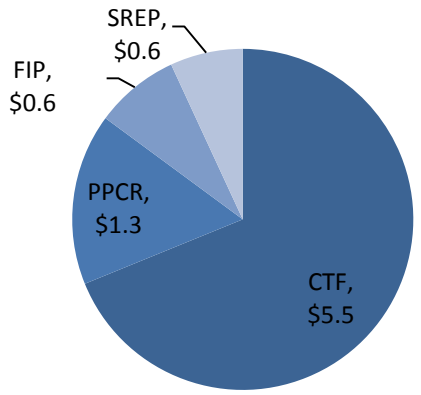
All dollar amounts are U.S. dollars.

Overview of the Climate Investment Funds

In 2008, multilateral development banks (MDBs), developed and developing countries, and other development partners reached agreement on the establishment of the Climate Investment Funds (CIF); on July 1, 2008, World Bank Executive Directors approved the establishment of the two CIF trust funds—the Clean Technology Fund (CTF) and the Strategic Climate Fund (SCF)—thereby creating the CIF. The SCF has subsequently established three programs:

- The Pilot Program for Climate Resilience (PPCR) (established in late 2008) was designed to pilot and demonstrate ways in which climate risk and resilience may be integrated into core development planning and implementation.
- The Forest Investment Program (FIP) (established in mid-2009) was designed to support developing countries' efforts to reduce emissions from deforestation and forest degradation by providing scaled-up bridge financing for readiness reforms and public and private investments.
- The Scaling Up Renewable Energy Program in Low Income Countries (SREP) (established in mid-2009) was designed to demonstrate the economic, social and environmental viability of low-carbon development pathways in the energy sector by creating new economic opportunities and increasing energy access through the use of renewable energy.

Exhibit A: Pledges by Program as of December 31, 2013 (billions of US$)



As of December 31, 2013, nine contributor countries[1] have pledged $5.5 billion to the CTF in the form of grants, loans, and capital, and 13 contributors[2] have pledged more than $2.4 billion to the SCF in the form of grants and capital (see Exhibit A).

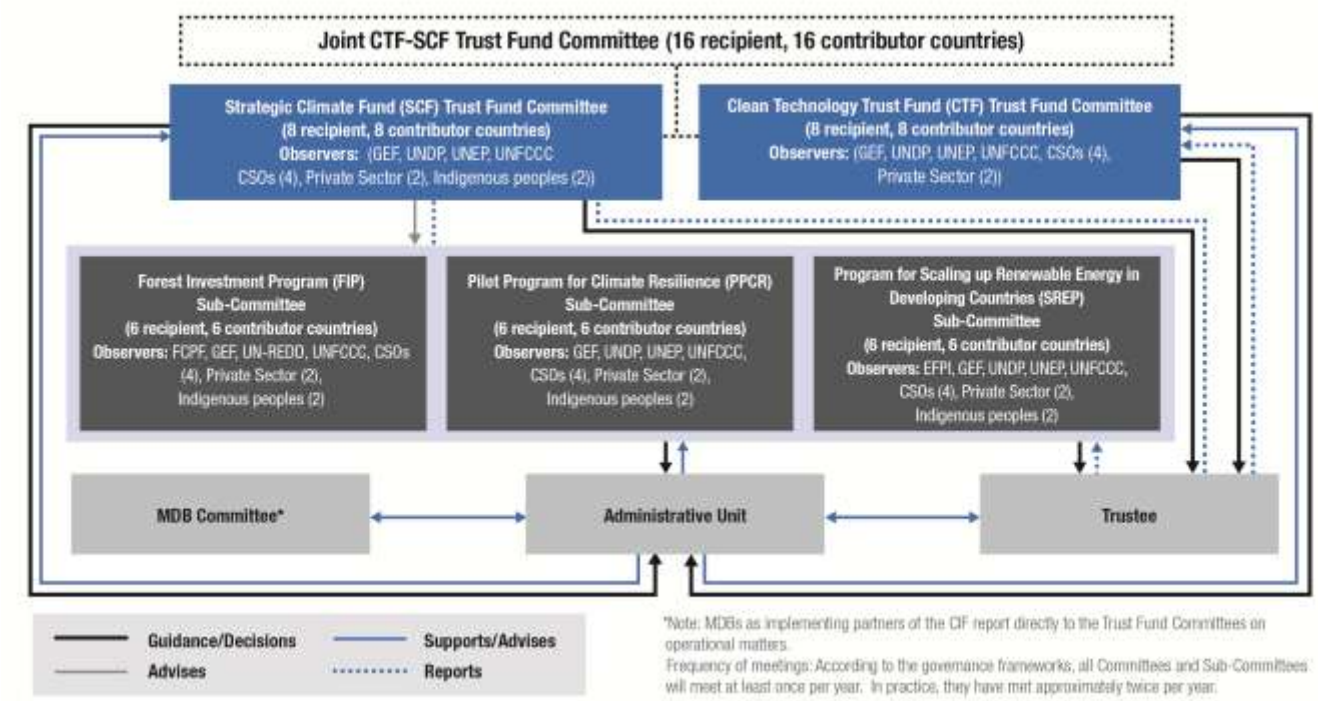
Purpose. The CIF are intended to provide new and additional financing (in the form of grants, concessional loans, and risk mitigation instruments) to complement existing bilateral and multilateral financing mechanisms in order to demonstrate and deploy transformational actions to mitigate and adapt to climate change. The funds also aim to promote international cooperation on climate change, to foster environmental and social co-benefits of sustainable development, and to promote learning-by-doing. The CTF specifically aims to provide scaled-up financing to contribute to demonstration, deployment and transfer of low-carbon technologies with a significant potential for long-term greenhouse gas (GHG) emissions savings, while the SCF seeks to provide financing to pilot new development approaches or scale-up activities aimed at a specific climate change challenge or sector.

Architecture. The governance and organizational structure of both Funds includes a Trust Fund Committee, MDB Committees, an Administrative Unit, and a Trustee. The Administrative Unit, Trustee, and a core MDB Committee are shared by both Trust Funds, and each Program also has an MDB Committee. Each Fund has its own Trust Fund Committee, and the SCF has established Sub-Committees to govern each of its three targeted Programs. A Joint CTF-SCF Trust Fund Committee addresses CIF-wide strategic issues. Each Program has its own investment criteria and results framework. Exhibit B shows the CIF governance and management structure.

[1] Australia, Canada, France, Germany, Japan, Spain, Sweden, United Kingdom, and United States

[2] Australia, Canada, Denmark, Germany, Japan, Korea, Netherlands, Norway, Spain, Sweden, Switzerland, United Kingdom, and United States

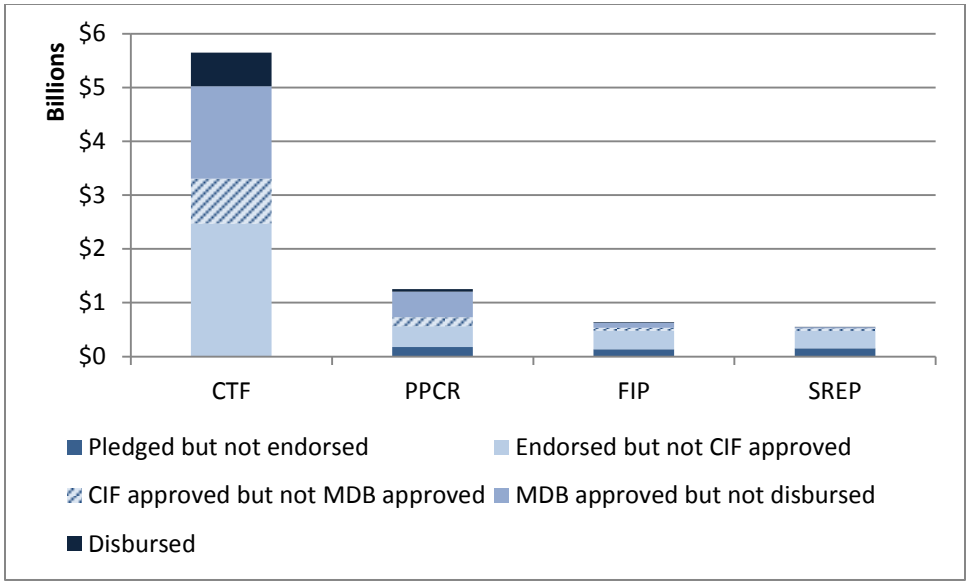
Exhibit B: Basic CIF Governance and Management Structure



Sources: Figure developed by ICF based on Governance Framework for the CTF, December 2011; Governance Framework for the SCF, December 2011; and consultations with the CIF Administrative Unit.

Programming. Collectively, the CTF, PPCR, FIP, and SREP are working with 48 recipient countries. The CIF helps to finance country-specific investment projects in these countries. The funds are channeled through five MDB partners (Asian Development Bank, African Development Bank, European Bank for Reconstruction and Development, Inter-American Development Bank, and the World Bank Group) that are responsible for working with national governments and other stakeholders (including development partners, private sector, civil society, and others) to help prepare national investment plans and individual projects. The CIF have a two-stage programming process. First, recipient countries, assisted by the MDBs, develop an investment plan. These plans identify and describe potential projects—as well as the strategic national context of the projects—with the intention of guiding the further development of activities for CIF funding. In the second stage, individual projects are prepared, approved, and implemented. In its fifth year of operation, the CIF are still in the early stages of implementation. Disbursed funding represents a small portion of overall endorsed funding, as Exhibit C illustrates, reflecting both the young age of the portfolio and multi-year nature of climate project disbursements.

Exhibit C: Status of CIF Projects as of December 31, 2013



Source: Data provided by the CIF Administrative Unit on May 5, 2014. Pledged funds represents pledges valued on the basis of exchange rates as of September 25, 2008, the CIF official pledging date.

Note: "Endorsed but not CIF approved" funds have been allocated to a CIF-endorsed investment plan but not yet to a CIF-approved project. "CIF approved but not MDB approved" funds are associated with a project that has been approved by a CIF Trust Fund Committee or Sub-Committee but is awaiting approval by the respective MDB.

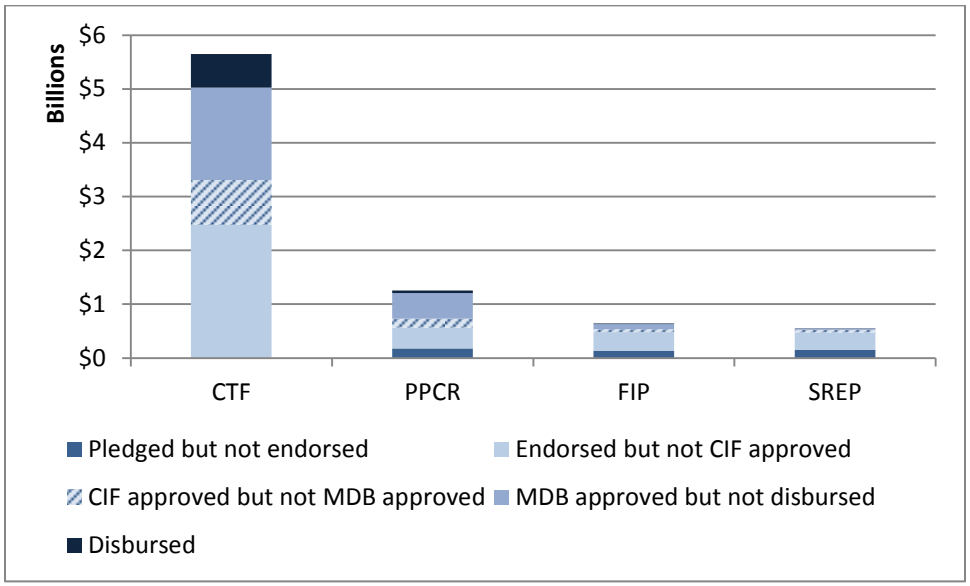
Independent Evaluation of the CIF: Executive Summary

Background: the Climate Investment Funds

The Climate Investment Funds (CIF) were established in 2008 as an interim measure pending the effectiveness of a United Nations Framework Convention on Climate Change (UNFCCC)-agreed structure for climate finance. They were designed to provide new and additional financing to complement existing bilateral and multilateral financing mechanisms in order to demonstrate and deploy transformational actions to mitigate and adapt to climate change. The funds also aim to promote international cooperation on climate change, to foster environmental and social co-benefits of sustainable development, and to promote learning-by-doing. The CIF comprise the mitigation-focused Clean Technology Fund (CTF) and the Strategic Climate Fund (SCF), which encompasses the Pilot Program for Climate Resilience (PPCR), the Forest Investment Program (FIP), and the Scaling up Renewable Energy Program (SREP). Donors have pledged about $8 billion to the CIF, making them the largest multilateral climate funds worldwide.

The CIF operate through the Multilateral Development Banks (MDBs)—African Development Bank, Asian Development Bank, European Bank for Reconstruction and Development, Inter-American Development Bank, and World Bank Group—and outside the guidance of the UNFCCC. Recipient countries, assisted by the MDBs, develop investment plans, which identify and describe potential projects—as well as the strategic national or regional context of the projects—with the intention of guiding the further development of activities for CIF funding. Implementation is still at an early stage, with disbursed funding representing about 9 percent of overall endorsed funding, as illustrated in Exhibit ES-1 below.

Exhibit ES-1: Status of CIF Projects as of December 31, 2013



Source: Data provided by the CIF Administrative Unit on May 5, 2014. Pledged funds represents pledges valued on the basis of exchange rates as of September 25, 2008, the CIF official pledging date.

Note: "Endorsed but not CIF approved" funds have been allocated to a CIF-endorsed investment plan but not yet to a CIF-approved project. "CIF approved but not MDB approved" funds are associated with a project that has been approved by a CIF Trust Fund Committee or Sub-Committee but is awaiting approval by the respective MDB.

Nature and purpose of this evaluation

The CIF design provided for an independent evaluation by the independent evaluation departments of the MDBs after 3 years of operation. An Evaluation Oversight Committee (EOC), which included members from those departments, drafted an Approach Paper, revised after public consultation, which forms the basis for this report.

Additionally, the EOC set up an International Reference Group of eminent experts to advise on the evaluation and comment on its conduct. A consultant, ICF International, was selected via international competitive procurement to perform the evaluation. This evaluation was fully independent of CIF management.

This evaluation has two principal purposes:

- To assess the development and organizational effectiveness of the CIF to date.
- To document experiences and lessons for the benefit of the Green Climate Fund (GCF).

Since the CIF are less than six years old—and most CIF projects are still on the drawing board or in early execution—this evaluation is primarily formative. It focuses on the organizational effectiveness of the CIF, and on prospects for development effectiveness and climate impact as indicated by plan and project design, and by early implementation experience. The evaluation draws on desk review of documents, data analysis, a survey of MDB staff, and visits to 13 investment programs in 10 recipient countries. Interviews were conducted with nearly 800 stakeholders from MDBs, the CIF Administrative Unit, CIF contributor and recipient countries, civil society organizations, private sector organizations, and other stakeholders. Note that field visits provide in-depth insights on country experience but cannot necessarily be generalized.

Global relevance and future of the CIF

Established in 2008, amidst a field of many global, bilateral, and national climate funds, the CIF are differentiated by complete reliance on the MDBs for implementation, a programmatic approach to investment planning, an aim of inducing transformational change, and more emphasis on private sector engagement. The CIF are distinctive especially in having relatively larger programs at the country level, potentially allowing greater impact. This is achieved by focusing on a smaller number of countries. The CTF lacked a formal country selection process, while country selection in the SCF was more transparent.

The CIF have not yet clarified their interpretation of how and when to exercise the sunset clause, introducing uncertainty into their operations. The sunset clause, an underpinning of the CIF's legitimacy when founded, requires each Fund "to conclude its operations once a new financial architecture is effective," with the proviso that it may decide to continue operations "if the outcome of the UNFCCC negotiations so indicates."[3] The landscape of climate finance has changed since the CIF were founded, and the GCF—the embodiment of the new financial architecture—is approaching operational readiness. Amidst this uncertainty, SREP has moved forward with new pilot countries and some contributors have made known their intent to pledge funds, while PPCR, FIP, and CTF have held dialogue regarding expansion, but have elected not to expand to new countries at this time.

Governance

The CIF draw legitimacy from a principle of equal representation, consensus decision-making, inclusivity of observers, and transparency. Compared to other funds, observers at the CIF have greater voice. There is scope for improving engagement with the observers' large constituencies. Transparency at the CIF has improved and is on par with best practice among global partnerships.

Governance efficiency and effectiveness have been hindered, however, by the CIF's complex architecture, including the two-fund design and the establishment of six separate governing bodies. (This structure resulted from different preferences among contributors on the use and mode of funds.) The consensus decision rule, together with the lack of a secretariat with a strong executive function, has hampered efficient decision-making, resulting sometimes in indecision and micromanagement. Responsibilities for management of risk and conflicts of interest were not originally designed into the governance framework, a deficiency now being addressed. CIF governance has been slow to resolve major strategic issues, although progress has been made over time.

[3] Governance Framework for the CTF, December 2011; Governance Framework for the SCF, December 2011.

Management, operations, and quality control

The CIF's 'light touch' approach relied on the MDBs for supervision, quality control, fiduciary controls, safeguards, and accountability at the project level, with remaining management responsibilities assigned to an administrative unit, rather than a secretariat with an executive function and responsibilities for technical review. The CIF Administrative Unit has been responsive, proactive, and well-regarded by stakeholders. It has maintained a lean budget while carrying out an expanding program and accepting additional duties from the governing bodies.

However, the 'light touch' was achieved in part by shifting responsibilities elsewhere. The governing bodies maintained review responsibilities for investment plans and projects. Some contributors have devoted substantial effort to review functions. Requirements for formal external review of SCF investment plans and CTF projects have added little value to MDB procedures, often coming too late in the process. Compounding the issue for CTF were imprecise and sometimes overly complex investment guidelines. The result was an involved approval process (see below) that did not always guarantee project consistency with CTF investment guidelines.

There were tensions between trusting MDB systems and ensuring accountability at the CIF-level. The MDBs have no formal process for applying quality control, safeguards, or evaluation at the level of the country investment plan, and the CIF Administrative Unit (CIF AU) was not designated or adequately staffed to handle these responsibilities. There has been a tendency to expand the management system and layer-on CIF-level requirements (e.g., external review of SCF investment plans and CTF projects), and the CIF AU has recruited specialists in gender and risk management.

The choice to rely on MDB safeguard systems reflected contributor confidence that these systems were well-established; it is beyond the scope of this evaluation to assess the individual MDB systems, and too early to assess on-the-ground effectiveness. When multiple MDBs co-finance a project, the most stringent safeguards prevail. FIP guidelines are ambiguous on whether free, prior and informed consent (FPIC) rules apply to projects affecting indigenous people; in FIP fieldwork, civil society and indigenous peoples raised concerns on the inconsistency of FIP consultation processes with FPIC.

Through the role of the MDB Committee, the CIF have institutionalized a platform that has enhanced MDB collaboration, and has fed MDB technical expertise into CIF operations. MDBs have effectively coordinated to support country-led preparation of investment plans—a role that has proven particularly important for lower capacity countries. Opportunities remain to improve MDB coordination, including those related to GHG accounting and to within-country operations.

Progress through the project cycle has often lagged behind CIF norms, and is associated with factors at the Program, country and project levels. The CIF project cycle involves endorsement of a country's investment plan by the CIF committees, followed by CIF approval of each constituent project, and finally MDB project approval. At the first stage, CTF investment plans have tended to progress relatively rapidly to endorsement. These CTF plans are prepared by middle income countries, typically involve a lesser degree of stakeholder consultation than in the SCF, and focus on a limited number of sectors. Many CTF plans built on project concepts already in MDB pipelines.

In contrast, three-quarters of PPCR recipients and half of FIP recipients have not met PPCR and FIP's indicative timelines for investment plan preparation. To some extent, this reflects a trade-off between quality/extent of consultation and speed of preparation, and longer preparation times may contribute to better government leadership and integration of investments with national strategies (i.e., ownership).

Overall, the greatest incidence of delay has been in the project preparation stage, after plan endorsement. Of projects that are 18 months or more past endorsement, only about a quarter were CIF approved in less than 18 months and nearly half were not yet approved as of June 2013. Factors contributing to delay include technology novelty or complexity, implementation readiness, and political changes. Other characteristics of delayed CIF

projects, such as which MDB is implementing the project, co-financing sources, and public versus private sector, did not show a clear relationship to delays leading to CIF approval. At the final stage, from CIF approval to MDB approval, private sector projects lagged public sector projects relative to their respective targets.

The CIF have set ambitious climate and development benefit objectives, but have given inconsistent messages about the relative importance of these objectives. The CIF lack guidance on how to manage trade-offs among these objectives, as well as a clear way operationally to weigh these objectives at the governance level.

The CIF began without a gender focus, but attention to gender increased over time in investment plans. Fieldwork for the evaluation showed some risk to follow-through in implementation. The CIF have recently hired a gender specialist.

Transformation in the CIF

Transformative impact is a major goal of the CIF, and a justifiable one. CIF resources—and even hoped-for GCF resources—are small relative to global needs, so it makes sense to focus those resources where they will do most to advance transformation to a climate resilient, low-carbon economy.

The goal of transformation was not consistently pursued, in part because of uneven focus on addressing the barriers to impact and replication. Some CIF projects are clearly transformational in goal or design. For instance, the total aggregate CTF investments in Concentrated Solar Power could help reduce the cost of this globally relevant technology, and FIP investment plans in Burkina Faso and Mexico chart a path towards transformed forest management. SREP plans would represent substantial increments to national power supply for most countries.

However, many CTF plans and projects lack a convincing theory of change that explains how replication and broader uptake will be achieved. CTF investment criteria for transformational impact focus on quantifying GHG emissions reductions rather than the logic of demonstration effect, barrier removal, or the mechanisms for replication. CIF claims of financial leverage often carry an unsubstantiated implication that the CIF has attracted funds that would not otherwise be forthcoming. FIP design documents do not clearly define how transformational change is to be achieved and demonstrated, and more than half of FIP investment plans do not address the strongest drivers of deforestation and forest degradation.

Development effectiveness of the four CIF Programs

Assessment of potential development effectiveness in this evaluation is based mostly on investment plans and project design. For the CTF, only, there are a few projects that have progressed far enough to assess early results.

Clean Technology Fund. The CTF is the largest and most advanced in implementation of the Programs. As of mid-2013, CTF had made progress toward co-financing and installing renewable energy capacity, but few energy efficiency programs are under implementation, and no public transport projects are reporting results yet. Factors driving CTF implementation performance include country leadership with government focal points with the authority and ability to manage disbursement; existing MDB relationships and technology track records; and mature policies, regulations, and financial sectors.

On the whole, CTF investment plans describe projects that would substantially boost installed renewable energy generation capacity or would reduce power consumption by 1 to 8 percent, if successfully implemented. But the mechanism by which they might be scaled up and replicated is often lacking. The policy, regulatory, and macroeconomic situation in more than half of CTF countries has the potential to slow down or limit transformation and replication. These CTF countries have supportive policies in place that provide building blocks, but lack implementing regulations specifying key details of the regulatory environment, weakening the potential for immediate replication. Noninvestment-grade credit ratings are also a limiting factor in some countries.

Pilot Program for Climate Resilience. PPCR's Phase 1 is intended to facilitate cross-sectoral dialogue to achieve a common vision of climate resilience and develop a Strategic Program for Climate Resilience (SPCR), (i.e., investment plan). SPCR development has proved to be flexible by tailoring its approaches to country capacities, political structures, and availability of other development programs. But the added value of PPCR's Phase 1 has varied by country; fieldwork in three PPCR countries suggested that the strength and centrality of the PPCR focal point agency affects the degree to which the SPCR fosters linkages among institutions and stakeholders in support of climate mainstreaming. Fieldwork also suggested that limited ongoing engagement with multi-stakeholder consultative processes—especially after SPCR endorsement—has inhibited the development of strong and inclusive networks of stakeholders with the capacity to support SPCR project interventions.

Three-quarters of SPCRs focus on integrating climate vulnerability and adaptation knowledge into national development and poverty reduction policies and strategies. About two-thirds discuss potential use of community-based adaptation methods and approaches. The use of climate risk reduction systems that are highly responsive to the needs and conditions faced by vulnerable peoples and social groups is featured in many SPCRs. However in fieldwork countries, positive features of SPCRs—such as focus on vulnerable communities, gender equality in project strategies, and multi-stakeholder collaboration for program implementation—were sometimes lost in the transition to implementation, due to lack of strategy or commitment. Fieldwork also found that early designs for climate information services and water management and agriculture resilience projects did not assure that the needs of vulnerable communities and households would be met.

Forest Investment Program. Major activities have been identified in about half of the FIP countries to support the improvement of the policy and regulatory framework for sustainable forest land use and private investments. However, many FIP plans fail to show clearly how projects can jointly contribute to sectoral transformation and associated institutional and policy changes, shifts in forest management paradigms, and re-orientation of sector strategies and investment priorities—all of which are crucial for scaling-up. While it would be unrealistic to expect that FIP could achieve transformational change alone—given relatively modest resources and the vast needs of some countries such as Indonesia and Brazil—more than half of FIP plans do not clearly describe how FIP fits into the broader United Nations Reduced Emissions from Deforestation and Forest Degradation Programme (UN-REDD) country context, making it difficult to understand how these plans would complement other ongoing and planned efforts.

FIP in most countries has brought financing to address jointly identified forestry issues in the REDD context, especially in smaller countries where FIP finance plays a bigger role. FIP has also built on important national REDD+ planning processes and dialogue platforms.

Scaling Up Renewable Energy Program. As noted**,** SREP investment plans present potential for substantial gains for renewable energy supply; expected impacts on electricity access are more modest, with the exception of Nepal. All investment plans also include funding for capacity building of key stakeholders and institutions and advisory services to support policy changes, consistent with SREP's objective of a programmatic approach.

SREP stakeholders place different emphases on the Program's goals of increased access to clean energy and increased supply of renewable energy; the result has been a portfolio with about 61 percent of funds focused on grid-tied renewable energy. SREP off-grid projects have focused largely on addressing energy needs in rural and remote areas with no power infrastructure, where small-scale, distributed renewable energy technology is appropriate. A strong focus on mini-grid systems is also consistent with SREP's focus on productive uses.

Private sector engagement and risk management

The CIF have recognized the importance of the private sector in scaling-up climate change mitigation and adaptation activities. Several factors have depressed the direct provision of funds to the private sector. Within countries, the government-led investment planning process has tended to prioritize public sector over private sector investments. The length of the investment planning process has dampened private sector interest. And in

some countries, weak private sector capacity has required re-sequencing of activities, starting with awareness raising and capacity building before moving on to investment. The CIF have begun to address these hurdles through private sector set-asides in the CTF and SCF.

The CIF do not utilize the full range of available financial instruments (such as equity investments), impeding their ability to use funds to support high-risk, high-return investments. This is because CIF funds are pooled by contributors with different degrees of risk tolerance, lenders being generally more conservative than those who furnish grant or capital funds. Because losses are shared, the CIF skew towards risk aversion. Risk aversion has dampened the CIF's appetite for risky (potentially innovative) private sector projects, which has led to delay and some missed opportunities to pilot and learn from experience with new instruments.

Investment plans, national ownership, and consultation

Programmatic national investment plans are an innovation of the CIF. The investment plan process has largely secured strong government ownership and alignment of CIF plans with existing national strategies and programs. MDBs and governments have collaborated effectively to develop investment plans, and development partners have been engaged in the process in all CIF countries. The investment plans were less successful in spurring intra-governmental coordination. Positive examples include the Democratic Republic of Congo, Mexico, and Peru. In other cases, coordination was undermined by a lack of clear roles and responsibilities, perceptions of limited strength and capacity of the coordinating ministry, an ineffective coordinating unit, and dilution of donor funding by dispersing amongst too many agencies.

The SCF consultation process has been more inclusive than that of the CTF, and development partners have been engaged in almost all planning processes. There are concerns, however, about the quality and depth of stakeholder engagement and inclusiveness, particularly with regard to women and indigenous people. Broader public ownership of the investment plans was compromised in about half of the fieldwork countries, due to shortcomings in the stakeholder engagement process. This stemmed in part from a lack of clear CIF guidance (except in FIP) on expectations for consultation. CIF consultations in most fieldwork countries were perceived by stakeholders as information-sharing rather than real opportunities to influence the direction of the plan, or to actively participate in decision-making, with the result that consultations did not substantially affect the design of investment plans. Many consultation processes were "one-offs," with limited communication after consultation meetings or workshops. Communications were also not sustained after investment plan endorsement. As a result, investment plan accountability and legitimacy to citizens and beneficiaries has been limited in some countries, and opportunities for feedback in implementation are lacking.

Learning, monitoring and evaluation

Learning is a pillar of CIF objectives and was embraced from the outset through strategy and program development, the Partnership Forum, and human and financial resource allocation. Consistent with its pilot nature, the CIF have undertaken inwardly focused learning which has resulted in improvements in their organizational performance, for instance through reappraisal and revamping of their results frameworks.

The CIF also have a vast potential to develop and disseminate outwardly focused learning on how countries can respond to the challenge of climate change. This potential has been partially realized. CIF global knowledge products have been improving over time and moving toward more in-depth assessment in thematic areas, although opportunities remain to learn more explicitly from negative experiences. Pilot country meetings have offered an important and well-received forum for exchanging lessons learned from investment planning and implementation across countries.

At the project and investment plan level, the emphasis on learning has not been sufficiently institutionalized, however. Incorporation of information sharing and lesson-learning elements is stronger in SCF investment plans and projects than in CTF, where these elements are lacking. Recent project approvals show an uptick in CIF intentions to incorporate impact evaluations into projects.

CIF monitoring and reporting systems have made substantial positive progress after a slow start. The initial results frameworks were inconsistent across Programs, and the number and complexity of indicators overtaxed the capacity of national monitoring and evaluation (M&E) systems. The frameworks have been simplified and toolkits developed. The PPCR is breaking ground on the development of adaptation M&E systems at aggregated levels. The inclusive, iterative process of developing and revising the results framework has led to broad stakeholder buy-in, but compromised the timeline, and possibly the value of the indicators.

The CIF M&E system is appropriately envisioned as a multi-level system, but differences in MDB GHG accounting methodologies and gaps between CIF systems and MDB operational procedures diminish the robustness of the system. There is also incomplete alignment between results frameworks at the project, investment plan, and Program level. This limits the CIF's ability to understand how project-level results contribute to country- and Program-level results. Significant work also remains ahead to develop data quality procedures and provide data analysis and use plans.

The CIF have no provision for independent evaluation at the national, Program, and CIF level, with the exception of this evaluation. (To a limited extent, independent evaluation at the project and country level is carried out by the respective independent evaluation units of the MDBs.)

Summary of actionable conclusions and recommendations and considerations for the GCF

Exhibit ES-2 below summarizes actionable conclusions and presents recommendations for the CIF alongside considerations for the GCF. Some of the following recommendations only pertain to a scenario where the CIF continue to accept and program new funds; others would also apply in scenarios in which the CIF continue to manage their existing portfolio of endorsed and approved plans.

Exhibit ES-2: Summary of Actionable Conclusions and Recommendations for the CIF and Considerations for the GCF

Findings and Lessons	Recommendations for the CIF	Considerations for the GCF
On the role and future of the CIF		
The lack of a strategy with respect to CIF's sunset clause is causing uncertainty in operations. SREP is actively expanding through new pledges and soliciting additional pilot countries; other Programs have deferred.	• Put in place a strategic or contingency plan with respect to the sunset clause that distinguishes between maintenance of the existing pipeline of plans and projects and initiation of new ones.	• The CIF would need to coordinate with the GCF were there to be a transfer of any responsibilities associated with existing funds and project portfolio.
Governance and management		
CIF governance structure has achieved legitimacy in design through an inclusive and balanced framework, and expanded role for observers, and good disclosure and transparency. Efficiency and effectiveness has been hindered by the CIF's complex architecture, consensus decision rule and lack of a secretariat with strong executive function. However, CIF have shown a capacity for organizational learning and adaptation over time.	• Look to best practice in meeting and decision-taking procedures from other corporate and multilateral organizations with non-resident governing bodies. • Consider defining categories of decisions for which consensus is not required. • Delegate some approval and other decision-making responsibilities to working groups. • Delegate operational decisions to the administrative unit, subject to strategic guidance from the Trust Fund Committees (TFC).	• The GCF may wish to look at best practice in meeting and decision-taking procedures from other corporate and multilateral organizations with non-resident governing bodies. • Efficient governing bodies often delegate non-strategic and lower-level operational decisions to Board subcommittees or to the Secretariat. • Consensus decision making has advantages and disadvantages. • Innovative new organizations benefit from flexibility to learn and to adapt their procedures and structures.
Operations and quality control		
The Trust Fund Committees have maintained review responsibilities at the investment plan and project level, and over time added extra layers of duties to the administrative unit. Requirements for formal external review of projects have added little value to MDB procedures, coming too late in the process. Review functions have been undertaken by some contributors. Vague and sometimes contradictory CTF investment guidelines are not always complied with despite the layers of approval. Delay in the project cycle has been most notable in the project preparation stage, after plan endorsement. Factors contributing to delay include project novelty or complexity, lack of implementation readiness, and political changes.	• Reframe CTF investment guidelines to be more realistic and less ambiguous. • Explicitly recognize, and offer guidance on trade-offs among objectives. • External project review, if used, should come earlier in the cycle.	• To the extent that the GCF will want to verify proposal quality or consistency with guidelines, the recommendations to the left will be relevant. • Ambitious, complex, and innovative projects in the climate realm take time; enabling conditions are important. • Consider adopting a variant of the IDB model of including with project proposals a self-assessment of evaluability, including presence of a robust logical framework that would be independently validated after approval.
The CIF began without a gender focus, but attention to gender increased over time in investment plans, though not	• MDBs and CIF should maintain attention to gender in	• There are continuing challenges to incorporate

Findings and Lessons	Recommendations for the CIF	Considerations for the GCF
always in consultations. Fieldwork for the evaluation showed some risk to follow-through in implementation. The recent appointment of a gender specialist is a step forward.	project design and execution.	gender perspectives in climate investments.
Transformation, leverage, and impact		
Some projects are plausibly transformational; others lack a convincing logic of transformation and impact. Leverage and cost-effectiveness are incorrectly or inconsistently calculated. Core indicators do not always capture steps to long term transformation, for example in the form of institutional change. Factors driving CTF implementation performance include: country leadership with government focal points with the authority and ability to manage disbursement; existing MDB relationships and technology track records; and mature policies, regulations, and financial sectors. The policy, regulatory, and macroeconomic situations in more than half of CTF countries has the potential to limit or delay transformation and replication.	• Agree on a specific interpretation of 'transformation' that focuses on the logic of demonstration effects, lowering technology costs through economies of scale, and removing policy and regulatory barriers. Ensure that research and learning is geared to identify key barriers to impact and assess the degree to which CIF interventions address those. • Adopt and enforce a more rigorous definition of cost-effectiveness of emission reduction. Discontinue the use of the term 'leverage' and devote effort to better understand when CIF has actually catalyzed private sector and other finance as a consequence of its investments. • Recognize that projects and plans focused on transformative institutional changes may not yield near-term carbon or resilience benefits.	• The GCF's goal of promoting 'paradigm shifts' will, like 'transformation', encounter definitional and measurement problems. The CIF recommendations (left) may have analogs for the GCF.
Risk management		
Risk management has been unstructured in the CIF, although the development of a CIF-wide risk management framework is underway. Some stakeholders in the CIF are risk averse and thus, the CIF does not deploy the full range of originally-intended financial instruments. This is particularly the case for private sector engagement.	(If the CIF continue to initiate investment plans:) • Find ways of matching contributor risk preferences to different elements of the CIF portfolio. • Pursue innovative mechanisms for private sector engagement.	• Innovative and 'paradigm shift' efforts are inherently risky, with the potential of both informative failure and high payoffs. This suggests focusing results attention on *portfolio* performance at the national or global level, rather than the project level. The GCF may wish to consider the ideas to the left.
Private sector engagement		
The CIF have taken big strides forward in engaging the private sector, but have encountered some of the same hurdles as other climate funds. Government-led investment planning in most countries prioritized public sector over private sector investments, and the length of the investment planning process undermined private sector engagement. The CIF have begun to address this issue through SCF private sector set-asides and CTF's	• Deploy a wider range of financial instruments. • Place greater emphasis on capacity building, and on complementary public sector actions such as improving the enabling environment, supporting policy and regulatory reform, and building supporting physical infrastructure.	• Private sector investors need rapid decisions on funding. • Policy and regulatory reform can remove barriers to private sector investment; programmatic series of policy based loans or grants are one avenue to accomplish this.

Findings and Lessons	Recommendations for the CIF	Considerations for the GCF
dedicated private sector program.		• Capacity building may be important for countries with weak private sectors.
Investment plans, national ownership and consultation		
Investment plans have succeeded in securing strong government ownership, but with uneven results in promoting mainstreaming and coordination. In most fieldwork countries, concerns were raised about the quality and depth of consultations at the investment plan level.	• (If the CIF continue to initiate investment plans): Improve guidelines on consultation procedures at the investment plan level, encouraging the formation of enduring participatory structures.	• If the GCF adopts programmatic loans it may wish to consider suggesting guidelines on participatory processes.
Learning and evaluation		
Aside from this report, there is no provision for independent evaluation at the national, Program, or Fund level, or for a summative evaluation of the CIF.	• Invite the Global Environment Facility's Independent Evaluation Office or the GCF Independent Evaluation Unit to cooperate on independent evaluation tasks, with funding directly from the Trust Fund committees. This could include a summative evaluation of the CIF. • Ensure that projects are aligned with and describe linkages to Program-level results.	• There are substantial needs for capacity building at the national level to be able to track and analyze progress towards low-carbon and resilient development.
The CIF have vast potential to provide valuable lessons on responding to the challenge of climate change. There are insufficient plans for learning from projects, although a few projects are beginning to incorporate impact evaluations.	• Integrate real-time feedback, learning, and rigorous assessment of impact into project activities; if needed, use grant funds to defray added costs of implementation that generate widely-applicable lessons.	• Rapid feedback and learning from projects in implementation allows 'course correction' and improves outcomes. It also provides global benefits in understanding what works, what doesn't and why. Thus there is strong rationale for additional grant financing and other ways of incentivizing more rigorous and timely monitoring and evaluation.

1. Introduction

1.1 Purpose and Scope of the Independent Evaluation

The original Climate Investment Funds (CIF) design provided for an independent evaluation of Clean Technology Fund (CTF) and Strategic Climate Fund (SCF) operations by the independent evaluation departments of the multilateral development banks (MDBs) after 3 years of funds operation. An Evaluation Oversight Committee (EOC), which included members from all MDB evaluation departments, drafted an Approach Paper that subsequently underwent a public consultation process. On September 6, 2012, the CTF-SCF Joint Trust Fund Committee (TFC) approved the final Approach Paper that is the basis for the Terms of Reference (TOR) for this evaluation. At the request of the Joint TFC, the EOC established an International Reference Group to provide a review by a diverse and respected set of experts. This evaluation has two principal purposes:

(1) To assess the development and organizational effectiveness of the CIF to date. The assessment covers several layers of CIF development and organizational effectiveness: the Fund and Program levels, the country level, and the project level.
(2) To document experiences and lessons for the benefit of the Green Climate Fund (GCF).

Since the CIF are less than six years old—and most CIF projects are still on the drawing board or in early execution—this evaluation is primarily a formative evaluation of the design and early implementation of the CIF. However, it is possible to draw some initial indications of development effectiveness based on investment plan and project design, as well as early project experience. A complete list of the evaluation questions posed in the Approach Paper appears in Annex A. Because the Approach Paper questions are broad and indicative, this evaluation organizes the information by key issues that have emerged, as detailed in the inception report. The assessment extends from initial CIF concept through 2013.

1.2 Methodology

The inception report[4] gives detailed information on data collection and analysis methods used in this evaluation, which draws on primary and secondary sources of information and uses mixed methods to respond to key evaluation questions. Data collection included an in-depth desk review and database development, stakeholder interviews, an MDB task team leader survey, visits to all MDB headquarters and in-depth fieldwork in 10 recipient countries (13 investment plans), which were purposively selected to represent all the CIF Programs, continents, and MDBs, and a range of country income levels.[5] The evaluation team built and tested hypotheses, analyzed the CIF portfolio of project approval and funding, created a timeline of activities, wrote back-to-office reports for country visits, and triangulated information across all sources to synthesize and identify findings across methods.

1.3 Key Concepts and Definitions

Programs, plans, and projects. In this evaluation, "Programs" refers to the four funding windows under the CIF: (1) CTF, (2) Pilot Program for Climate Resilience (PPCR), (3) Forest Investment Program (FIP), and (4) Scaling Up Renewable Energy in Low Income Countries Program (SREP). "Plans" refer to the investment plans that are developed by recipient countries to explain how the countries will use CIF resources to meet national

[4] http://www.cifevaluation.org/cif_inception_report.pdf

[5] Please see the evaluation's inception report (http://www.cifevaluation.org/cif_inception_report.pdf) for a detailed description of the country selection criteria and methodology. Country visits were conducted in Democratic Republic of Congo (FIP), Ethiopia (SREP), Indonesia (CTF and FIP), Jamaica (PPCR), Kazakhstan (CTF), Mexico (FIP and CTF), Morocco (CTF), Mozambique (PPCR), Nepal (PPCR and SREP), and Turkey (CTF).

priorities (investment plans under the PPCR are called Strategic Programs for Climate Resilience). “Projects” and “programs” refer to the CIF-funded investments that the plans produce and implement through the MDBs.

1.4 Roadmap for the Evaluation

The remainder of the evaluation is divided into five main chapters:

- Chapter 2 discusses the global role and relevance of the CIF amidst other climate funds;
- Chapter 3 assesses the organizational effectiveness of the CIF, including the CIF’s governance and management functions;
- Chapter 4 evaluates the CIF Programs’ potential to achieve intended results and scale up to achieve transformational impact—as defined individually by each Program;
- Chapter 5 considers cross-Program issues such as investment plan development and country-level coordination, private sector engagement, leverage, trade-offs between climate and development objectives, and gender; and
- Chapter 6 presents overall conclusions, recommendations for the CIF, and considerations for the GCF.

2. The Global Role and Relevance of the Climate Investment Funds

KEY FINDINGS

- The CIF's larger-scale financing in a limited number of countries, programmatic approach, implementation through five MDB partners, and focus on transformational change, set it apart from other global climate funds.
- Although operating outside the guidance of the United Nations Framework Convention on Climate Change (UNFCCC), the CIF has achieved legitimacy in design through its balanced and inclusive governance.
- Country selection by the CTF was opaque. The SCF programs' subsequent approach—convening expert groups to recommend pilot countries—had greater legitimacy and attention to program objectives.
- With the GCF not operational, the CIF justifiably has not yet triggered its sunset clause, which states that it should conclude operations once the UNFCCC financial architecture (that is, the Green Climate Fund) becomes effective. But the CIF have not defined conditions for, or a strategic approach to, sunset, resulting in ambiguity for all parties.
- No common definition of "new and additional" to existing Official Development Assistance (ODA) has been agreed—in the CIF or in the broader global climate finance community.

This chapter addresses the questions related to the overall relevance of the CIF. To what extent does it complement other sources of climate finance? What is its place and legitimacy in the international financial architecture?

2.1 Complementarity to Other International Efforts

Established amidst a field of many global, bilateral, and national climate funds, the CIF are differentiated by larger-scale financing in a more limited number of recipient countries, a programmatic approach to investment planning, an aim of inducing transformational change, and operating outside the guidance of the United Nations Framework Convention on Climate Change (UNFCCC) (Exhibit 2-1 and Annex B.1). The CIF are also distinguished by the focus on and scale of resources directed at private sector engagement. And unlike many other global climate funds that engage with a wider range of executing entities, the CIF are implemented entirely through five MDB partners (Asian Development Bank [ADB], African Development Bank [AfDB], European Bank for Reconstruction and Development [EBRD], Inter-American Development Bank [IDB], and the World Bank Group).

The global landscape of climate finance has evolved since the CIF were created in 2008, but the CIF remain the largest multilateral dedicated climate funds worldwide.[6] Funding mechanisms for climate finance have proliferated, and annual global climate finance flows nearly quadrupled between 2009 and 2012. Adaptation finance has increased especially since PPCR was founded in 2008, growing five-fold from $4.4 billion in 2009 to about $22 billion in 2012.[7] In 2012, the CIF had the largest value of approved projects among 15 multilateral and 5 national climate funds.[8]

[6] Climate Funds Update. Accessed January 7, 2014.

[7] Climate Policy Initiative. The Global Landscape of Climate Finance 2013. Available at: http://climatepolicyinitiative.org/wp-content/uploads/2013/10/The-Global-Landscape-of-Climate-Finance-2013.pdf. Accessed January 19, 2013; Climate Policy

In December 2010, the 16th Conference of the Parties established the global GCF as an operating entity of the financial mechanism of the UNFCCC under Article 11. The GCF is expected to become a pivotal multilateral instrument for financing mitigation and adaptation, but is not yet operational.

- The **Clean Technology Fund** has complemented Global Environment Fund (GEF) efforts to tailor policy environments or support capacity building, but overlapped with the GEF in terms of supporting similar technologies. A little over a quarter of CTF project proposals explicitly describe coordination with GEF funding, most of which complement CTF investments with GEF capacity building.[9] CTF's investment criteria emphasize commercially available technologies, which is complementary to the GEF in principle, although in practice, the CTF and GEF have supported many of the same technologies. One main difference, however, is the scale of CTF versus GEF resources in a single project; the average size of a CTF-approved project is about $63 million, more than 20 times the average size of a GEF-4 grant.[10] In addition, in contrast to the GEF, the CTF's designers hoped to be able to focus more funds on a smaller number of countries, so as to achieve scale effects for demonstration. They also hoped for an accelerated project cycle. The CTF has been successful on the first objective, and had mixed success on the second (see section 3.3.4). Compared to the GEF, the CTF has also focused more—and a greater proportion—of resources toward private sector projects. From 2006-2011, about a dozen projects (for a total of about $580 million) were approved in the GEF using non-grant instruments to target the private sector;[11] by comparison, in the CTF, more than $1 billion has been approved between 2008 and 2013.

- The **Pilot Program on Climate Resilience** is unique among global adaptation funds in its explicit Program objective to integrate climate risk and resilience into national development planning, although in practice, many projects funded through the Special Climate Change Fund (SCCF) have also had an aim of mainstreaming adaptation into broader national development and political agendas.[12] Under the Least Developed Countries Fund (LDCF), objectives to integrate adaptation into development and policy reform are largely absent in priority activities identified in the National Adaptation Programs of Action (NAPAs).[13] PPCR has been explicit in its intention to build on existing adaptation efforts, including NAPAs. All Strategic Programs for Climate Resilience (SPCR, the PPCR investment plan) developed by LDCs explicitly mention coordinating with or building upon the NAPA.

  PPCR projects share similar themes with other global adaptation funds; agriculture, land management, and water resource management are main areas of focus for PPCR, SCCF, and Adaptation Fund projects.

Initiative. The Landscape of Climate Finance. October 2011. Available at: http://climatepolicyinitiative.org/publication/the-landscape-of-climate-finance/. Accessed February 17, 2014; Heinrich Böll Stigtung and Overseas Development Institute. 2011. The Evolving Global Climate Finance Architecture. November 2011. Available at: http://www.odi.org.uk/sites/odi.org.uk/files/odi-assets/publications-opinion-files/7468.pdf. Accessed February 17, 2014.

[8] Climate Policy Initiative. The Global Landscape of Climate Finance 2013. Available at: http://climatepolicyinitiative.org/wp-content/uploads/2013/10/The-Global-Landscape-of-Climate-Finance-2013.pdf. Accessed January 19, 2014.

[9] For example, in Ukraine, European Bank for Reconstruction and Development (EBRD) used GEF grants to develop the regulatory framework for renewable energy and associated feed-in tariffs, accompanied by financing from CTF and EBRD and equity from domestic investors to support a direct-lending facility. Source: European Bank for Reconstruction and Development. 2013. EBRD and the GEF: Combining Capacity Building and Investment.

[10] GEF Administrative Expenses – Fees and Project Management Costs. External Review. GEF/C.41/07. October 7, 2011

[11] Revised Strategy for Enhancing Engagement with the Private Sector. GEF/C.41/09/Rev.01. November 10, 2011.

[12] GEF Evaluation Office (2012), Evaluation of the Special Climate Change Fund, April 2012. Evaluation Report No. 73.

[13] DANIDA and GEF Evaluation Office. (2009). Joint External Evaluation: Operation of the Least Developed Countries Fund for Adaptation to Climate Change. Prepared by COWI and IIED.

But to date, PPCR has shown a stronger thematic focus on climate information services, with nearly a fifth of approved project funding directed at climate services and disaster risk management.[14]

PPCR is further differentiated by its scale of resources. Funds pledged to PPCR exceed those pledged to the Adaptation Fund, SCCF, and LDCF combined. This is a comparative advantage for PPCR, especially given the limited number of pilot countries supported; the 2012 evaluation of the SCCF found, for instance, that its funding was not commensurate with its global mandate. While LDCF provided each LDC with approximately $0.19 million for NAPA development—an amount that was found insufficient by the 2009 LDCF evaluation[15]—PPCR pilot countries received up to $1.5 million for SPCR development. At the project-level, the average size of a PPCR-approved project is more than quadruple the size of an SCCF project ($16.6 million versus $4.1 million).[16]

- The **Scaling Up Renewable Energy in Low Income Countries Program** filled a perceived financing gap for renewable energy financing in low income countries. Compared to the Energy Sector Management Assistance Program (ESMAP) housed at the World Bank that focuses on technical assistance, the SREP is differentiated by its programmatic approach that combines investment financing with capacity building, advisory services, and support for policy changes (see section 4.4). Since SREP's launch, the new United Nations-led Sustainable Energy for All Initiative (SE4ALL) has emerged with strong goals that have attracted various multilateral and bilateral donors, and private sector engagement is beginning. SREP and SE4ALL are collaborating by committing funding to the new Readiness for Investment in Sustainable Energy initiative.[17]

- The **Forest Investment Program** complements existing programs by focusing on bridging financing and building on readiness work**.** [18] FIP was established shortly after the launch of the Forest Carbon Partnership Facility (FCPF) and United Nations Reduced Emissions from Deforestation and Forest Degradation Programme (UN-REDD). These two programs were primarily targeted at capacity building for REDD+ readiness in developing countries, but a gap in funding flows opened before REDD payments could be generated and resources mobilized. FIP helps keep the REDD process alive and finances actions that would eventually create a basis for carbon payments under REDD+, with co-benefits to stakeholders.

  More than half of endorsed FIP funding is directed at capacity building, institutional strengthening, and governance reform. FIP, FCPF, and UN-REDD have held several joint meetings and shared information with the express purpose of enhancing their collaboration (see Annex B.2). FIP benefits from governance platforms (policy dialogue, coordination) and guidance to target investments generated through FCPF or UN-REDD activities during the readiness phase and also in a few countries from dialogue with the European Union's Forest Law Enforcement, Governance and Trade (FLEGT) multi-stakeholder platforms.

[14] By comparison, few projects pertaining to climate services or disaster risk management are included in the SCCF portfolio. See: GEF Evaluation Office (2012), Evaluation of the Special Climate Change Fund, April 2012. Evaluation Report No. 73.

[15] DANIDA and GEF Evaluation Office. (2009). Joint External Evaluation: Operation of the Least Developed Countries Fund for Adaptation to Climate Change. Prepared by COWI and IIED.

[16] GEF Evaluation Office (2012), Evaluation of the Special Climate Change Fund, April 2012. Evaluation Report No. 73.

[17] Climate Investment Funds. (2013). Proposal for Reporting on Enabling Environments for Promoting Energy Investments. SREP/SC.9/4; and World Bank and IFC. Readiness for Investment in Sustainable Energy. Prospectus. January 2014.

[18] CIF. 2009. Design Document for the Forest Investment Program, A Targeted Program under the SCF Trust Fund. July 7, 2009.

Exhibit 2-1: Key Attributes of the CTF, PPCR, and Major Comparator Funds

Attribute	CTF	GEF	PPCR	Adaptation Fund	LDCF	SCCF
Established by / Funding mechanism for:	Developed and developing countries, and MDBs	UNFCCC (for climate change focal area)	Developed and developing countries, and MDBs	UNFCCC	UNFCCC	UNFCCC
Fund Scale	$5.5 billion pledged over 2008-14	$1.8 billion pledged over 2006-14	$1.3 billion pledged over 2008-14	$0.2 billion pledged to-date	$0.9 billion pledged to-date	$0.3 billion pledged to-date
Objective	To finance transformational actions by providing positive incentives to demonstrate low carbon development and mitigate greenhouse gas (GHG) emissions; using public and private sector investments and promoting scaled-up deployment, diffusion, and transfer of clean technologies; funding low-carbon programs and projects in national plans and strategies to accelerate implementation	To support developing countries and economies in transition toward a low-carbon development path	To pilot and demonstrate ways to integrate climate risk and resilience into core development planning, while complementing other ongoing activities; to provide incentives for scaled-up action and transformational change in integrating consideration of climate resilience in national development planning consistent with poverty reduction and sustainable development goals	To support concrete adaptation activities that reduce vulnerability and increase adaptive capacity to respond to the impacts of climate change, including variability at local and national levels	To address adaptation in the Least Developed Countries (LDCs) under the UNFCCC	To support adaptation and technology transfer in all developing country parties to the UNFCCC
Overall approach	Scale-up low-carbon development through support to investments	Create a conducive policy environment; remove barriers to create a market environment where technologies and practices can diffuse to target markets; support capacity building and enable activities; pilot and demonstrate innovative technologies	Strategic program approach that includes individual projects; Phase 1 (during which the pilot country prepares its SPCR) is also intended to assist the government to enhance the climate resilience of their national development plans, strategies and finance, including through cross-sectoral coordination	Individual project-by-project approach	Preparation and implementation of NAPAs	Individual project-by-project approach; supported activities should take into account national communications or NAPAs
	Programmatic approach that includes individual projects	Individual project-by-project approach				
Financial tools	Loans and risk mitigation instruments at concessional rates; limited grants available	Grants and limited non-grant instruments	Grants and concessional loans with financing terms more concessional than standard International Development Association (IDA) terms	Grants	Grants	Grants
Activities /	In principle, technologies at or	In principle, new, emerging	Technical assistance to enable	Concrete	Preparation and	In principle, adaptation

Technologies supported	approaching market take-off; activities in renewable energy, energy efficiency, and sustainable transport In practice, about a fifth of CTF funding is slated for demonstrating large-scale concentrated solar power (CSP); CTF has also supported solar photovoltaics (PV), geothermal, wind, and combined renewable energies	technologies at the stage of market demonstration or commercialization; technologies at the market take-off phase In practice, renewable energy technologies have included biomass, geothermal, hydro, solar PV, wind, and combined renewable energies	developing countries to build upon existing national work to integrate climate resilience into national or sectoral development plans, strategies and financing; support to public and private sector investments identified in national or sectoral development plans or strategies addressing climate resilience	adaptation projects and programmes aimed at producing visible and tangible results on the ground by reducing vulnerability and increasing the adaptive capacity of human and natural systems to respond to the impacts of climate change, including climate variability	implementation of NAPAs; NAPAs include priority actions for adaptation	activities including in water resource management, land management, agriculture, health, infrastructure, fragile ecosystems, as well as in improving monitoring of disease control and prevention, and preparedness and management of disasters related to climate change In practice, most projects in the active SCCF portfolio have an objective of mainstreaming adaptation into broader national development and political agendas
Resource allocation / countries supported	Distribution to a limited number of recipient countries, with a focus on middle-income countries with relatively high emissions; average country allocation is over $300 million	Distribution among all developing country Parties to the UNFCCC through an allocation system; average country allocation per four-year replenishment is under $10 million	Limited number of pilot countries and regions; priority given to highly vulnerable least developed countries eligible for MDB concessional funds, including the small island developing states among them	Developing country Parties to the Kyoto Protocol	Least developed country signatories to the UNFCCC	Developing country Parties to the UNFCCC

Sources: The Clean Technology Fund, June 9, 2008; GEF-4 Climate Change Mitigation Strategy, 2007; GEF-5 Climate Change Mitigation Strategy, 2011; GEF-5 Initial STAR Allocations, July 2010; CIF Project Information System, December 2013; Interviews with CIF donors; GEF Evaluation Office. 2014. OPS5: Technical Document #20. GEF Climate Change Mitigation GHG Analysis; Climate Funds Update. Funds by size of pledges. Accessed January 7, 2014; PPCR Design Document (2011); Guidelines for Joint Missions to Design PPCR Pilot Programs (Phase 1), June 18, 2009; The Adaptation Fund (2011), "About the Adaptation Fund," available at https://www.adaptation-fund.org/about; Adaptation Fund Operational Policies and Guidelines (2013); Least Developed Countries Fund (2013), available at: http://www.thegef.org/gef/ldcf; Special Climate Change Fund (2013), available at: http://www.thegef.org/gef/sccf; GEF Evaluation Office (2012), Evaluation of the Special Climate Change Fund, April 2012. Evaluation Report No. 73.

2.2 CIF's Legitimacy

Two key features that differentiate the CIF—operating outside the guidance of the UNFCCC, and in a more limited number of recipient countries—have implications for CIF's legitimacy and credibility as a major global effort to address the challenges of climate change.

Outside the UNFCCC. Despite initial concerns when the CIF were set up outside the UNFCCC, the CIF have achieved legitimacy in design through the sunset clause and its inclusive governance. Developing countries (through the Group of 77) and some civil society organizations (CSO) criticized the establishment of the CIF on three main grounds. These were that the CIF were (1) created largely through dialogue between the MDBs and Group of 8 countries, (2) created outside of the United Nations process without connection to the UNFCCC, and (3) housed in the World Bank, which CSOs felt exposed the CIF to potential conflicts of interest.[19,20,21,22,23] Governments and CSOs also expressed concern that the CIF might divert funds away from the UNFCCC. The CIF leadership addressed some of these concerns by taking the position that it was responsive to the Bali Action Plan and served as an interim measure pending the establishment of a "new [UNFCCC] financial architecture" (that is, the sunset clause) and would conclude operations when that architecture was in place.[24] CIF leadership also institutionalized a formal role for CSO stakeholders in CIF governance and involved CSO stakeholders actively in the design of SCF programs—evidence of the CIF's ongoing institutional learning and evolution.[25]

A limited number of recipient countries. As mentioned, CIF's focus on transformational change in a limited number of countries sets it apart from other global climate funds. The approach to country selection would hence be crucial. Each CIF Program undertook the country selection process separately and slightly differently, developing individual approaches that reflected learning from previous selection processes. Fieldwork did not find evidence for a robust linkage between the different approaches and the strength of government ownership, but this evaluation noted other implications, as outlined below.

The CTF lacks a formal country selection process. Initially, this was in part because CTF wanted to demonstrate its ability to program resources quickly. MDBs directly approached eligible large GHG emitters with the rationale that these countries would meet CTF's objective to focus on high GHG-abatement opportunities and maximize GHG reductions. This opaque approach was not guided by explicit selection criteria—apart from targeting high emitters—and the rationale for selecting certain large GHG emitters over others was not made transparent.

The SCF programs took a more transparent approach than CTF and convened independent expert groups to recommend pilot countries. The SCF Sub-Committees adopted criteria to guide the selection of experts to serve in these groups and criteria that reflected Program objectives to guide the expert groups in recommending countries. The expert group convened by the first SCF Program to select pilot countries, PPCR, adopted a top-down methodology based on a climate risk-assessment framework to guide country selection. Recommended countries were then approached to gauge interest. Learning from this experience, the expert groups subsequently convened for FIP and SREP recommended countries from among those that submitted expressions

[19] Khor, Martin. "World Bank Climate Funds under Fire from G77 and China." 3 April 2008.

[20] Bretton Woods Project. 2011. A faulty model? What the Green Climate Fund can learn from the Climate Investment Funds. June 2011.

[21] Jubilee Debt Campaign and World Development Movement. 2011. Climate loan sharks: How the UK is making developing countries pay twice for climate change. June 2011.

[22] Tan, C. 2008. No additionality, new conditionality: a critique of the World Bank's Climate Investment Funds.

[23] Norwegian Forum for Environment and Development.2008. Financing the cost of climate change: Is the World Bank's role in climate change irrelevant?

[24] Governance Framework for the CTF, December 2011; Governance Framework for the SCF, December 2011.

[25] Ballesteros, Athena et al. 2010. "Power, Responsibility, and Accountability: Re-Thinking the Legitimacy of Institutions for Climate Finance." Final Report. Washington, DC: World Resources Institute.

of interest or pilot proposals. Although more transparent than the CTF approach, these processes received some criticism. FIP civil-society and private-sector observers were concerned that selection criteria focused on technical criteria and failed to consider governance and absorptive capacity.[26] Interviews suggested that the SREP selection process was subject to some political capture. In 2013, the SREP Sub-Committee began reviewing lessons learned from earlier CIF country selection processes, in order to inform a potential process to select new countries. One lesson learned is that clearer technical selection criteria and the use of a scorecard could contribute to greater transparency.

2.3 The Sunset Clause

The sunset clause (Exhibit 2-2) leaves room for operative interpretation, which has not been clarified by the TFCs and has led to strategic uncertainty about the CIF's future. The GCF becoming "effective" is the milestone that triggers the CIF's sunset clause; while the GCF has been established, the point at which it will be considered "effective" is not clear. In November 2012, the Joint Committees agreed that the CIF should continue operating while the GCF's structures are set up and to monitor GCF's progress to determine if and when to trigger CIF's sunset clause.

Exhibit 2-2: The CIF Sunset Clause

"Recognizing that the establishment of the CTF is not to prejudice the on-going UNFCCC deliberations regarding the future of the climate change regime, including its financial architecture, the CTF will take necessary steps to conclude its operations once a new financial architecture is effective. The Trustee will not enter into any new agreement with contributors for contributions to the CTF once the agreement providing for the new financial architecture is effective. The CTF Trust Fund Committee will decide the date on which it will cease making allocations from the outstanding balance of the CTF. […]

Notwithstanding [the paragraph above], if the outcome of the UNFCCC negotiations so indicates, the CTF Trust Fund Committee, with the consent of the Trustee, may take necessary steps to continue the operations of the CTF, with modifications as appropriate."

Note: The SCF sunset clause is identical with the substitution of "SCF" for "CTF."
Sources: Governance Framework for the CTF, December 2011; Governance Framework for the SCF, December 2011.

CIF stakeholders are not in unison on the future of the CIF, and—without a strategic conversation to clarify the CIF's future—this has led to uncertainty in operations. In interviews for this evaluation, TFC members expressed uncertainty about when the sunset clause would be triggered (e.g., one, two, or five years or more). They had mixed opinions about what the future of the CIF might be compared to the GCF, and some suggested that the CIF might be judged on its own merits. However, the sunset clause only leaves an opening for the continuation of CIF operations "if the outcome of the UNFCCC negotiations so indicates."[27]

On one hand, most contributing countries have refrained from pledging new funds, and the CTF TFC postponed considering Mexico's second-phase investment plan pending the availability of additional funding; the CIF also deferred discussions about new partner agencies on the premise that it would be premature without a strategic discussion on the future of the CIF. On the other hand, additional pilot countries have been approved in SREP, the Trust Fund Committees requested the CIF Administrative Unit and MDBs to prepare approaches and criteria for considering potential new pilot countries, and PPCR and FIP have welcomed broader discussions of how funding could be used if it were made available—suggesting considerations for a longer future for the CIF.

As of this writing, contributor countries want their committed funds to disburse now (and some contributors want to pledge additional funds), and recipient countries want to receive those funds. The continued operation of the CIF is reasonable pending the operational readiness of the GCF, with the proviso that the uncertainty about the CIF's future should be resolved.

[26] Civil society and private sector observers expressed concerns at the Forest Investment Program Sub-Committee meeting in July 2010, as documented in Bretton Woods Project (2010), Update on the Climate Investment Funds, July 2010.

[27] Governance Framework for the CTF, December 2011; Governance Framework for the SCF, December 2011.

2.4 CIF Global Level Additionality

The CIF follow the UNFCCC principle of "new and additional" contributions.[28] Most CIF contributor countries have indicated that their contributions to the CIF are new and additional to existing Official Development Assistance (ODA) flows,[29] but the lack of a commonly agreed definition and benchmark for evaluating this principle means that claims cannot be verified. This evaluation is therefore unable to comment on the additionally of CIF contributions.

[28] UNFCCC calls for developed countries to provide new, additional financial resources to support developing countries as they address climate change (Article 4.3). The CTF and SCF governance frameworks both require that contributions to the CIF are new and additional resources to supplement existing Official Development Assistance (ODA) flows.

[29] In 2010, in response to a request by the CIF Administrative Unit (AU), 11 out of 13 contributor countries indicated that their CIF contributions were "new and additional," while two countries abstained from associating themselves with any particular definition of new and additional climate financing pending agreement in international climate negotiations. Each country used its own approach to determine additionality, although most justified additionality on the grounds that either their contributions exceeded the 0.7 percent of Gross National Income target for ODA or the funds represented an increase over ODA contributions in a baseline year. Source: Distinguishing and Tracking CIF Contributions as New and Additional Official Development Assistance Resources, CTF-SCF/TFC.5/5/Rev.1, November 18, 2010.

3. The Climate Investment Funds as a Whole: Organizational Effectiveness

This chapter assesses the organizational effectiveness of the CIF's governance and management arrangements. It asks: what have been the implications for efficiency, effectiveness, and legitimacy of the CIF's architecture? In practice, what has been the efficiency and effectiveness with which the CIF have handled functions including quality review, risk and conflict management, safeguards, programming cycle, monitoring and evaluation, and learning?

The CIF's governance and management structure is shown in Exhibit B in the Overview of the Climate Investments Funds, at the beginning of this report.

3.1 Governance Legitimacy, Efficiency, and Efficacy

KEY FINDINGS

- The CIF's governance framework is inclusive, transparent, and balanced between developed and developing countries.
- The CIF's good disclosure practices and reliance on the MDBs' existing accountability mechanisms strongly support Program legitimacy.
- Yet the design of CIF governance has compromised effectiveness and efficiency. CIF governing bodies have been slow to resolve major strategic issues. Consensus decision-making and the lack of an executive function have resulted in indecision, micromanagement, and protracted meetings.

3.1.1 Legitimacy

CIF's governance framework is inclusive, balanced, and transparent. It has thus achieved a reasonable degree of legitimacy, but at a cost in efficiency as discussed below.

Balance and Representation in Governance

The CIF draw legitimacy from a principle of equal representation, consensus decision-making, and inclusivity of observers from civil society, private sector, and indigenous peoples. Amendments to the Governance Frameworks require agreement of all current contributor countries and all recipient countries that have been allocated funding.[30] At the TFC level, contributor and recipient committee members have equal opportunity to speak and be heard. Each of the TFCs and Sub-Committees is represented by an equal number of contributor and recipient countries,[31] and all Committees and Sub-Committees have two co-chairs, one from a contributor

[30] Agreement is also required by the Trustee. Because the CIF reach decisions by consensus, this effectively gives the World Bank veto power for amending the Governance Frameworks. In practice, the CTF Governance Framework was amended once in December 2011, following these procedures through an approval by mail. The amendments changed the terms for members and co-chairs of the CTF Trust Fund Committee, stipulated the frequency of the Partnership Forum, and established procedure to elect co-chairs for the forum. See: Governance Framework for the Clean Technology Fund, December 2011; Governance Framework for the Strategic Climate Fund, December 2011.

[31] The CTF and SCF TFCs also include among their non-decision making members "a senior representative of the World Bank" and "a representative of the MDBs." Members of the MDB Committee also may attend the CTF and SCF TFCs as observers. The distinction between the MDB role as non-decision making member and observer has not been clarified in the Governance Framework, and in practice, all the MDBs participate in TFCs in a non-decision making capacity.

country and one from a recipient country (see Exhibit 3-1).[32] And, the CIF reach decisions by consensus, which is viewed as legitimate by committee members.

In practice, some factors may have partially eroded the legitimacy achieved by the balanced and inclusive design. All contributors are represented on at least one governing body, while 20 of the 48 recipient countries have never served as a member on a TFC or Sub-Committee. The CIF have no regularly convening governing body with universal participation of all contributor and recipient countries. And contributor members have had a more significant influence on governance decisions. Recipient countries are less active in committee meetings, with a few exceptions, and have submitted few comments on investment plans (see Annex C.2).

The inclusion of observers in CIF governing bodies contributes positively to the CIF legitimacy, although a lack of accountability to constituencies is a detracting factor. The CIF have institutionalized a more active role for official observers in governance than some other climate funds;[33] since the founding of the CIF, the trend has been to engage more with observers.[34] CIF observers are representatives from CSOs, indigenous peoples, and the private sector; civil society and private observers are self-selected through a process facilitated by independent organizations hired by the CIF Administrative

Exhibit 3-1: Trust Fund Committee Member Selection

Each of the TFCs and Sub-Committees is represented by an equal number of contributor and recipient countries.

Eligible recipient countries and contributor countries consult, typically at the CIF Partnership Forum, to select TFC members from among recipient and contributor country members. No explicit criteria govern the selection, except in SREP as of 2013. Previous selection consultations considered the following factors:

- Contributor countries have considered the level of each country's financial contribution. They seek to ensure that each contributor is represented on at least one governing body, and all 14 contributors are currently represented on at least one governing body. Australia, Japan, the United Kingdom, and the United States are represented on all governing bodies. The CIF have no formal constituencies, although the contributor country group has agreed that countries may partner in a twinning arrangement to share one seat. The two partnering countries then agree how to rotate representatives to serve as the member for the seat. The 14 contributor countries serve two-year terms on the four committees, and 10 contributor member seats currently involve twinning arrangements.
- Recipient countries seek to achieve an equitable regional balance on Committees and Sub-Committees. Recipient countries also may consider representation across all of the Trust Fund Committees and Sub-Committees to provide greater opportunity for countries to be represented on a CIF governing body.

Sources: Note on the Selection of Members to the CTF and SCF Trust Fund Committees and PPCR Sub-Committee of the CIF, March 2010.
Note: For PPCR, only countries that participate in the pilot program are eligible to fill the recipient country seats. For FIP and SREP, pilot countries should be given priority to represent, but eligible nonpilot countries also may fill seats.

[32] The composition of the Joint CTF-SCF TFC was revised to align with a principle of equal representation. Initially, the Joint Clean Technology Fund (CTF) - Strategic Climate Fund (SCF) Trust Fund Committee included all representatives on the CTF and SCF Trust Fund Committees. After it was observed that fewer contributor countries than recipient countries were represented in joint meetings resulting from overlaps in the contributor representatives on the CTF and SCF Trust Fund Committees, it was agreed that 16 seats for contributor countries and 16 seats for recipient countries would be provided at joint meetings. This revised arrangement, in addition to ensuring equal representation, can allow contributor or recipient countries that are not represented on the CTF or SCF Trust Fund Committees to participate as decision makers in the joint meetings.

[33] CIF observers can request the floor to make oral interventions, request that items be added to the agenda, and recommend external experts to speak on specific agenda items. By contrast, in the Adaptation Fund and the Global Environment Facility (GEF), civil society observers may contribute or participate in governance meetings if invited by the chair or the GEF chief executive officer. GEF Council meetings are preceded by a consultation session with civil society.

[34] Initially, none of the CIF governing committees made significant provision for engaging civil society. A few months after their inception, the CIF commissioned a study on best practices in civil society participation, and the TFCs approved procedures to include active observers from civil society, private sector, and indigenous peoples. In 2011, after most CTF investment plans had already been endorsed by the TFCs and Sub-Committees, the TFCs agreed to stop the practice of discussing investment plans in executive sessions that excluded observers and to provide translation of all CIF Committee and Sub-Committee meetings. In response to a proposal developed by the observers, the Joint CTF-SCF TFC recently adopted a decision to further improve the observer role. Sources: Climate Investment Funds. 2009. Review of practices on nongovernmental organizations/CSO participation and proposal for the CIF committees. Prepared by the International Union for the Conservation of Nature. SCF/TFC.2/Inf.2. Measures to Improve the Operation of the CIF, November 2011. Measures to Improve the Operation of the CIF, November 2011.

Unit (CIF AU) through competitive selection, while the United Nations Permanent Forum on Indigenous Issues has selected the indigenous peoples observers pending agreement on a self-selection process.

Committee members and observers alike recognize that opportunities remain to improve engagement with observer constituencies and local stakeholders in recipient countries. While CIF observers are intended to represent a constituency, responsibilities and accountability to this constituency are not clearly understood. The "constituency" is not clearly defined, nor have expectations for how to liaise with the constituency been sufficiently clarified.

In practice, observers rely on their personal and professional networks, leaving it unclear as to whom observers are accountable. A constituency model is also challenging for the private sector where it is not always feasible for common views to be represented by individually selected business interests. To partially mitigate this challenge, private sector observers represent national, regional, or international business networks and associations. A role for observers in recipient countries has not been defined; so far CIF observers have no resources to support interaction with local organizations through attendance at pilot country meetings or participation in local consultation meetings during investment plan development.

Transparency and Accountability

Today, the CIF's good disclosure practices and reliance on the MDBs' existing accountability mechanisms strongly support program legitimacy. The CIF's disclosure practices are on par with comparator funds, including the Global Fund to Fight Aids, Tuberculosis, and Malaria, which has been called the gold standard for transparency and accessibility among global partnership programs (see Annex C.3).[35] The CIF's current disclosure practices represent an improvement over previous practices.[36] The CIF also recently took steps to increase public access to information, in accordance with the International Aid Transparency Initiative (IATI),[37] at the request of the Joint CTF-SCF TFC. In October 2013, the CIF became the first climate fund to publish data with IATI.

3.1.2 Efficiency

The CIF's architecture—six governing bodies, combined with consensus decision-making and a limited role for the CIF AU in decision-making—has compromised governance efficiency. The CIF's multiplicity of Programs stems from different preferences among contributors for what to support. Consequently, there are committees to govern each of the four Programs, plus the SCF, plus CTF-SCF coordination (Exhibit B). These governing bodies meet separately twice a year[38] to conduct business, and each set of CIF Trust Fund meetings requires up to five days.[39] Even with this much meeting time, committees have struggled to cover the entire agendas, with committee meetings sometimes continuing into the late hours of the night to complete business. For each governing body, the CIF must go through separate administrative processes to elect members and co-chairs; organize agendas and documents; and set up, open, and close each meeting. The CIF's dual Trust Fund design has meant that both TFCs and Sub-Committees occasionally have negotiated issues in parallel.[40]

---

[35] World Bank IEG (2011), The World Bank's Involvement in Global and Regional Partnership Programs.

[36] Investment plans and project proposals are posted on the CIF Web site, with written comments from the committees and broader community. At the urging of civil society observers and other stakeholders, more detailed disbursement reports are prepared semiannually.

[37] IATI is a voluntary initiative that aims to improve public access to information on aid flows, through use of a common standard and mechanism for publishing aid data.

[38] The TFCs also take intersessional decisions by e-mail.

[39] By comparison, the GEF Council uses 3 days.

[40] For example, CTF and SCF negotiated separate proposals for the use of local currency products in CIF operations because of fundamental differences on how the Trust Funds are capitalized. CTF and SCF have also negotiated different approaches to dedicated private sector programs and set-asides.

One governing body, the SCF TFC, has had an increasingly limited role in strategic governance issues since its inception in 2008. In recognition of this, the SCF TFC decided to suspend its meetings beginning in 2013, a decision that initiates movement toward streamlining the governance structure.

Consensus decision-making has led to protracted meetings and sometimes indecision and micromanagement. Negotiations over the risk management system and use of local currency have extended over three years. Drawn-out committee discussions over the Terms of Reference and salary for a gender specialist in the CIF AU exemplify the micromanagement issue. The CIF maintains the process of having committees approve financing for all projects/programs, regardless of size, and some financing approval discussions have been mired in micro details, possibly leading to delays.[41] Procedures for approval-by-mail, including a two-week "no objection" approval deadline, help to accelerate approvals for some projects/programs. In some limited cases, consensus decision making has allowed individual countries to block a certain decision. Unlike some other climate funds, such as the GEF and the Adaptation Fund, the CIF have no contingency decision-making process if consensus is unattainable.[42] By design, the CIF AU does not have a strong role in arbitration and decision making. Some MDBs and contributors suggested that a stronger management or arbitration role by the CIF AU could help streamline long processes of negotiation on tough issues.

Some aspects of CIF architecture support efficiency, however. Responsibilities for decision making are divided among clearly delineated committees, where each committee has a limited set of investments to review that are aligned with the subject matter and focus of that particular committee. The Committee and Sub-Committee approach also allows for greater participation of recipient countries.

Exhibit 3-2: Governance Efforts to Improve Efficiency

The CIF recently approved measures to increase meeting efficiency within the constraints of the current structure. These measures include engaging co-chairs in the organization of meetings, procedures for posting documents and circulating meeting summaries, rationalization of reporting requirements, and improved procedures for approval by mail.

The joint meetings of the CTF-SCF TFCs increasingly have tackled strategic CIF-level issues,[43] while the CTF TFC and PPCR, FIP, and SREP Sub-Committees are handling specific fund and sub-fund strategic issues and resource approvals. The CIF's original five governing bodies were also individually kept small compared with some other global programs,[44] a structure many committee members perceive as improving the effectiveness and efficiency of decision making by fostering relationship building and mutual understanding. Informal committee member selection processes and the allowance for reappointment of retiring members,[45,46] (a frequent occurrence on the CTF TFC and the FIP Sub-Committee), have resulted in a more continuous representation by contributor countries. The committees' ability to take intercessional decisions by e-mail has positively contributed to governance efficiency; only 5 percent of CIF project leads surveyed felt that the frequency of CIF committee meetings had a strong influence on causing project delays (see Annex P).

[41] Almost half of CIF project leads surveyed felt that the extent of comments received from the CIF Committees had some influence in project delay (see Annex P).

[42] The Adaptation Fund Board reverts to two-thirds majority; the Global Environment Facility Council reverts to double majority vote.

[43] Such as knowledge management and communication strategies, the role of observers in CIF governance, measures to improve overall CIF operations, ways to enhance private-sector engagement, gender, and risk management.

[44] The GEF Council has 32 members; the FCPF Participant Committee has 20 participants; the Adaptation Board has 16 members; the Executive Committee of the Financial Mechanism of the Montreal Protocol has 14 members.

[45] Note on the Selection of Members to the Clean Technology Fund and Strategic Climate Fund Trust Fund Committees and Pilot Program for Climate Resilience Sub-Committee of the Climate Investment Funds, March 2010.

[46] Note on the Selection of Members to the Strategic Climate Fund (SCF) Sub-Committees, SCF/TFC. 6/9, November 2010.

3.1.3 Effectiveness

CIF governing bodies have succeeded in meeting some important ongoing challenges. Examples include measures for better transparency in governance, improved observer participation, the establishment of the CTF-dedicated private-sector program and SCF set-asides, and allocating $7.2 billion (out of $7.6 billion pledged) to 48 countries.

This being said, CIF governance has been slow to resolve major strategic issues. As mentioned, ambiguities stemming from the sunset clause remain unresolved. CIF governance also has not clarified how to manage tradeoffs among multiple Program objectives, including the trade-off between emissions reductions and broader development benefits (see section 5.4). Responsibilities for portfolio-level risk management were not designated in the original governance frameworks, and efforts in this area have until recently been largely undertaken in an *ad hoc* manner (see also section 3.3.2). Negotiations over the use of local currency have taken years.

Furthermore, CIF governance has applied its own strategic guidance inconsistently. For example, CTF-approved projects, which constitute the majority of CIF's approved portfolio,[47] show varying levels of consistency with the CTF investment criteria (section 3.3.1). Interviews suggest that these varying levels of consistency are partly due to pressure in CTF's early years to demonstrate its ability to program and disburse quickly. The CTF TFC also has neglected to translate one of its key objectives—learning—into guidance or investment criteria, resulting in low emphasis on learning in CTF plans and projects (see section 3.4). In contrast, the SCF Sub-Committees referenced learning in SREP, FIP, and PPCR operational guidelines, and SCF investment plans and projects more strongly incorporate information sharing and lesson-learning.

3.2 CIF's Management Structure

KEY FINDINGS

- The CIF AU has been responsive to growing demands while maintaining a lean administrative budget.
- Through the MDB Committee, the CIF have institutionalized a platform that has supported strong MDB collaboration. While the CIF have benefited from the combined technical expertise and experience of the MDBs, opportunities remain to improve coordination, including that related to GHG accounting.

The CIF AU, with support from the MDB Committee, is entrusted with the majority of CIF management functions. The CIF AU is housed in what was until recently known as the Sustainable Development Vice Presidency of the World Bank, and has been led by an experienced program manager. This section discusses the effectiveness and efficiency of the CIF AU and MDBs in carrying out their management responsibilities. Exhibit 3-3 below describes the RACI matrix, a tool used by the evaluation team to help assess the roles and responsibilities of the CIF's governance and management bodies.

3.2.1 The CIF Administrative Unit

In the face of increasing demands, the CIF AU has been responsive, proactive, and cost-efficient. As a new set of financing instruments, the CIF have required new mechanisms, processes, and requirements, and the CIF AU has been responsive in meeting these needs. Each year, the CIF AU has more recipient country stakeholders to coordinate and communicate with. The number of learning products, policy documents, and operational

[47] CTF has the majority of projects approved to date; PPCR has the second-most, but does not have specific investment criteria.

guidelines that the CIF AU has developed at the request of the TFCs also has increased significantly year-over-year (quadrupling between 2010 and 2012). The CIF AU has taken on responsibilities beyond those envisioned in the CTF and SCF governance frameworks—responsibilities which are more significant than the title "Administrative Unit" suggests (see Annex C.5).[48]

Exhibit 3-3: The RACI Matrix

Interorganizational networks, such as the CIF, have systemic challenges in governance and management. This independent evaluation used an organizational tool, called a RACI matrix, to understand these embedded challenges and the roles and responsibilities of the CIF's network partners. For key governance and management functions, the RACI identifies entities that are *responsible* for a function, who *approve* a function, who are *consulted* in the execution of the function, and who are *informed* about the function. Among its key findings, the RACI identified important functions that were not designed into the governance frameworks, including risk and conflict management. The RACI also highlighted that multiple entities are responsible for some functions; further investigation by the evaluation team determined that this was not causing any serious role confusion.

Strong leadership and performance by the CIF AU—and the program manager particularly—is especially highly regarded by TFC members, MDBs, and observers. For example, the CIF AU, in concert with the Trustee and MDB committees, devised a system for pipeline management (the "traffic light system") that tracks the extent to which projects are on schedule for approval, slightly behind schedule, or significantly delayed. The traffic light system has been continually improved, and changes to allow over-programming in CTF and SREP and merge the pipeline for Phase I and Phase II recipient countries seems to have accelerated project approvals in 2013. The CIF AU has also accelerated the development of monitoring and reporting systems, following the approval of the revised results frameworks by the TFCs.[49]

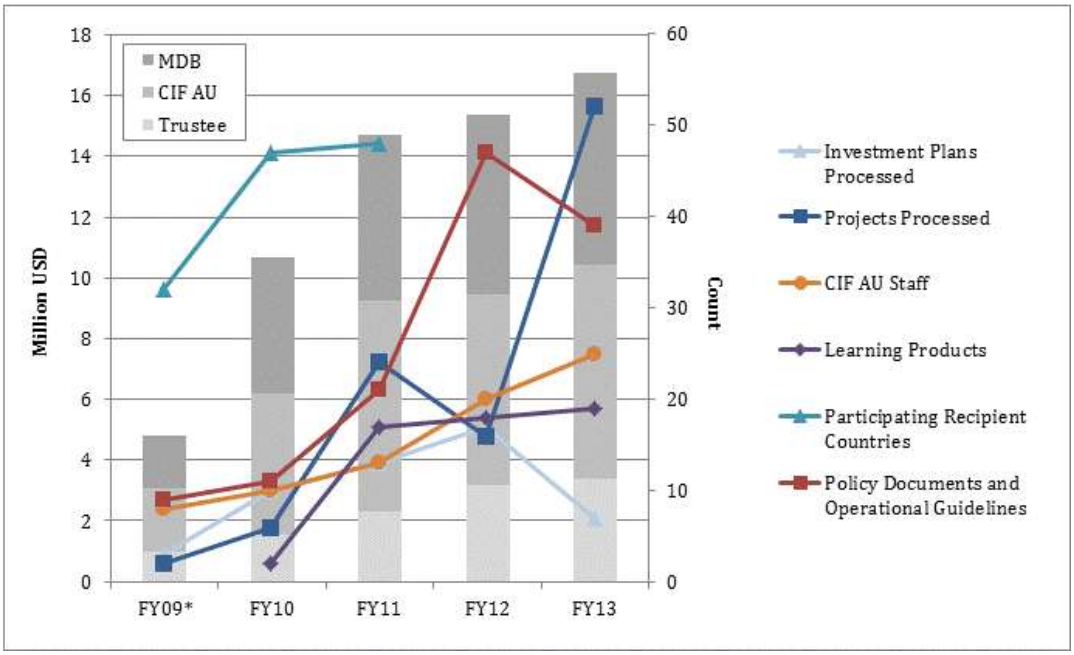
The CIF AU has successfully managed these demands while maintaining a lean administrative budget (see Exhibit 3-4). After a nearly 50 percent increase between FY2010 and FY2011 that accompanied a significant jump in learning and policy documents prepared, the CIF's administrative services budget grew just 6 percent between 2011 and 2014.[50] This increase is despite significant staff increases to meet growing demands; the CIF intends to hire four staff members in FY2014 in addition to the gender specialist already hired.

[48] For example, the CIF AU is participating in a working group to oversee the development of the overarching CIF risk management framework. It is responsible for ensuring that observers are selected and helping prepare them for participation in committee meetings. In FY2014, the CIF AU's responsibilities will extend to coordinating and improving the treatment of CIF gender issues.

[49] Revised CTF Results Framework, December 2012; Revised PPCR Results Framework, December 2012; Revised SREP Results Framework, June 2012.

[50] From $6.9 to $7.3 million, see Annex C.4. Only includes administrative services costs for the CIF AU.

Exhibit 3-4: Relationship between Funding for Administrative Services and Key Indicators



* FY09 data represents expenditures from January 1 through June 30.

Sources: Climate Investment Funds Business Plan and FY10 Budget Paper, April 2009; CIF FY11 Administrative Budget, March 2010; CIF FY12 Business Plan and Administrative Budget, August 2011; CIF FY13 Business Plan and Budget, April 2012; FY14 Business Plan and Budget, April 2013; CIF Project Information System, January 2013.

Across the CIF, total program and project delivery costs (administrative costs plus MDB project implementation services, see Exhibit 3-5) are projected to represent 3.3 percent of cumulative CIF committee approvals for projects and programs through FY2014 (see Annex C.4). Broken out by fund, these costs are projected to represent 1.4 and 7.5 percent for the CTF and SCF, respectively.

3.2.2 MDB Committee

The CIF's governance design includes a new platform for continuous MDB collaboration in the form of the MDB Committee. The MDB Committee has evolved into a constructive, cooperative group; MDBs increasingly discuss matters together in meetings and present a common viewpoint to the TFCs. Convening semi-annual, in-person MDB CIF partnership meetings has supported this evolution toward strong collaboration. There is also some evidence that MDB collaboration through the CIF has engendered broader MDB coordination; for example, the CIF 2010 Partnership Forum initiated meetings to discuss CIF strategic issues that have now evolved into a platform for coordinating broader MDB climate efforts (e.g., through MDB Vice Presidents' meetings on climate change). Before the CIF, MDBs reported a more limited level of operational collaboration on climate issues.

MDB coordination at the corporate level has also supported strong collaboration to support country-led preparation of investment plans, with a few exceptions.[51] Nearly half of all endorsed investment plans have been prepared with the support of two or more MDBs. Compared with other global funds, such as the GEF, the MDBs and CIF AU see their relationship as more collaborative and positive, in large part because the CIF AU does not conduct parallel technical reviews of investment plans and projects. The CIF AU and MDB Committee often work together to discuss operational and strategic issues and prepare documents for CIF committee consideration. In FY2013, more than 60 MDB Committee calls were held to discuss Program-specific and cross-cutting issues (e.g.,

[51] A lack of adequate comparative information on the individual performances of the MDBs was a limitation of the evaluation.

related to the private sector, gender, stakeholder engagement, communications, and so on), and nearly 40 policy documents and other papers were prepared jointly by the MDB Committee and CIF AU.

Through the role of the MDB Committee, the CIF have benefited from the combined technical expertise and experience of the MDBs. For example, a 2011 joint paper by the MDBs on lessons learned through CIF private sector interventions resulted in concrete recommendations that were approved by the TFCs.[52] The MDB Committee developed proposals to the TFCs for private sector set-asides. TFC members appreciate input from MDBs on project-specific and on-the-ground realities. The MDBs have also developed joint approaches to track climate change-related finance in their operations.[53]

Potential exists for greater MDB coordination and collaboration. As the first round of CTF results reporting highlighted, more work is required to harmonize methods to calculate and report GHG emissions avoided, additional finance leveraged, and energy savings accrued.[54] Additionally, an MDB committee that focuses on gender issues, constituted in early 2012, has so far focused on procedural and funding issues, thus missing the opportunity to collaborate operationally and share knowledge to improve gender mainstreaming in CIF interventions.

Exhibit 3-5: MDB Fee Structure

MDBs recover costs from the CIF through two channels (see Annex C.4):

- **Administrative Budget.** The CIF administrative budget covers services provided by the MDB Committee, such as integrating CIF into MDB policies and systems, operational reporting, participation in CIF committees and fora, and financial management. MDBs also receive administrative budget for country programming (e.g., scoping and joint missions, as well as the development of the investment plan).
- **MDB Project Implementation Services (MPIS).** MDBs recover project management-related costs through payments for MPIS. MPIS payments are determined on a case-by-case basis for SCF projects, CTF project grant financing, and CTF private sector projects. For CTF public sector loans/guarantees, MPIS is typically set at 0.45 percent of the total paid upfront. For project preparation grants, the MPIS is equal to 5 percent of the grant amount.

This administrative cost structure is different than that used by the GEF, which covers both project cycle management costs and corporate costs of GEF agencies by a set percentage fee (e.g., 9 percent for GEF project grants above $10 million). In previous GEF fee policies, a notional 1 percent of the fee is understood to be intended to cover corporate costs. CIF project cycle management costs are far below GEF averages in percentage terms. On average, across all projects with approved MPIS through April 2012, MPIS payments represent approximately 0.81 and 3.4 percent of CTF and SCF project funding, respectively. However, approved CTF projects are about 20 times larger than GEF projects on average, meaning that absolute payments are similar in the CTF and GEF. Absolutes matter because there are large fixed costs involved in preparing and supervising projects.

Sources: CIF FY14 Business Plan and Budget, April 2013; CIF Project Information System, January 2013; GEF Administrative Expenses – Fees and Project Management Costs. External Review. GEF/C.41/07. October 7, 2011; Fee Policy for GEF Partner Agencies. GEF/PL/FI/04. August 5, 2012.

[52] CIF. 2011. Climate Investment Funds: Lessons Learned from Private Sector Interventions through MDB Intermediaries. CTF-SCF/TFC.7/Inf.4.

[53] The Vice Presidents of the MDBs agreed in 2010 to undertake joint efforts to develop a common methodology for tracking climate change mitigation and adaptation finance; the mitigation and adaptation methodologies were completed in 2012. Since then, two Joint MDB Reports on Climate Finance have been released. See: CIF. 2013. Annual Update on Additionality of the CIF Portfolio to Existing MDB Portfolios. April 2013; and Joint Report on MDB Climate Finance 2012. A report by a group of Multilateral Development Banks (MDBs) comprising the African Development Bank (AfDB), the Asian Development Bank (ADB), the European Bank for Reconstruction and Development (EBRD), the European Investment Bank (EIB), the Inter-American Development Bank (IDB), the World Bank (WB) and the International Finance Corporation (IFC). November 2013.

[54] Clean Technology Fund: First Round of Monitoring and Reporting on Results. October 2013. CTF/TFC.12/Inf.2.

3.3 Efficacy of Governance and Management Functions

KEY FINDINGS

- The CIF's quality review system for investment plans and individual projects/programs has not significantly enhanced quality or ensured alignment with investment guidelines.
- Responsibilities for risk and conflict management were not originally designed into the governance framework. Risk management at the CIF level has been *ad hoc* and inadequate, a deficiency now being addressed.
- The CIF monitoring and evaluation system is appropriately envisioned as a multi-level system, but differences in MDB GHG accounting methodologies and gaps between CIF systems and MDB operational procedures, as well as a lack of provision for national- and Program-level evaluation, diminish the robustness of the system.
- A substantial proportion of CIF projects experience delays between investment plan endorsement and CIF approval; political changes, project complexity, and implementation readiness are major contributors to these delays.

The CIF were designed with a light-touch approach, relying on established MDB procedures for key functions such as quality control, risk management, safeguards, and project monitoring and evaluation, thereby avoiding the need to set up new and separate systems.[55] This section assesses the efficacy of these functions, as well as the CIF programming cycle.

3.3.1 Reviews of Quality and Compliance

Except for the PPCR, CIF Programs have formulated so-called "investment criteria" to ensure that approved projects meet Program objectives. While all CTF-approved project proposals include a section dedicated to demonstrating alignment with the CTF investment criteria, this evaluation found varying levels of consistency with these criteria, due in part to imprecise definitions that limit their usefulness for decision-making. CIF quality reviews for SCF investment plans and CTF individual projects have not demonstrably enhanced quality or ensured alignment with investment criteria (for CTF).

Investment plans. Without a CIF-wide process for quality review of investment plans, other mechanisms have emerged to fill the gap, yet have not demonstrably enhanced quality or ensured alignment with investment criteria. MDB procedures do not apply at the investment plan level (they apply to projects). The CIF AU is also not charged with conducting technical reviews of investment plans or project documents or with making recommendations for approval to the governing bodies, unlike secretariats for similar partnership programs. Other methods of quality review have emerged instead. Investment plans go through government review and stakeholder consultation at the country level. They receive oral and written comments from CIF committee members and the broader CIF network (CSOs, indigenous peoples, and the private sector). Some contributor countries devote significant staff resources to plan and project review. Their written comments are usually substantive, of high quality, and relate directly to whether projects/programs align sufficiently with CIF investment criteria.[56] But investment plan technical reviews from TFC members and the CIF network have been uneven; for example, of 16 CTF investment plans, 10 received no written comments; meanwhile, a plan for the Philippines received more than 40 comments. Comments are also made verbally at CIF committee meetings;

[55] In interviews, contributor countries indicated that reliance on trusted MDB systems is part of the CIF's appeal. Contributor countries also felt that the light-touch approach has been administratively cost efficient.

[56] Oral comments at committee meetings are not recorded and hence not assessed by this evaluation.

because these verbal comments are not captured in the meetings' Co-Chairs Summaries, the evaluation could not systematically assess them.

In 2010, SCF initiated an independent expert review process for investment plans that provides formal, late-stage written reviews of investment plans. This evaluation did not find strong evidence that the new SCF process substantially enhances quality. Nearly all expert comments resulted in clarifications or minor fine-tuning, rather than substantial changes to investment plan design. Interviews suggested that earlier involvement of experts in iterative discussions would provide more value.

Projects. At the project-level, CTF's quality review processes have not ensured consistency with CTF investment guidelines (this evaluation focuses on CTF projects because the CTF represents the majority of approved projects and the PPCR, which also has a good number of approved projects, lacks explicit investment criteria;[57] the CTF analysis is not generalizable across all of the Programs). While all CTF-approved project proposals include a section dedicated to demonstrating alignment with the CTF investment criteria, this evaluation found varying levels of consistency with these criteria (Exhibit 3-6).[58]

Some of the CTF investment criteria are ill-defined, making it challenging for project proponents to demonstrate consistency, while at the same time limiting their usefulness for TFC decision-making. In particular, the investment criteria for transformational impact focuses on quantifying the potential for significant reductions in GHG emissions growth rather than the logic of demonstration or barrier removal, or the mechanisms for replication. Similarly, the calculations of cost-effectiveness—as currently specified—provide limited guidance to support good decision-making.

The CTF has its own requirement for an external project review (which the other Programs do not have); contributor countries report feeling reassured that CTF's additional project review process ensures that investment criteria and Program objectives are met. However, this evaluation concludes that many CTF projects do not fully align with published investment criteria. This evaluation also did not see evidence that CTF's project reviews enhance project quality, over and above the standard MDB quality review procedures. The CTF process appears duplicative.

Exhibit 3-6: Evaluation findings on CTF Investment Criteria

CTF Investment Criteria related to:	Consistency of approved CTF projects	Usefulness of criterion
Potential for GHG Emissions Savings	• Emission reduction potential of investment—While about 80 percent of CTF projects calculate emissions savings, less than a quarter clearly follow CTF guidance on how to calculate emission reductions (i.e., "subtracting projected lifetime emissions of the CTF-financed project from the projected lifetime emissions of the business as usual project that the country would have pursued without CTF financing"). • Technology development status—CTF's investment criteria place priority on commercially available technologies, which has been followed.	The definition of emission reduction potential is unnecessarily complicated; a more meaningful metric would be to estimate the CTF's impact in reducing GHG emissions. In addition, no guidance is given on how to manage tradeoffs between GHG emission reductions and development benefits (see also section 5.4).
Cost	• Cost per ton—About 75 percent of CTF project proposals calculate a cost per ton; all of those	This method does not yield useful metrics for evaluating the relative cost-effectiveness of CTF

[57] The PPCR Design Document and PPCR Programming and Financing Modalities document provide guidance instead.

[58] This assessment is based on the evaluation's review of all CTF project proposals approved by the CTF TFC through June 30, 2013 (see also Annex C.6).

Effectiveness	projects provided an estimate of cost-effectiveness that follows CTF guidance to divide CTF financing by the entire project's anticipated GHG emission reductions. In October 2013, CTF guidance was revised to clarify that in addition to CTF investment per ton of CO_2-equivalent reduced, an estimate of total project costs (CTF investment plus co-financing) per ton of CO_2 equivalent should also be provided. • Expected reduction in the cost of the technology—CTF-approved projects have infrequently complied with this criterion. About 40 percent of CTF project proposals discuss expected cost reduction, while just 13 percent quantify it.	investments. The first approach of calculating CTF investment per ton makes a project with a high co-financing ratio appear more cost-effective than a similar project with a low co-financing ratio. The second approach of calculating total project costs per ton fails to recognize that project investments produce not only GHG reductions, but other benefits such as electricity. As such, this metric does not provide useful comparative information to the CTF TFC to support informed decision-making. For example, dividing total project costs by GHG reductions will never yield a project that shows a negative abatement cost-per-ton, despite the fact that some abatement measures—like energy efficiency and some renewable energies, such as small hydro and geothermal—have been shown to be potentially cost-saving.[59] A better measure would be the marginal abatement cost. But CTF guidance of October 2013 clarified that marginal abatement cost calculations are not necessary for most proposals (unless the abatement cost is expected to exceed $100 per ton). Expected reduction in the cost of technology is a useful criterion for decision-making as it relates to the potential for transformative impact; for example, recent CSP dialogues funded by the CIF have suggested that bringing down the cost of CSP power is the key challenge for the technology's diffusion. If a CTF project will not have sufficient scale to bring costs down, this should be acknowledged and understood in TFC decision-making. Recent guidance in October 2013 reinforced that CTF proposals should provide such an analysis, where applicable and feasible.
Demonstration Potential at Scale	Nearly all CTF project proposals discuss transformational potential,[60] while about half quantify this potential. Across proposals that quantify transformational potential, the approach was not consistent, and just 10 percent of project proposals quantify transformational potential in accordance with CTF investment criteria guidelines. Several project proposals simply state that a project has a five- or ten-fold replication potential; others cite replication potential in megawatts of generation capacity, GWh of efficiency savings, dollars, or tons of CO_2eq. Half of private sector proposals do not describe the mechanism by which the project will be replicated or transformational.	This CTF criterion focuses on quantifying the potential for significant reductions in GHG emissions growth as a result of the broader demonstration, deployment and transfer of low carbon technologies financed by the CTF. A more useful criterion would be to demonstrate a robust and convincing theory of change for replication and scale-up, which many CTF project proposals have lacked (see also section 4.1.1).

[59] McKinsey & Company. 2010. Impact of the financial crisis on carbon economics: Version 2.1 of the Global Greenhouse Gas Abatement Cost Curve.

[60] Proposals for CTF financing are expected to demonstrate that they represent "a strategic effort to stimulate lasting changes in the structure or function of a sub-sector, sector or market"; transformation should "speed up or deepen market penetration of a low carbon technology relative to business as usual." Specifically, a project's "transformation potential" is defined as the "extent to which the deployment, diffusion, and transfer of technologies and the implementation of policy reforms result in significant reduction in emissions growth against a national, regional or sector baseline" and is supposed to be measured as a ratio of the emission reduction potential of the CTF project alone, compared to the emission reduction potential if the project were to be replicated throughout the targeted area, region, and/or sector.

Development Impact	Despite a criterion that suggests that CTF projects that "help accelerate access to affordable, modern energy or transport services for the poorest" would be prioritized, only 43 percent of CTF projects reviewed identified an explicit poverty-related impact. 40 percent listed an environmental co-benefit, most commonly air and water quality and public health. About a quarter of projects explicitly mention gender or gender equity, and 17 percent describe an impact on gender equity issues. Some CTF projects that mentioned gender in the endorsed investment plan did not do so in project proposals. Twenty-seven of 28 CTF projects under implementation have defined co-benefit indicators, consistent with the MDBs' objectives as development institutions.[61]	As noted, no guidance is given on how to manage tradeoffs between GHG emission reductions and development benefits (see also section 5.4).
Implementation Potential	While the large majority of projects discuss institutional capacity and the regulatory and policy environment, CTF project proposals have devoted uneven and sometimes insufficient attention to whether the regulatory or policy environment supports the deployment, diffusion, and transfer of low-carbon technologies. As a result, some investments are placed in countries whose policies and regulations may slow down, limit, or negate transformation and replication outcomes (see section 4.1).	Important and useful criterion that could be given more attention.
Justification for Additional Costs and Risk Premium	Most CTF projects in the power and energy efficiency sectors are consistent with this criterion, directing CTF funds to either reduce risk perceptions or buy down upfront costs and risks to make a project financially viable; however, the extent of financial analysis provided in project proposal documents provided to the CTF TFC varied significantly. About three-quarters of public sector project proposals provided an estimated rate of return,[62] while just one of 23 private sector proposals did.	Important criterion that could be given more attention.

Analysis based on a review of CTF-approved project proposals through June 30, 2013. See Annex C.6 for details.
Source for investment criteria: Clean Technology Fund Investment Criteria for Public Sector Operations, February 9, 2009.

3.3.2 Risk Management

Responsibilities for managing portfolio risk and conflicts (including conflicts of interest and dispute resolution) were not originally designed into the CIF governance frameworks (based on the evaluation's RACI analysis; see Exhibit 3-3 and Annex C.1).[63] The foundational documents similarly do not identify a process for managing potential or apparent conflicts of interest, or for resolving disputes. In contrast, other comparator funds have addressed some aspects of conflict of interest.[64]

[61] The principal indicators (by frequency) were: income generation and employment (21 percent), private sector growth and support (16 percent), reduced pollution and improved health (14 percent), household benefits, such as improved access to energy, cost savings, improved comfort (heating and air conditioning), and increased reliability of energy supply (10 percent).

[62] All public sector CTF project proposals from the World Bank, AfDB, and ADB provided financial analysis that estimated a rate of return. The four public sector project proposals submitted to the CTF TFC by IDB did not include an estimated rate of return.

[63] Governance Framework for the CTF, December 2011; Governance Framework for the SCF, December 2011.

[64] Other comparator funds with a policy on conflict include the Global Fund to Fight AIDS, Tuberculosis, and Malaria, which lays out cases where a conflict of interest may exist and articulates the principles the Fund will follow to address conflicts that arise, and the

Risk management has been problematic for the CTF. Unlike the SCF, the CTF financial architecture comingled loan contributions with grant and capital funds.[65,66] The original CTF Principles provide that all CTF contributors have to share losses due to defaults in the CTF portfolio in accordance with an agreed formula; consequently loan contributors are more risk averse because of expectations of principal and interest repayment.

In particular, for loan contributors, if losses due to defaults in the CTF portfolio exceed CTF net income, principal repayments of their loan contributions will be reduced accordingly. Thus, there is a higher sensitivity to approving subordinated loans, equity investments, or more risky projects. These capitalization issues have resulted in unresolved issues in risk management and limited the flexibility to tailor financing to private sector needs (see section 5.2).

Based on these concerns, the joint CTF SCF Trust Fund Committee, asked the CIF AU, in consultation with the MDBs, to prepare a Proposal for Additional Tools and Instruments to Enhance Private Sector Investment in the CIF. The CTF Dedicated Private Sector Program (DPSP) and the SCF Private Sector Set-Asides that came out of this decision were designed to address these risk management issues and the associated slow engagement of the private sector within the CIF and to allow for a broader range of instruments that were not being fully utilized in the CIF. The types of concerns ranged from limited offerings of debt, equity, subordinated structure, and guarantee instruments to private sector clients, low demand for such instruments from clients, and risk aversion of some CTF TFC members to approve funding for such instruments.

Although the DPSP process is moving forward (with DPSP I approved in October 2013 with the idea that new financial instruments could be used for private sector engagement), the CTF TFC is not in unison as to the level of risk appetite for the CTF Trust Fund. Certain donors are concerned about the overall private sector risk being taken up by the CTF and the impact this could have on reflows to the CTF and ultimately to those donors that provide loan contributions to CTF.

With regards to portfolio management, while MDBs have managed project risks, risk management at the CIF level has been suboptimal.[67] Risks include credit risk, portfolio risk, pipeline management risk, impact risk, pledge risk, asset liability risk, and other operational and strategic risks. An assessment of CIF's risk management framework found that information about risks was highly fragmented, not aggregated at the portfolio level, and not always effectively communicated to the Committees in a timely manner.[68] The CIF are now in the process of developing an enterprise risk management (ERM) system to identify potential events and risks that may affect the CIF, support risk-informed decisions, and manage risks within the CIF's risk tolerances. According to many Committee members, designing the ERM system after a significant portion of CIF funding has been endorsed and approved is challenging and a highly political process, especially because it is not clear that this system will resolve the underlying tension stemming from different risk sensitivities and expectations about repayment among contributors.

Adaptation Fund, which describes the oath that board members must take and how they must declare potential conflicts of interest. *Sources:* The Global Fund to Fight AIDS, Malaria, and Tuberculosis, Policy on Ethics and Conflict of Interest for Global Fund Institutions, approved 10-11 October 2002, as amended at the Eighteenth Board Meeting (GF/B18/8) of the Global Fund to Fight AIDS Tuberculosis and Malaria and at the Twenty-Seventh Board Meeting (GF/B27/DP05); and Background of the Adaptation Fund, *available at* http://www.adaptation-fund.org/sites/default/files/AFB.B.11.Inf_.3%20Background%20of%20the%20Adaptation%20Fund.final__0.pdf.

[65] In the CTF, as of June 30, 2013, 50 percent was received as grant contributions, 26 percent as loan contributions (France, Germany, Canada), and 24 percent as capital contributions (Spain, UK). Capital contributions can be used to finance concessional loans and other financial products.

[66] The SCF allows for grant and capital contributions only. In the SCF, as of June 30, 2013, 62 percent was received as grant contributions, and 38 percent as capital contributions (Spain, UK). Because the SCF does not create liabilities to loan contributors and does not have to meet semi-annual debt service obligations, the issue is less pronounced for the SCF portfolio.

[67] The CIF AU was not designated or adequately staffed to handle CIF-wide risk management issues.

[68] Enterprise Risk Management Framework Report for the Climate Investment Funds. CTF-SCF/TFC.9/9. November 2, 2012. Prepared by Booz Allen Hamilton.

3.3.3 Safeguards

The CIF chose to utilize the established fiduciary standards and safeguard systems of the MDBs, but it is beyond the scope of this evaluation to review the individual safeguards. Reliance on trusted MDB systems is part of the appeal of the CIF for contributor countries, who expressed trust in these safeguards at the onset. MDBs have taken steps to update and harmonize their safeguards policies to further this (see Annex D.1).[69] In interviews, MDBs indicated that when multiple MDBs co-finance a project, the most stringent safeguards prevail. MDB consultations undertaken for this evaluation found that a process was engaged in to incorporate multiple institutions' safeguards, relying on stricter measures where differences occur. For example, a World Bank and AfDB co-financed SREP project in Kenya relied on a fusion of AfDB and World Bank policies to ensure the stricter standard was in place across a number of safeguard areas, including gender, stakeholder consultation, and environmental and social parameters.

Safeguards at the investment plan level. MDB safeguards do not apply at the investment plan level, nor are project-level safeguards necessarily appropriate at the plan level, given the early stage of project planning. However, the process of drawing up investment plans, though preliminary, involves priority setting and may include discussions of policies with broader social and environmental consequences. CIF investment plans aim to have a strategic construct—beyond simply identifying individual projects—which justifies consideration of possible far-reaching impacts at a plan level. And while each CIF Program has developed guidance on stakeholder consultations during investment plan preparation, fieldwork in nearly all of the countries visited raised significant concerns about the quality of consultation (as discussed in section 5.1.2). The CIF might learn, for instance, from the example of the Forest Carbon Partnership Facility (FCPF), which faced an analogous issue in financing Readiness Plans for REDD+. The FCPF concluded that, while these readiness plans "entail no investment projects on the ground," they have "potentially far-reaching impacts—hopefully positive—but, unless properly addressed, possibly negative."[70] Consequently the FCPF has adopted a requirement that its Delivery Partners apply a Strategic Environmental and Social Assessment and follow specified stakeholder consultation guidelines during the Readiness Preparation phase.

Free, prior, and informed consent. The CIF lack operational guidance on how to navigate ambiguities in the FIP guidelines related to free, prior, and informed consent (FPIC) in those cases where FIP would potentially impact indigenous peoples. FIP guidelines state that "FIP programming, approval, and supervision processes will follow the MDB's policies and procedures" and also require that its activities be designed consistent with relevant international instruments, obligations and domestic laws.[71] Whether "international instruments" could be interpreted to mean the U.N. Declaration on the Rights of Indigenous Peoples (which requires FPIC) is ambiguous, although in practice, the MDBs have not interpreted this clause as such. Most MDB safeguard requirements are along the lines of informed consultation, rather than consent (see Annex D.2). FIP's requirements contrast with UN-REDD, which has guidelines for stakeholder engagement that require FPIC.[72] In FIP fieldwork, civil society and indigenous peoples raised concerns on the inconsistency of FIP consultation processes with FPIC.

[69] Because the CIF rely exclusively on MDBs to implement CIF-funded projects and programs, the issue of harmonizing safeguards is less pronounced than it is for organizations such as FCPF and GEF, with their broader range of implementing agencies.

[70] Forest Carbon Partnership Facility (FCPF) Readiness Fund Common Approach to Environmental and Social Safeguards for Multiple Delivery Partners. Revised 10 August 2011.

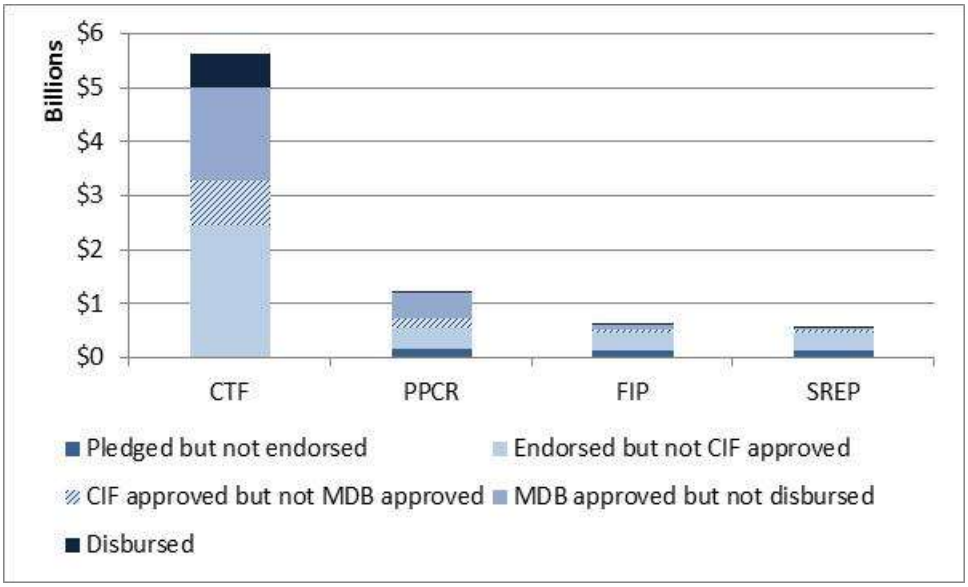
[71] CIF. 2009. Design Document for the Forest Investment Program, A Targeted Program under the SCF Trust Fund. July 7, 2009.

[72] UN-REDD and FCPF. 2012. Guidelines on Stakeholder Engagement in REDD+ Readiness with a Focus on the Participation of Indigenous Peoples and Other Forest-Dependent Communities. April 20, 2012.

3.3.4 Programming Cycle

Perceived delays in the CIF programming process has been a key concern for contributor and recipient countries. In its fifth year of operation, the CIF are still in the early stages of implementation; through the end of 2013, about 9 percent of pledged funds had been disbursed (Exhibit 3-7). A list of projects in implementation are provided in Annex E.1 This section considers how preparation and approval time for investment plans and projects compares to expectations, as well as the reasons for faster or slower progress.

Exhibit 3-7: Status of CIF Projects



Source: Data provided by the CIF AU on May 5, 2014. Pledged funds represents pledges valued on the basis of exchange rates as of September 25, 2008, the CIF official pledging date.

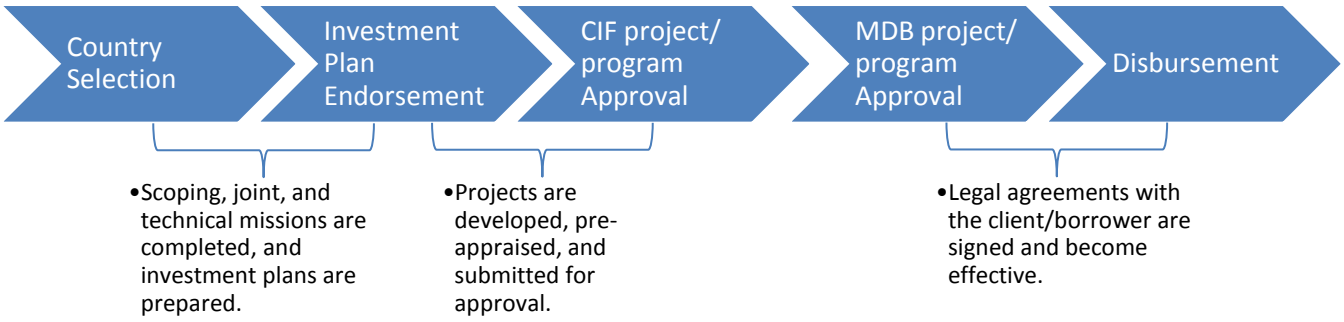
Note: "Endorsed but not CIF approved" funds have been allocated to a CIF-endorsed investment plan but not yet to a CIF-approved project. "CIF approved but not MDB approved" funds are associated with a project that has been approved by a CIF Trust Fund Committee or Sub-Committee but is awaiting approval by the respective MDB.

The CIF have a two-stage programming process. First, recipient countries, assisted by the MDBs, develop an investment plan. These plans identify and describe potential projects—as well as the strategic national context of the projects—with the intention of guiding the further development of activities for CIF funding. The CIF Committees review and endorse the investment plans. Once the plan is endorsed, individual projects enter the pipeline and are developed and pre-appraised. Projects are then submitted for approval, first by the CIF and then by the MDB board. Following these approvals, the MDBs seek to finalize the legal agreement with the client[73] (called "effectiveness"), and then transfer funding from the MDB to the borrower ("disbursement").

The evaluation breaks the programming cycle into the following segments: (a) country selection to investment plan endorsement; (b) investment plan endorsement to CIF project approval; (c) CIF project approval to MDB approval; and (d) MDB approval to disbursement, as summarized in Exhibit 3-8.

[73] For example, the Government of the recipient country, or a private sector entity.

Exhibit 3-8: Key Milestones under CIF Programming Cycle

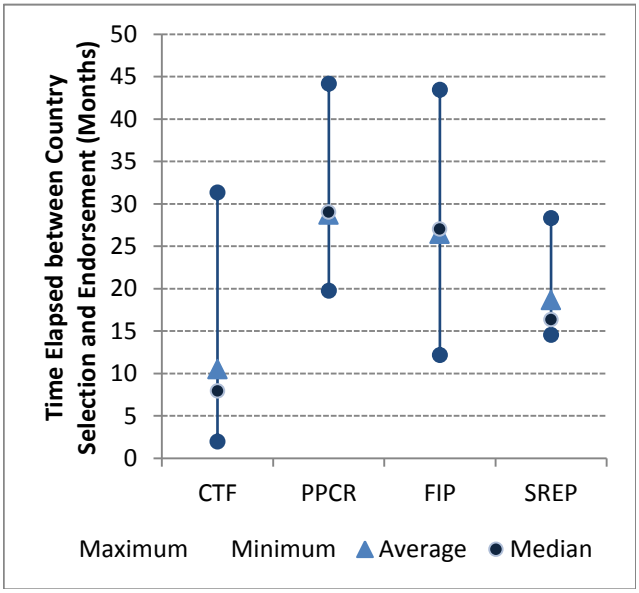


Below, the evaluation examines the speed of progression in each segment of this cycle, as well as the reasons for faster or slower progress.

Country selection to investment plan endorsement.

Differences among the CIF Programs in terms of scope of the plans, as well as country contexts, capacities, and starting points, contribute to varying timeframes for investment plan preparation among countries/regions and Programs. CTF investment plans have been developed faster than SCF plans, on average, when measured from country selection[74] to investment plan endorsement, as shown in Exhibit 3-9. CTF plans are prepared by middle income countries, typically involve less stakeholder consultation than SCF, and focus on a limited number of sectors (energy and, in some plans, transport). Unlike SCF, no funding is provided to CTF recipient countries for the preparation of the investment plan.

Exhibit 3-9: Time Elapsed between Country Selection and Plan Endorsement



Under the CTF, the approach for resource allocation created a sense of urgency among CTF countries, and some early CTF investment plans moved especially quickly by conducting limited consultations and building on existing engagement with MDBs, including project concepts already in the MDB pipelines. The three fastest-endorsement CTF investment plans—from Turkey, Mexico, and Egypt—all followed this approach and achieved endorsement in four months or less. The CTF did not establish indicative timeframes for plan endorsement, although more than half of the CTF plans were prepared and endorsed in eight months or less.

The longer timeframes for preparing SCF investment plans are partly due to more joint missions[75] and broad-based stakeholder consultation (see section 5.1), as well as more ambitious objectives for the plan preparation

[74] Measured as the date when a country government expressed interest in receiving CTF financing (for CTF countries), or the date when the Sub-Committee approved a pilot country or program for participation (for SCF countries).

[75] Across all CIF programs, the number of joint missions has a positive relationship with elapsed time for investment plan preparation, although individual program experiences vary (see Annex E.2).

process. PPCR, for example, aims to enhance cross-sectoral coordination for the integration of climate resilience into national development planning and financial process, as an output of the SPCR development process; fieldwork in three PPCR countries suggested mixed success in this regard (see section 4.2).

Three-quarters of PPCR recipients and half of FIP recipients have not met PPCR and FIP's indicative timelines for investment plan preparation (up to 18 months); all but one SREP country has met SREP's indicative timeline (up to 15 months).[76] Five SREP countries and just one PPCR recipient have met the preferred timeline of 12 months.[77] In interviews, many stakeholders emphasize a trade-off between extensive/quality stakeholder consultation and the elapsed time for plan preparation. For example, Peru's FIP investment plan has taken more than three and a half years between country selection and plan endorsement, but these delays were deemed necessary by country officials, MDBs, civil society and indigenous peoples to ensure that all stakeholders—and especially indigenous peoples—had a voice in the planning process. However, in two of three PPCR countries visited, fieldwork suggested that a low sense of urgency prevailed during the first year of SPCR preparation, and most of the work and consultation happened during the second year. MDB interviews suggested that particularly for some PPCR countries, piggybacking on an MDB initiative was the trigger to get the SPCR process moving.

Investment plan endorsement to CIF approval.

This step in the CIF programming cycle has experienced the greatest incidence of delay, although projects that have proceeded to CIF approval have moved at a similar pace to GEF projects (see Exhibit 3-10). Of projects that are 18 months or more past endorsement, only about a quarter were CIF approved in less than 18 months and nearly half were not yet approved. As Exhibit 3-11 demonstrates, about 40 percent of projects endorsed in 2009, 32 percent of projects endorsed in 2010, and 42 percent of projects endorsed in 2011 are meeting the CIF's previous 24-month target between plan endorsement and CIF approval. The CIF's decision to revise its target down to 18 months from 24 months also results in greater reporting of delays.

Exhibit 3-10: Benchmarking Approval Timelines

The GEF provides a reasonable comparator because, like the CIF, its projects also must be approved by two entities. For full-sized projects, the GEF requires GEF Council approval to include a project in a work program and then CEO endorsement, prior to seeking MDB approval. The GEF has set a target of 22 months for full-sized projects to move from Council approval to CEO endorsement. This project cycle step is roughly comparable to the CIF's step from plan endorsement to CIF approval.

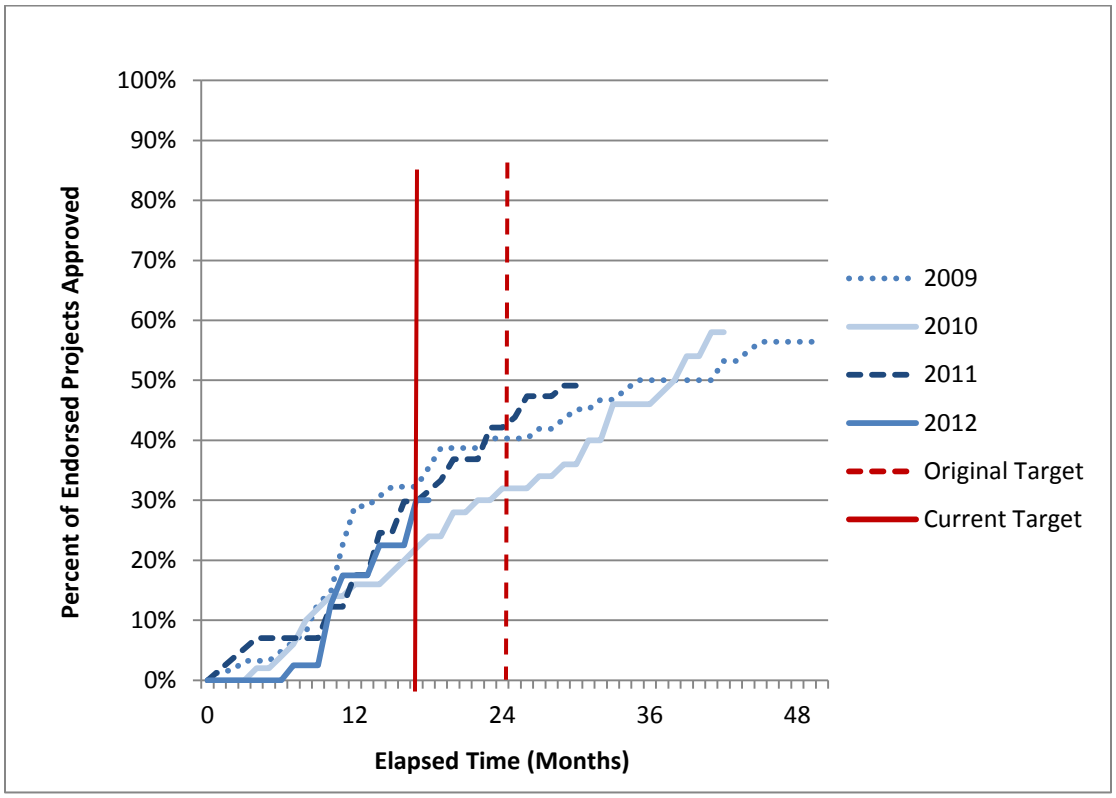
CIF projects—which are, on average, substantially bigger than full-sized GEF projects—have taken a comparable amount of time to travel through the aforementioned project cycle steps (17.6 months for CTF versus 15.7 for GEF).* CIF projects that *have been* CIF approved have taken an average of 18 months to move from plan endorsement to CIF approval.

**Based on elapsed time analysis of GEF-4 and GEF-5 full-sized projects in the climate change focal area, implemented by MDBs, using Project Management Information System data provided by the GEF Evaluation Office on April 9, 2014.*

[76] Measured here between the first joint mission and plan endorsement. For PPCR, "3–18 months is suggested, with an understanding that most countries will choose and be able to achieve the aims of this process in less than a year's time (from the time of the joint mission)." For FIP, "preparation […] is not to exceed […] 18 months from the time the Joint Mission has been conducted." For SREP, "3–15 months is projected, with an understanding that most of the pilot countries should be able to achieve the aims of this process (submission of the investment plan from the time of the first joint mission) in less than a year's time." *Sources*: Programming and Financing Modalities for the SCF Targeted Program, the Pilot Program for Climate Resilience, July 2009; FIP Operational Guidelines, June 2010; SREP Programming Modalities and Operational Guidelines, November 2010.

[77]

Exhibit 3-11: Percent of Endorsed Projects Approved by Elapsed Time from Original Plan Endorsement to Committee Approval and Vintage Year*



*Shows committee approvals through July 2013. Vintage years represent calendar years.
**The red lines indicate the target elapsed time for projects to reach committee approval following endorsement. The target was originally set at 24 months but was revised to 18 months in May 2013.
Source: CIF Project Database, as provided by the CIF AU on December 3, 2013.

Political changes and implementation readiness are major contributors to delay during CIF project preparation. In a survey of CIF project leads, the most commonly cited factor that influenced delays was political changes in recipient countries, and CTF and PPCR operational reports commonly cite unexpected political events and instabilities for delay. Countries with significant recent political disturbances, such as Egypt and Mali, show a clustering of delays. In CTF operational reports, a commonly cited reason for delay is country readiness and conditions for transformation not being in place (see also section 4.1). Fieldwork found CTF projects delayed due to slow adoption of supporting legislation (such as the Renewable Energy Law in Kazakhstan), and a lack of a supportive pricing regime (for example, in Indonesia, where the subsidized cost of electricity heightens the challenge of identifying project partners). PPCR operational reports and fieldwork found delays attributed to institutional and capacity barriers; unforeseen circumstances, such as extreme weather events; and challenges in identifying private sector investment opportunities and companies, especially in Africa (see also section 5.2).[78] About half of project leads surveyed noted other factors that caused delays: preparation of due diligence, such as environmental and social impact studies, and the extent of CIF committee comments.

Analysis of the characteristics of delayed projects also suggests a relationship with CTF technology type and related project complexity. Energy efficiency projects represent 40 percent of delayed projects, while solar CSP projects in the MENA region account for a further 21 percent. By comparison, nearly 80 percent of endorsed wind projects and renewable energy and energy efficiency programs and finance facility projects have reached

[78] CTF Semi-Annual Operational Report, April 2013; PPCR Semi-Annual Operational Report, April 2013.

CIF approval within the 18 month target. The relative complexity of technologies and markets partly explains these differences. For example, MDBs have standard products for renewable energy programs implemented through a financial intermediary, which generally allow those projects to be developed quickly (see also section 4.1.2).

Other characteristics of delayed CIF projects, such as which MDB is implementing the project, co-financing source, and public versus private sector, did not show a clear relationship to delays leading to CIF approval (see Annex E.4)

CIF approval to MDB approval.

While most committee-approved projects have not experienced a delay in reaching MDB approval, relative to targets, private-sector projects have experienced more delay.[79] As of mid-2013, only six of 58 public sector projects, or 10 percent, experienced delays, while 12 of 40 private-sector projects, or 30 percent, were delayed relative to public and private sector targets, respectively.[80,81] Of the 12 private-sector projects delayed, five were projects that sought use of local currency loans.

MDB approval to disbursement.

Through FY2013, 30 percent of MDB approved funding for public sector projects had disbursed,[82] and 23 percent had disbursed for private sector programs.[83] In FY2013, annual disbursements for CTF projects nearly quadrupled. Through FY2013, public sector projects accounted for 63 percent of total CTF disbursement, while private sector projects accounted for 37 percent. After a project secured MDB approval, disbursement for private sector projects happened at a faster pace than public sector projects.[84]

At this early stage of implementation, it is difficult to assess the extent to which CIF projects have experienced delays in disbursement. The CIF committees recently decided to stop tracking achievement of project effectiveness and first disbursement milestones. Reports on CIF disbursements are prepared semi-annually, but only one disbursement report to-date has measured actual disbursement against anticipated disbursement profiles (released in September 2013); while this report suggests that CIF disbursements are slightly below relative to expectations, it provides a limited basis for conclusions. Project status remarks, interviews, and the survey of MDB staff leading CIF projects suggest that complex procurement processes delayed the fulfillment of conditions for effectiveness in some projects, particularly for CSP and wind.

Overall progress through the cycle.

While the CIF's unique introduction of the national-level investment planning process has added an average of one year for CTF and two years to the overall programming cycle, it has also resulted in strong government leadership and good integration of potential CIF activities and investments with national development and climate strategies (as discussed in section 5.1). After plan endorsement, however, substantial delays occur leading up to CIF approval

[79] Using both previous and revised targets.

[80] The public sector target was originally set at 9 months but was revised to 6 months in May 2013.

[81] The private sector target for infrastructure projects was originally set at 18 months but was revised to 12 months in May 2013. The private sector target for financial projects is 9 months.

[82] *Sources:* CIF Project Database, as provided by the CIF AU on December 3, 2013; CIF Disbursement Report (as of June 30, 2013).

[83] CIF. 2013. CTF Semi-Annual Report; CIF. 2013.

[84] CIF. 2013. CIF Disbursement Report (as of June 30, 2013).

of the constituent projects, with nearly half of projects endorsed more than 18 months ago not yet approved. Only a quarter of projects have been approved within 18 months.[85] Delays are associated with more complex and technologically challenging projects, political or government changes, and a lack of implementation readiness. Those projects that have proceeded to CIF approval have moved at a similar pace to GEF projects.

3.3.5 Monitoring and Evaluation

CIF monitoring and reporting (M&R) systems have made substantial positive progress after a slow start, although work remains to ensure that the system addresses all levels of the CIF architecture. CIF monitoring and reporting is appropriately envisioned as a multi-level system, but differences in MDB GHG accounting methodologies and gaps between CIF systems and MDB operational procedures diminish the system's robustness. Additionally, the lack of provision for national- and Program-level evaluation limits the CIF's ability to gain a deeper understanding of country-level or thematic issues.

CIF conceptual framework for monitoring and reporting. The CIF results frameworks suggest that the system is envisioned as a set of monitoring and evaluation (M&E) processes at three levels—(1) fund and Program, (2) country and investment plan, and (3) project. The multilevel approach has several advantages: it reflects standard M&E practice, which recommends that the number and type of indicators change from project, to national, to global levels; it leverages existing MDB M&R systems at the project level; and it can support a theory-based approach to evaluation and allow assessment of key assumptions that provide logic for activities at all levels.

To be successful, this approach requires that conceptual and operational linkages between levels be delineated clearly, and that aligned results frameworks at each level provide the underlying theory of change. The alignment of results frameworks between the project, country, and Program level is especially critical to address the attribution challenge; at higher levels of the results chain—especially transformative impact—the CIF make a contribution, but other factors are in play that are not directly or indirectly under the influence of CIF projects. A clearly articulated, evidence-based, theory of change allows the CIF to plausibly state that CIF investments contributed to changes at the transformative impact level.

The CIF's revised results frameworks for CTF, SREP, and PPCR appropriately include a core set of standardized, global indicators that allow for aggregation at the country- and Program-level; for PPCR especially, this is an important achievement given the relatively early stage of climate adaptation monitoring and evaluation (see Exhibit 3-12). For FIP, pilot countries will report on two common "themes" (GHG emission reductions/ enhancement of carbon stocks, and livelihoods co-benefits), as well as other relevant co-benefit themes and a narrative presenting information on common topics; this approach—as laid out at the time of this writing—does not enable aggregation of results.

Exhibit 3-12: The CIF's Role in Advancing the State of Adaptation M&E

Along with a few other organizations, the CIF are breaking ground on the development of adaptation M&E systems at aggregated level (e.g., the national and portfolio level); no global M&E standards or few models exist to guide this challenging work. To engage M&E practitioners and contribute to learning in the field, CIF AU shares the results of its work through conferences, workshops, an expanded and updated Web site, and on Twitter.

See, for example: Bours, Dennis, Colleen McGinn, & Patrick Pringle, 2014. Guidance note 1: Twelve reasons why climate change adaptation M&E is challenging. SEA Change/UKCIP. January 2014; GIZ. 2013. "Monitoring and Evaluating Adaptation at Aggregated Levels: A Comparative Analysis of Ten Systems."

Several conceptual and operational gaps diminish the robustness of the CIF M&E system. First, different MDBs use different GHG accounting methodologies, making it difficult to aggregate results.[86] These inconsistencies

[85] Denominator consists of all projects that are 18 months or more past endorsement.

[86] For example, different MDBs use different assumptions about project lifetimes, grid carbon emissions factors, and other inputs to energy usage and emission calculations.

limit the CIF's ability to cite robust aggregate results, as the first round of CTF reporting highlighted (discussed in section 4.1.2).

Second, in practice, some projects have not articulated the linkages between project- and Program-level results (e.g., specific project-level outputs and outcomes, and their links to country- and Program-level outcomes and impacts).[87] A core set of aggregable indicators does not remove the need for understanding the contributions of projects to Program-level results. The lack of articulated linkages is partly because projects were started before CIF results frameworks and M&R toolkits were finalized. Thus many projects and investment plans are not aligned with Program-level indicators and lack baselines.[88] In FIP, delays in approving a results framework has meant that not all endorsed investment plans reflect the agreed Program theory of change, presenting a conceptual and operational challenge. CIF-wide, a review of investment plans shows that defining baselines and targets has been done on a limited basis.[89] In addition, key operational elements are still missing from the investment plans, including indicator definitions, methods for calculation, suggestions for disaggregation, or strengths and limitations of the indicators. At the project level, this evaluation found that project documents also lack key M&E elements including results frameworks, baselines, and indicators.[90] Across all levels of the CIF M&E system significant work remains ahead to develop data quality procedures and provide data analysis and use plans.

The CIF's path toward results measurement. A 2012 overhaul of the results frameworks was a notable achievement and an important first step toward making the monitoring and reporting system functional. Initial Program results frameworks were not set up until 2011. The initial results frameworks were inconsistent across Programs and included a large number of indicators. Revised CTF, PPCR, and SREP results frameworks overcame many of the initial shortcomings, including inconsistencies among Programs,[91] too many indicators across multiple levels (exceeding 20 in all Programs, and 30 for CTF), and not corresponding to existing data/statistics collected by recipient countries and MDBs. Interviews with TFC members and observers revealed that stakeholders think the revised results frameworks were a significant positive step forward.

Preliminary feedback and field testing showed that most countries did not have the capacity to establish the complex M&E systems that would have been required under the original results frameworks. Tool kits prepared by the CIF AU, through an iterative process with MDBs and recipient countries, including through field testing, were a second

Exhibit 3-13: Accelerated Progress in M&E since 2012

Developing and revising the results frameworks has been lengthy due to a highly iterative and consultative process with numerous stakeholders. Stronger leadership in the CIF AU has resulted in significant progress on M&R over the past two years. Major developments include the development of M&R toolkits for CTF, PPCR, and SREP and limited field-testing, development and approval of themes for FIP annual reporting, first rounds of M&R for CTF and PPCR, and update and expansion of the CIF Measuring Results Web site.

[87] The results framework assigns responsibility to projects for articulating specific project outputs and outcomes and their links to country- and Program-level outcomes. For PPCR, three of the five core outcome indicators will be measured at the project-level, while the other two will be measured only at the country-level, underscoring the critical need for project proposals to describe how project-level interventions will contribute to country-level outcomes.

[88] For CTF, some of these issues are intended to be resolved through investment plan revisions currently underway.

[89] Among the SCF plans, only 12 percent and 60 percent have defined baselines and targets, respectively, for more than 75 percent of indicators. CTF plans provide more information; about 64 percent and 85 percent define baselines and targets, respectively, for more than 75 percent of indicators (see Annex H).

[90] Based on a review of approved projects in fieldwork countries, 42 percent of project proposals reviewed included a results framework or logic model; all World Bank and AfDB project proposals submitted to the CIF included results frameworks.

[91] Each framework was developed in a different format/presentation, with different results levels, nomenclature and labels, and a differing emphasis on results and indicators. By the November 2010 meeting, harmonized results frameworks were developed for the CTF, PPCR and SREP, but these still suffered from the other shortcomings mentioned.

critical step to operationalize monitoring and reporting. Other funds are following in the footsteps of the CIF. The Adaptation Fund recently revised its results framework to include a set of core indicators, some of which are similar to the PPCR core indicators.

Some features of the simplification are detracting, however. In SREP and CTF the simplification has had the disadvantage of failing to track institutional changes that would contribute to long-term transformation. The current SREP results framework limits the core indicators to annual electricity output from renewable energy and number of women and men, businesses and community services benefiting from improved access to electricity and fuels. (However, SREP is collaborating with SE4ALL partners in the World Bank Group-led Readiness for Investment in Sustainable Energy initiative to establish, pilot, and scale-up policy indicators to measure the quality of the investment climate for energy; these indicators are expected to have a much wider usage than for SREP alone.[92]) In PPCR, the simplification has resulted in core indicators that have some overlap, despite technical definitions and methodologies that attempt to distinguish them.

Some shortcomings in the process of developing Program results frameworks are due to the substantial involvement of the CIF committees in this technical process. In interviews, stakeholders suggested that indicators were numerous in the original results frameworks because of a consensus process and an attempt to satisfy all stakeholders by including all indicators that were important to individual constituencies. The negotiation of the FIP results framework and indicators has been particularly challenging, although progress was made in 2013.

Provisions for evaluation. The CIF does not have a fully articulated strategy for evaluation. The results frameworks are not linked to provisions for evaluation, except at the project-level. No provision is made for independent evaluation of overall CIF operations subsequent to this one.[93]

The CIF have no framework for aggregating project-level evaluation to evaluate country-level or thematic issues. At the project level, the CIF rely on MDB evaluation policies and implementation for evaluation of CIF projects. For independent evaluation, this broadly entails including CIF projects in MDB country and thematic evaluations, conducted by the MDBs' independent evaluation departments, with some independent validation of project completion reports and a limited sample of independent project evaluations.[94] Without a mechanism to aggregate these individual evaluations, the CIF risks losing potential learning at the country, Program, and CIF levels. And, without direct influence over the MDBs' evaluation agendas, the CIF risks that the MDBs' evaluation products will not answer key questions that might be of interest to the CIF. For example, are individual projects in a country's CIF portfolio jointly achieving broader sectoral or transformational impacts?

[92] Climate Investment Funds. (2013). Proposal for Reporting on Enabling Environments for Promoting Energy Investments. SREP/SC.9/4; and World Bank and IFC. Readiness for Investment in Sustainable Energy. Prospectus. January 2014.

[93] Governance Framework for the CTF, December 2011; Governance Framework for the SCF, December 2011.

[94] CIF. 2013. Report from Independent Evaluation Offices of the MDBs on Inclusion of CIF-funded Projects within their Regular Evaluation Programs. CTF-SCF/TFC.11/4.

3.4 Learning

KEY FINDINGS

- Consistent with its pilot nature, the CIF have been able to evolve at the organizational level in response to learning and experiences.
- CIF global knowledge products have been moving toward more in-depth assessment in thematic areas, although opportunities remain to learn more explicitly from negative experiences.
- Pilot country meetings have offered an important and well-received forum for exchanging lessons learned from investment planning and implementation across countries.
- At the project and investment plan level, the emphasis on learning has not been sufficiently institutionalized. Incorporation of information sharing and lesson-learning elements is stronger in SCF investment plans and projects than in original CTF plans, where these elements were weak or lacking. Half of revised CTF investment plans are strengthened with respect to learning.

Learning is a pillar of CIF objectives. At the corporate level, learning was embraced from the outset; CIF defined strategies to incorporate learning and invested financial and human resources in knowledge management. In its original design, CIF included a Partnership Forum, a broad-based meeting of stakeholders to discuss and transmit knowledge.[95] CIF created a comprehensive knowledge management strategy in the first year, and this strategy receives support from an annual knowledge management work program with demand-driven priorities, an accompanying budget, and implementation progress reports submitted to the Joint CTF-SCF TFC. Learning is also supported through the Global Support Program, and the CIF's Communications Strategy guides dissemination. The CIF AU has staff designated to support learning.

Learning is incorporated at multiple CIF levels with varying degrees of success: at the institutional level, as a global good and among and within investment plans and projects.

Learning at the organizational level. The CIF have a strong culture for learning at the governance and management level, consistent with the pilot nature of the CIF. As a new set of financing instruments, the CIF have required new mechanisms, processes, requirements, and a steep learning curve across and within the MDBs as implementing entities. The CIF have adopted a learning-by-doing approach in improving processes and procedures over time. Examples are plentiful of organizational evolution in response to lesson-learning. The CIF commissioned an early study on emerging themes for learning, which informed measures to improve CIF operations, approved by the CIF committees in November 2011. Other key examples of learning include: improvements to pilot country selection procedures, including the use of explicit technical criteria; improvements to transparency in governance; introduction of measures to improve observer participation; conducting a review of gender in the CIF and recruiting a gender specialist for the CIF AU; introduction of the traffic light system and recent improvements to pipeline management (allowing over-programming and merging Phase I and II pipelines); the creation of the CTF dedicated private sector programs and the SCF set-asides in response to less than desired levels of private sector participation; and the introduction of enterprise risk management framework. These examples are indicative of responsive management (see also section 3.2), and governing bodies that are dedicated to the improvement of the CIF.

Learning as a global good, and among investment plans and projects. CIF learning has appropriately evolved with its portfolio toward a stronger focus on important thematic issues and broader dissemination,

[95] Governance Framework for the CTF, December 2011; Governance Framework for the SCF, December 2011.

although opportunities exist to learn more explicitly from negative experiences. Some earlier CIF knowledge products, such as country and Program fact sheets, are primarily promotional material. As CIF Programs moved into project design and implementation, learning products prepared in 2013 and commissioned for 2014 suggest a movement toward more in-depth assessment and learning opportunities in key thematic areas. For example, in FY2014, reports and reviews have been commissioned on CSP business models and financing arrangements, effectiveness of finance by building on or enhancing REDD+ readiness elements in pilot countries, and effectiveness of PPCR "Phase 1" activities and funding. The CIF have also supported global events on key technologies financed by the CIF, including CSP and hydromet, which can help build capacity in recipient countries.[96]

The CIF's pilot country meetings have been a particularly successful forum for exchanging lessons learned from investment planning and implementation across countries—particularly for SCF pilot countries. These meetings are held annually for CTF countries and semi-annually for SCF pilot countries. A total of 20 meetings have been held through 2013 and have received enthusiastic feedback from both recipient and contributor country participants.[97] The CIF has also increasingly supported South-South learning, such as in Tanzania, where government officials traveled to Kenya to learn from Kenya's experiences in designing a geothermal SREP project. Similarly, Peruvian officials in charge of the design of the FIP investment plan visited Mexico to exchange experiences and lessons learned.

The CIF have also improved cataloging and dissemination of learning. The CIF Web site now has a separate page that provides an inventory of learning products, and CIF recently began a regular newsletter.[98] CIF stakeholders see this broader dissemination of knowledge as an improvement. In 2012, the Partnership Forum added a Knowledge Bazaar to further showcase CIF learning to the broader CIF network.

CIF network learning products could benefit from more explicit learning derived from negative experiences. Few CIF network learning publications to-date involve substantial critical analysis; an exception is ADB's case studies on stakeholder engagement in preparing CIF investment plans.[99] Recent publications from the CIF AU on incorporating evaluative approaches into learning show promise.

Learning within projects and investment plans. Information sharing and lesson-learning elements[100] incorporated in investment plans and project documents vary significantly across CIF Programs and over time (see Annex G). CTF investment criteria do not incorporate learning. Incorporation of learning elements in original CTF investment plans was weak to nonexistent, although about half of the revised plans are strengthened in this regard. Fewer than half of CTF-approved projects describe specific learning elements, and only a quarter of those clearly discuss implementation arrangements and funding required for those learning components. About half of the CTF-approved projects that describe learning elements are IFC projects, most of

[96] For example, the CIF funded the participation of hydromet professional from four PPCR pilot countries in the third International Conference on Climate Services (ICCS3), and is funding CSP dialogs to crowd-in CSP development lessons from the global experience and generate recommendations on future targeting of concessional finance in CSP development. The World Bank is also developing an e-learning course on *Water, Weather and Climate Services: A Value Chain Approach to Project Design,* drawing on PPCR experiences and using PPCR projects as case studies. Led by the World Bank, this learning effort is being jointly supported by multiple other partners.

[97] In interviews, participants generally reported pilot country meetings as more useful than the Partnership Forum.

[98] https://www.climateinvestmentfunds.org/cif/learning-and-events

[99] ADB. 2013 Stakeholder Engagement in Preparing Investment Plans for the Climate Investment Funds. Case Studies from Asia. Second Edition. Available at: https://www.climateinvestmentfunds.org/cif/sites/climateinvestmentfunds.org/files/stakeholder-engagement-investment-plans-asia.pdf; and ADB. 2012. Engagement in Preparing Investment Plans for the Climate Investment Funds. Case Studies from Asia.

[100] Examples of information-sharing and lesson-learning elements include knowledge-sharing workshops, trainings, and field visits; public Web sites or databases to disseminate project information; and learning products that synthesize key information, lessons learned, and best practices.

which focus on renewable energy or sustainable energy finance through financial intermediaries. IFC's common approach for these projects includes advisory services with a knowledge management component, intended to support uptake among other financial intermediaries (see section 5.2).

SCF operational guidelines make references to learning,[101] and SCF investment plans and projects more strongly incorporate information sharing and lesson-learning (see Annex G). PPCR fieldwork in three countries suggested that learning—as described in the SPCRs and projects—is perceived as a separate, formal activity to be funded and given to an institution or agency to deliver, rather than intrinsically tied to all PPCR activities. At noted above, the CIF is also supporting capacity building and learning across PPCR countries on thematic issues, such as climate services.

CIF has belatedly embraced opportunities to learn via impact evaluation. Project proposals approved in 2013 showed a significant uptick in CIF intentions to conduct impact evaluations.[102] One internal impact evaluation has been prepared (on CTF engagement in Turkey). Impact evaluation methodology require that benchmark indicators be defined and measured before projects commence, so the opportunity has been missed for already approved projects.

3.5 Conclusions on Organizational Effectiveness of CIF Design

As challenges have arisen, the CIF have been able to evolve in response to learning and experiences. In retrospect, many instances of governance and management inefficiency and ineffectiveness discussed above stem from the CIF's original organizational architecture. Specifically, the CIF's design must be understood in its historical context. The CIF's two separate trust funds resulted because of differences among contributors in objectives and contribution modalities. Additionally, the CIF's light-touch approach to management was developed in a time when MDBs were receiving a strong call to engage more on climate change and contributor countries felt a sense of urgency to demonstrate CTF's ability to fund Programs before the 2009 UN Climate Change Conference (the "Copenhagen Summit"). Contributor countries hoped light-touch management would keep administrative costs low and enable faster programming and disbursement, particularly under CTF.

The CIF's establishment of two distinct funds and the resulting reliance on six separate governing bodies has hindered governance efficiency and increased transaction costs, given the scale of the CIF, although the Sub-Committee structure has allowed for greater participation and focus on subject matter issues. The manner in which the CTF trust fund was capitalized also inhibited risk management because of the differing risk appetites between grant/capital and loan contributors. And while the CIF design has successfully kept administrative costs low and relied on trusted MDB systems for safeguards and project-level monitoring and evaluation (see Annex C.4), the goal of a light-touch approach was not fully reconciled with the needs or demands of the CIF. Certain responsibilities, such as risk and conflict management were not designed into the CIF governance framework, and have been handled in a mostly *ad hoc* manner. The objective of relying on existing MDB procedures was also not fully reconciled with the emphasis of the CIF on country-level programming. The MDBs have no formal process for applying quality control, safeguards, or evaluation at the level of the country investment plan, and the CIF AU was not designated or adequately staffed to handle these responsibilities; instead, SCF investment plans are reviewed by external experts, and CTF relies on the TFCs for quality review of investment plans. The CIF also require external reviews of CTF projects, illustrating the difficult tension between trusting MDB systems and ensuring accountability at the CIF-level.

[101] SREP Programming Modalities and Operational Guidelines, November 8, 2010. FIP Investment Criteria and Financing Modalities, June 29, 2010. Programming and Financing Modalities for the SCF Targeted Program, the Pilot Program for Climate Resilience (PPCR). July 16, 2009.

[102] Before 2013, only two CIF projects included impact evaluation in their design; in 2013, five projects planned for an impact evaluation, and three more indicated that an impact evaluation was being considered.

In practice, the tendency has been to expand the management system and layer-on CIF-level requirements. The CIF AU has grown substantially, and the singular MDB "Committee" established in the Governance Frameworks has evolved to eight separate subject-matter committees. Some CIF partners have been dissatisfied with the consequences of the light-touch design for gender issues, and a gender specialist has been hired in the CIF AU, and a new MDB CIF working group on gender has been formed. In addition to gender, the CIF AU is also hiring a risk management specialist; these expansions reflect a judgment by CIF governance that these responsibilities should not be fully devolved to the MDBs.

4. The CIF Programs: Development Effectiveness

Since most CIF projects are still on the drawing board or in early execution, this evaluation is primarily formative. However, it is possible to draw some initial indications on development effectiveness based on investment plan and project design and on early project experience.

This section examines the CIF programs, addressing the questions: To what extent, and through what mechanisms, are the designs of national investment plans and projects plausibly transformational? What factors affect their ability to achieve the intended results? Attention to project results on the ground is confined to the CTF, the only Program with a significant number of projects under implementation. Cross-Program issues such as investment plan development and country-level coordination, private sector engagement, leverage and additionality, and trade-offs between climate and development objectives are considered in Chapter 5.

4.1 Clean Technology Fund

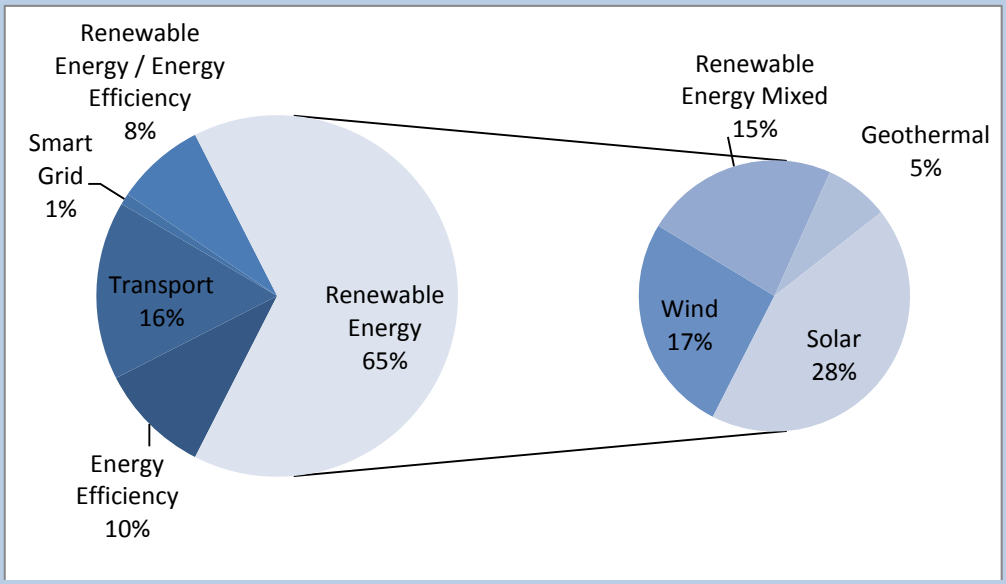
4.1.1 CTF and Transformational Change

KEY FINDINGS

- On the whole, CTF investment plans describe projects that, if successful, would substantially boost renewable energy generation capacity or reduce national power consumption by 1 to 8 percent. CTF endorsed funding for CSP, if successful, could help boost total global capacity of this technology by more than 40 percent.
- Replication and uptake will be critical to achieve CTF's transformational goal of a low-carbon economy; however, many investment plans and projects (as articulated in project documents) lack a convincing theory of change that explains how scaled-up impact will be achieved.
- The policy, regulatory, and macroeconomic situations in more than half of CTF countries has the potential to slow down, limit, or negate transformation and replication.
- As of mid-2013, CTF has made progress toward co-financing and installing renewable energy capacity; few energy efficiency programs are under implementation, and no public transport projects are reporting results yet.
- Factors driving implementation performance include country leadership with government focal points with the authority and ability to manage disbursement; existing MDB relationships and technology track records; and mature policies, regulations, and financial sectors.

Exhibit 4-1: The CTF Portfolio

As of December 31, 2013, all 16 CTF investment plans have been endorsed; these plans include 109 projects for $5.5 billion in CTF allocations. 35 projects have been MDB approved. The figure below shows MDB-approved project funding by technology and sector.



On the whole, CTF investment plans include projects that would substantially boost renewable energy generating capacity or energy efficiency, if successfully implemented, but pay insufficient attention to scaling up. By directing CTF funds toward making low-carbon development projects financially viable (either by addressing perceived risks or increasing investor comfort by closing the financial viability gap), or by overcoming first-mover hurdles, CTF endorsed projects show promise for achieving climate outcomes (see Annex J.1). However, many investment plans and projects lack a convincing theory of change that explains how scaled-up impact will be achieved. Many investment plans are silent—or vague—on the mechanisms to achieve replication or scalability, particularly without long-term concessional financing. Project proposals, which might reasonably be expected to describe the mechanisms for replication in more detail than investment plans, give uneven and sometimes insufficient attention to replication and uptake. About 40 percent of project proposals do not discuss replication mechanisms.

- **Renewable energy.** More than two-thirds of the approved CTF project portfolio is devoted to renewable energy (Exhibit 4-1). Most endorsed CTF investment plans expect to at least double the current installed renewable energy capacity, while about half aim to quadruple it or more (see Annex J.2). This represents a significant gain for renewable energy in the national context. In the overall energy mix, CTF-financed renewable energy capacity represents less than 9 percent of current energy supply in all countries except Morocco; in about half the countries, CTF-financed renewable energy capacity represents 3 percent or less of each country's total energy supply. Replication and uptake will be critical to achieve CTF's intended transformational impact to achieve low-carbon economies.[103]

  To date, about 21 percent of endorsed funding has been directed at concentrated solar power (CSP); if successful, CTF

Exhibit 4-2: Making Low-carbon Development Financially Viable

Nearly 90 percent of CTF project leads surveyed agreed that the addition of CIF funds reduced the overall project cost to the recipient country, which almost 80% felt was an important factor in securing country agreement.

[103] At the impact level, the revised CTF results framework defines its objective as a "transformed low carbon economy." The framework states that "[t]he transformative impact cannot be achieved only by CTF interventions," which underscores the expected importance of replication and up-scaling. Source: Revised CTF Results Framework, December 2012.

funding for CSP could help boost total global capacity of this technology by more than 40 percent,[104] potentially triggering cost reductions that could accelerate the diffusion of this technology. In Morocco, a competitive bidding process resulted in the winning consortium offering a tariff 25 percent lower than initial cost projections[105]—a promising sign for the replicability of the financing model.

- **Energy efficiency.** In four of nine investment plans with energy efficiency projects/programs, endorsed investments represent reductions in energy consumption that exceed 5 percent of current levels. In two countries, energy reduction targets represent 2 percent or less of current levels, and no targets were provided in three investment plans (see Annex J.2). While some of these plans represent substantial reductions in energy consumption relative to current levels, insufficient information is provided in investment plans to determine if these investments meet CTF's transformative criteria of lowering energy consumption per unit of output by at least 5 percent.[106]

- **Transport.** Four of seven country investment plans aim to induce a substantial shift toward public transport, from a 15 percent to 40 percentage-point modal shift from passenger vehicles to some form of public transport. Five investment plans quantify a target of additional passengers using low-carbon transport, but most do not provide a baseline against which this might be assessed (see Annex J.2). Most CTF transport investments target mega-cities such as Bogota, Cairo, Mexico City, and Manila; if achieved, such substantial modal shift to public transportation in mega-cities would be transformative.

The policy, regulatory, and macroeconomic situation in many CTF countries has the potential to slow down, limit, or negate transformation and replication outcomes. Noninvestment-grade S&P sovereign ratings in Ukraine, Vietnam, and, in particular, Egypt, are a limiting factor to replication (see Annex J.3). More than half of CTF countries have supportive policies in place that provide building blocks, but lack implementing regulations specifying key details of the regulatory environment, weakening the potential for immediate replication (Exhibit 4-3). In a few countries, renewable energy policies and regulations are not in place, which makes replication unlikely. Sizeable energy subsidies in about half of CTF countries with CTF energy efficiency projects may also limit uptake. These findings do not apply to all CTF countries: for example, relatively attractive legal environments for renewable energy support replication in about half of CTF countries with renewable energy projects,[107] and policies continue to evolve and improve after CTF investment plan endorsement, such as in Morocco.

[104] Based on investment plan capacity targets of 1.12 GW for MENA, 100 MW for South Africa, and 50 MW for Chile. Approved funding to-date represents 11 percent of global capacity. Global installed CSP capacity at the end of 2012 is assumed to be 2.8GW. *Source:* Concentrating Solar Power: Technology Brief, IRENA, January 2013.

[105] Climate Policy Initiative. 2013. San Giorgio Group Case Study: Ouarzazate I CSP Update. May 2013.

[106] CTF Investment Criteria for Public Sector Operations, February 2009.

[107] India, Chile, South Africa, Thailand, Turkey, Mexico, Morocco, and Ukraine, based on Ernst and Young. 2013. Renewable Energy Country Attractiveness Index. Issue 39. November 2013.

Exhibit 4-3: Examples of the Policy and Regulatory Situations in CTF Countries

- ***Robust policies and regulations***—In Turkey, the *Law on Utilization of Renewable Energy Resources for the Purpose of Generating Electricity* (Amendment 2010) has defined feed-in tariffs (guaranteed for 10 years) and grid access requirements. In Mexico, the policy and regulatory framework for renewable energy includes favorable regulations (e.g., *Law for the Development of Renewable Energy and Energy Transition Financing; Income Tax Law: Accelerated Depreciation for Investments with Environmental Benefits*) for remote self-supply systems, accelerated depreciation, and renewable energy targets.
- **Lack of implementing regulations**—In Morocco, Law 13-09 on renewable energies promotes energy production from renewable sources, to market and export either by public or private entities; however, it lacks defined feed-in tariffs but requires rates to be negotiated case by case between the grid operator and the power producer. Thailand established technology-specific renewable energy premium feed-in tariffs in 2006, but the lack of a unified energy policy backing of a renewable energy law has affected its implementation.
- **Supportive policies not in place—**In Egypt, the Cabinet endorsed a new electricity law in 2008. The law identifies a number of policies aimed at renewable energy generation, such as a feed-in tariff and a renewable energy development fund to cover the deficit between renewable energy costs and market prices and provide financial support to pilot projects. While the feed-in tariff could be immediately applied, the law is still awaiting approval by Parliament.

Yet, few investment plans aim to address the regulatory and policy environment, and CTF project intervention strategies do not address underlying pricing and subsidy barriers (consistent with CTF design principles). CTF projects provide financing or guarantees for projects to scale-up renewable energy or energy efficiency deployment. Where complementary technical assistance has been sought to address regulatory barriers (e.g., through CTF or other partners, such as GEF) some positive results have been achieved, but has delayed project implementation. For example, in Kazakhstan, project implementation was delayed due to the lack of regulations, although CTF technical assistance for legal advice and policy dialogue helped address this gap, as reflected in the recent establishment of the renewable energy law.

4.1.2 Early Progress toward Results

KEY FINDINGS

- As of mid-2013, CTF has made progress toward co-financing and installing renewable energy capacity; few energy efficiency programs are under implementation, and no public transport projects are reporting results yet.
- Factors driving implementation performance include country leadership with government focal points with the authority and ability to manage disbursement; existing MDB relationships and technology track records; and mature policies, regulations, and financial sectors.

Unlike the other Programs, CTF has significant on-the-ground presence, with 11 percent of endorsed funds disbursed as of December 31, 2013, and 28 projects reporting results through June 30, 2013. As of mid-2013, CTF had made progress toward co-financing and installing renewable energy capacity but few energy efficiency programs are under implementation, and no public transport projects are reporting results yet (Exhibit 4-4).

Exhibit 4-4: Indicative CTF Results as reported by the CTF (as of June 30, 2013)

Indicator	Reported Progress	Progress as a Percentage of Total Targets	Evaluation Observations
Tons of GHG emissions reduced or avoided	14 $MtCO_2eq$	2	*MDBs use different methodologies in reporting GHG emissions reductions.* Reported progress is from projects in Kazakhstan, Mexico, Thailand, Turkey, and Ukraine; 86 percent of progress is from Turkey's Private Sector renewable energy and energy efficiency project.
Volume of direct finance leveraged through CTF funding	US $3,528 million	21	*This evaluation questions the calculation of leverage.*
Installed capacity as a result of CTF interventions	1,696 MW	25	Reported progress is from projects in Mexico, Thailand, Turkey, and Ukraine.
Annual energy savings as a result of CTF interventions	6,819 GWh	7	*MDBs use different methodologies in reporting energy savings.* Reported progress is from projects in Mexico and Turkey.
Additional passengers using low-carbon transport as a result of CTF	0	0	

Source: Based on CIF. 2013. Clean Technology Fund First Round of Monitoring and Reporting on Results. CTF/TFC.12/Inf.2.

Note: These indicative results are not validated by this evaluation, which questions the calculation of leverage. One external evaluation suggests much lower energy savings in Mexico than reported here. Each of the MDBs has a different methodology and guidance for reporting GHG emission reductions, leveraged finance, and energy savings. Data cannot easily be aggregated due to the different assumptions underlying them.

Mexico and Turkey are countries with the earliest engagement. In Mexico, the CTF supported a market already in the process of transformation, providing bridge finance to the La Ventosa wind project during the financial crisis. This was among the first projects built under a new regulatory framework that favors remote self-supply systems in Mexico. The CTF contributed to building the internal capacity of national development banks to evaluate large-scale wind power projects. Today, the national bank Nacional Financiera has a portfolio of six wind-power projects and two others under analysis, and the commercial market in Mexico is now considered to provide adequate financing to private wind projects.

The Mexico Efficient Lighting and Applicances project is a large-scale, innovative, and potentially highly replicable effort to remedy a major source of energy inefficiency: obsolete but long-lived refrigerators and air conditioners. The project supported the scrapping and replacement of these appliances with higher-efficiency models. A peer-reviewed independent impact evaluation[108] found that refrigerator replacement yielded much lower energy savings than anticipated, and that air conditioner replacement actually increased energy consumption (though presumably it increased household comfort), although studies by the sponsoring agency have more positive findings. A better understanding of the behavioral and implementation issues behind these results could help improve future efforts along these lines.

In Turkey, CTF investments built on an ongoing process of transformation initiated when Turkey enacted and implemented Energy Efficiency and Renewable Energy Laws. These laws provided a framework under which the MDBs were active, pre-CTF, in financing renewable energy and energy efficiency through financial intermediaries. For example, IFC introduced energy efficiency as a product concept to a leasing firm in 2007, providing investment in 2008. The World Bank's Renewable Energy Project (2004-10) reported that it supported 19 private sponsors to develop 618 MW of renewable energy capacity, "demonstrated that long-term

[108] Revised version accepted, American Economic Journal: Economic Policy. Davis, L.W., A. Fuchs, and P.J. Gertler. 2012. Cash for Coolers. National Bureau of Economic Research Working Paper No. 18044. Issued in May 2012.

financing for renewable energy projects could be viable," and "generated significant interests among local commercial banks to enter the sector."[109] The CTF project continued the model of the earlier project, and played an important role during the financial crisis when transformation had stalled.

In Turkey, CTF financing was less critical for hydropower and more critical for other renewables and energy efficiency. Some stakeholders and financial intermediaries believe that Turkish wind and hydropower projects are now able to find commercial finance; however, there are continuing technical capacity and awareness barriers for geothermal, solar and biomass. In contrast, CTF programs have had a noticeable impact on promoting energy efficiency loans, where financial intermediaries have also cited an inability to provide loans of more than one or two years duration. The successful disbursement of CTF loans has highlighted the added value of sustainable energy financing to the financial intermediaries, with the replication effect highlighted by several financial intermediaries requesting non-CTF concessional loans from MDBs. However, for many intermediaries, CTF loan disbursement has been restricted to existing clients. Although this reflects risk management as experience was gained, fieldwork suggested that short CTF disbursement windows limited the willingness of some financial intermediaries to look beyond their pipeline of projects and existing client base.

In terms of mainstreaming renewable energy, CTF has brought significant social and environmental co-benefits to Turkey. It helped with the development and stakeholder discussion of cumulative impact assessment guidelines for hydropower that have been adopted by the Ministry of Environment. CTF-funded MDB projects have spurred operational and financial improvements within the financial intermediaries, including enhanced transparency, better standards of corporate governance, and implementation of an environmental and social action plan—requirements that then pass down to borrowers. However, the CTF does not appear to have promoted coordination among overlapping renewable energy and energy efficiency initiatives being implemented by different ministries, donors and agencies.

Fieldwork in five CTF countries with projects under implementation[110] offers preliminary implications for performance drivers and challenges. Successful results highlight potential performance drivers:

- *Strong country leadership with government focal points with the authority and ability to manage disbursement.* Establishing the CTF focal point in the finance ministries in Mexico and Turkey supported progress. The ministry has established clear ownership of CTF, driven development of the CTF investment plan, and monitors international financing to implement it.
- *Existing relationships and track records.* Building from established experiences and existing relationships with governments and financial institutions can drive implementation speed and effectiveness. For example, projects in Turkey and Mexico reflect prior MDB renewable energy and energy efficiency experiences.
- *Mature policies, regulations, and financial sectors.* The mature legislative foundations in Turkey and Mexico have provided a supportive enabling environment for renewable energy by reducing risk and enabling faster on-lending. Success of sustainable energy finance in Turkey is due to a banking system that has an existing level of consumer trust, effectiveness, and innovation.

Some examples of performance challenges include:

- *Unsupportive policies and pricing regimes.* As discussed above, insufficient parallel technical assistance and a lack of supportive policies and power tariffs have increased perceptions of risk and dampened progress. In Indonesia and Kazakhstan, the development of feed-in-tariff regimes delays implementation, and the subsidized price of electricity limits incentives to reduce energy consumption.

[109] "Implementation Completion and Results on a Loan in the Amount of US$203.03 Million to the Republic of Turkey for a Renewable Energy Project." World Bank, Report No. ICR00001319

[110] Mexico, Morocco, Indonesia, Kazakhstan, and Turkey.

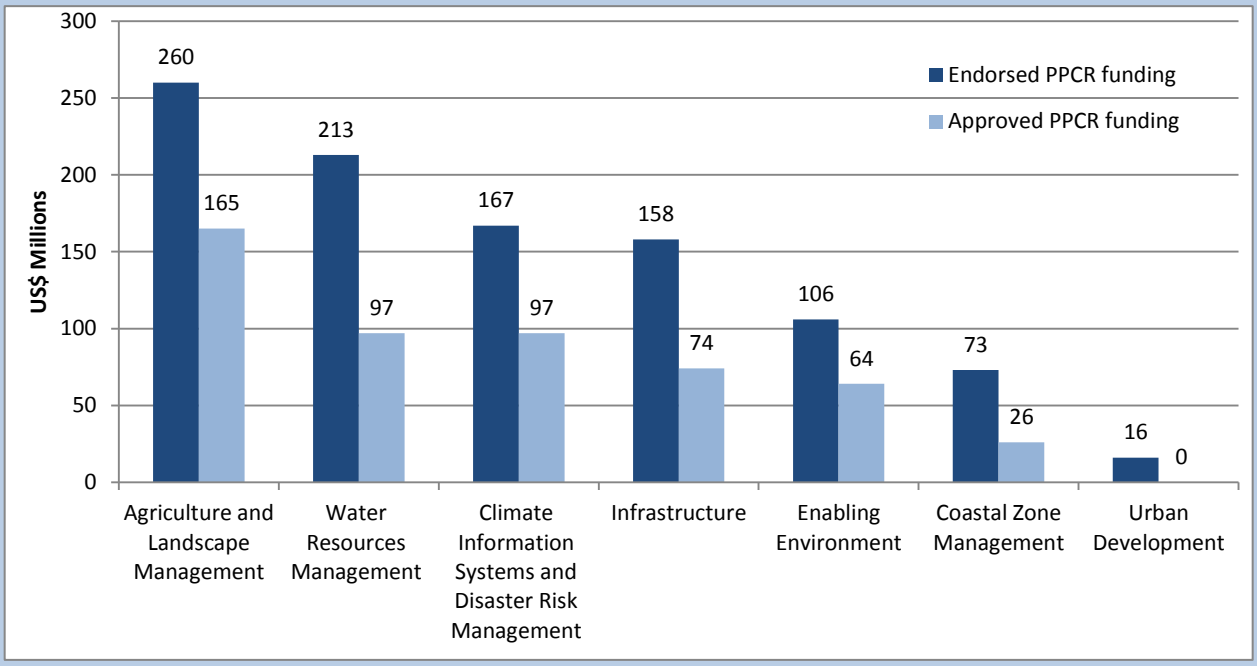
4.2 Pilot Program for Climate Resilience

KEY FINDINGS

- PPCR's Strategic Program for Climate Resilience (SPCR) development process has proved to be flexible by tailoring its approaches based on country capacities, political structures, and availability of other development programs.
- Fieldwork in three PPCR countries suggests that the choice of PPCR focal point agency can be a limiting factor in the development of horizontal and vertical linkages among institutions and stakeholders to support mainstreaming climate resilience into development planning. The result has been variable success in strengthening national capacity and mainstreaming climate change resilience into development planning and programs.
- Fieldwork suggested that limited ongoing engagement with multi-stakeholder consultative processes—especially after SPCR endorsement—has inhibited the development of strong and inclusive networks of stakeholders with the capacity to support SPCR project interventions.
- Fieldwork suggested a possible risk for PPCR in translating transformative aspirations in the SPCRs into project design. Fieldwork found that early designs for climate information services and water management and agriculture resilience projects did not assure that the needs of vulnerable communities and households would be met.

Exhibit 4-5: The PPCR Portfolio

As of December 31, 2013, all 20 SPCRs under the PPCR have been endorsed; these plans include 67 projects for $1 billion in PPCR allocations. 31 projects have been MDB approved. The figure below shows funding by primary sectoral focus.



Assessment of PPCR effectiveness in this evaluation leans heavily on a limited number of field visits, for several reasons. First, the PPCR overall is at an early stage of implementation. As of June 30, 2013, when the evaluation's review period closed, only 10 projects were disbursing, so there is very limited on-the-ground project

experience. Thus, attention focuses on the role of the Strategic Program for Climate Resilience (SPCR, the PPCR equivalent of an investment plan), which to a degree more than the other Programs, involves wide-ranging, cross-sectoral linkages and interagency coordination. These relationships and arrangements are best understood through field interviews, but the field studies only provide insights, and cannot be generalized.

4.2.1 PPCR and Mainstreaming Climate Resilience into Development

The SPCR development process has proved to be flexible by tailoring its approaches based on country capacities, political structures, prior adaptation planning and achievements, and availability of other development programs. Pilot countries' SPCRs align mostly with other donor climate funding and build on or are situated in relationship to other national climate resilience initiatives, including NAPAs. Promoting climate resilience is complex and nascent in many countries, and experience is far more limited than with promoting mitigation.

Exhibit 4-6: PPCR Phase 1 and 2

PPCR's two-phase programming is one of the Program's unique features. **Phase 1** is intended to facilitate a "cross-sectoral dialogue process to arrive at a common vision of climate resilience in the medium and long-term, and formulation of a strategic approach for climate resilience" (i.e., the country's Strategic Program for Climate Resilience, or SPCR). While each country's approach is expected to reflect national circumstances, Phase 1 activities might include analysis of climate risks, institutional analysis, knowledge and awareness raising, capacity building, consultation, and definition of priority needs. In **Phase 2**, pilot countries focus on implementing the Strategic Program.

Since most PPCR projects are still on the drawing board or in early execution, this evaluation focuses primarily on Phase 1. However, it is possible to draw some initial conclusions based on SPCR and project design.

Source: Programming and Financing Modalities for the SCF Targeted Program, The Pilot Program for Climate Resilience (PPCR). July 16, 2009.

The added value of PPCR's Phase 1 (see Exhibit 4-6) has varied by country. PPCR has played a particularly catalytic role in countries whose adaptation planning was nascent. For example, in Tajikistan, PPCR stimulated a new planning process and supported several initiatives based on a new and growing understanding of the country's vulnerabilities and the advantages of building national and local resilience. In other countries, like Bangladesh and Nepal, a well-articulated vision and strategy for national adaptation was already developed, and the PPCR appropriately adopted that vision and proposed investments within that framework. And in yet other countries, the SPCRs do not provide clear evidence that PPCR has catalyzed dialogue sufficiently to significantly advance national adaptation planning, such as in Jamaica and Mozambique, despite consultations held to develop the SPCR. Some SPCRs seem to directly borrow the language from the PPCR design and guidance documents. This challenge may partly reflect the reality that incorporating adaptation into development decision-making systems is not yet normalized.

Fieldwork in three PPCR countries suggests that the choice of PPCR focal point agency can be a limiting factor in the development of horizontal and vertical linkages among institutions and stakeholders that could support mainstreaming climate resilience into development planning. During fieldwork, concerns were voiced that the relative weakness of the coordinating agency (e.g., environmental line ministries in Mozambique and Nepal) compared to the agencies it must coordinate, and a lack of vertical linkages and accountability to municipalities, districts, and provinces, led to a disjointed approach.[111] About half of PPCR pilot countries have a central ministry (e.g., finance, economics or planning) serving as a focal point. Fieldwork suggested that even in such cases, broader government (departmental or agency) buy-in is critical to move the SPCR process forward.

Furthermore, fieldwork provided limited evidence of enhancing national capacity through inter-ministerial, cross-sectorial engagement (horizontal linkages) to facilitate integrated approaches, at least during Phase 1. In Jamaica and Mozambique a few key government institutions were relatively uninvolved, or not included, in planning and preparation. In all three fieldwork countries, some government and other stakeholders perceived decision making to be opaque. Fieldwork found limited use of coordination structures in the transition from

[111] It is too early to report if the individual projects will fare better in this regard.

Phase 1 to Phase 2. For example, in Nepal, cross-ministerial strategy setting and review structures have been largely unutilized since the SPCR was endorsed.

Underlying coordination challenges facing pilot countries have proved to be a hurdle for PPCR; these challenges have been a regular discussion topic at PPCR pilot country meetings though solutions have not been readily identified. Challenges include existing and emerging donor relations, a host of adaptation funds administered by different government agencies, and multiple responsibilities to external global climate change institutions. Institutional constraints and perceptions of limited capacity or credibility of the coordinating ministry are other factors (see also section 5.1). In many pilot countries, political and regulatory structures are evolving. Several PPCR countries are fragile and conflict-affected; political ownership, institutional capacity, and timing for restructuring lags significantly. Fieldwork found fluid contexts in all three countries visited. In particular, countries are exploring opportunities to position themselves for other or future funding, determining the proper location of coordinating functions, and restructuring government responsibilities for oversight of the process.

All PPCR countries consulted with a broad range of stakeholders during SPCR development (as discussed in section 5.1.2), and some PPCR countries built on consultative processes resulting from their NAPA. However, fieldwork suggested that after initial consultations, PPCR countries made limited use of ongoing engagement of multi-stakeholder processes that might have enhanced national capacity by allowing for iterative, learning-based and potentially transformational processes. National level planners had inadequate structures for ongoing input and feedback from districts and communities during investment program planning, and decisions on those programs were based largely on national government's assessment of adaptation requirements and did not benefit sufficiently from inputs from vulnerable and affected communities.

The lack of ongoing approaches to consultation has inhibited the development of strong and inclusive networks of stakeholders with the capacity to support SPCR project interventions. Fieldwork countries lacked sufficient structures for ongoing information exchange, learning, and monitoring at the local level (where adaptation projects will be implemented). A scarcity of post-endorsement communication and awareness efforts threaten to undermine receptivity, interest, credibility, trust, cooperation, and potential for coordination that was built during the SPCR process. Stakeholders expressed a need for stronger communications about the SPCRs in the next phases.

4.2.2 Opportunities to Strengthen Climate Resilience

Although they cover a wide range of sectors (see Exhibit 4-5), many SPCRs have positive and potentially transformative aims in common (see Annex K.1). Three-quarters of SPCRs focus strongly or moderately on integrating climate vulnerability and adaptation knowledge into national development and poverty reduction policies and strategies. About two-thirds discuss potential use of community-based adaptation methods and approaches. For example, Cambodia's SPCR makes significant references to community participation, highlighting lessons learned from past climate change projects, addressing the issue of community ownership, and setting out a strategy to link CSOs to community-based adaptation. Community-level work is integral to three of Cambodia's four investment projects. About two-thirds of SPCRs focus strongly or moderately on the use of climate risk reduction systems that are highly responsive to the needs and conditions faced by vulnerable peoples and social groups. And about half of SPCRs discuss the potential for multi-stakeholder integrated governance structures for ongoing and collaborative decision-making. For example, in Zambia, transformational change is envisioned in the context of a highly participatory approach to policy and decision-making about adaptation issues, combined with a web-based platform (crowd-sourcing) to enhance responsiveness to natural disasters.

Positive, transformative features described in the SPCRs—such as focus on vulnerable communities, gender equality in project strategies, multi-stakeholder collaboration for program implementation, climate information systems designed for beneficiary decision-making, and stakeholder learning about adaptation—were sometimes lost in the transition to implementation in fieldwork countries (see Annex K.2). Fieldwork interviews in Nepal, Mozambique, and Jamaica also suggested a risk for similar losses in several not-yet-approved projects. Reasons

for these shifts include a lack of or incomplete strategy on how to accomplish the intentions set out in the SPCR, a lack of active commitment by project designers or implementing entities, insufficient attention and response paid to demanders of promised features or qualities, and changing government priorities.

Fieldwork found that early designs for climate information services and water management and agriculture resilience projects did not assure that the needs of users, including vulnerable communities and households, would be met—although the specifics have not yet been fully developed and positive PPCR-wide efforts on climate services are underway that may help address these issues (see Exhibit 4-7). Involvement of vulnerable community and household users in the design of climate services was not evident during fieldwork (Annex K.3). For example, although water management and agriculture resilience projects in the fieldwork countries intend to target local communities, there has been insufficient attention to how they will address issues of participation, local learning, and barriers related to building local capacity and using climate information to assist vulnerable communities. Some projects have insufficient focus on early tangible results for communities/beneficiaries and on new approaches and systems for communities for decision making and resilience planning, and instead focus heavily on infrastructure and equipment (see Annex K.4).The connections between climate service providers and vulnerable users can be strengthened by coordinated outreach, engagement, and dialogue supported by targeted technical advice and facilitation assistance.

Exhibit 4-7: Climate Services Challenges in PPCR Countries

Moving from disaster risk monitoring to risk reduction, early warning, and finally to adaptation planning is a significant challenge in the three fieldwork countries, where disaster risk management and information about impending climate risks, their extent and location, was understood as the most immediate use of meteorological services. Recognizing this challenge, PPCR projects intend to test new relationships and generate resilience, although the specifics have not been fully designed. Institutional approaches are being reviewed, although gaps persist that undermine the ability to achieve this potential. The CIF's learning program for FY2014 also includes a strong thematic focus on climate services and shows promise for stimulating important changes.

Several projects are laudable in their aims to improve weather and event forecasts, provide warnings for climate-vulnerable communities and develop agricultural management information system services to help farmers reduce climate-related production risks, as in Nepal; however projects with information and communications technology-based solutions require the design of farmer interface elements that recognize chronic weaknesses in extension services (e.g., limited or no internet access by farmers and local agricultural extension offices in some cases), which can require additional resources and understanding.

Many of the challenges facing PPCR are common and persistent development challenges. Other adaptation planning instruments such as the NAPAs have struggled in some instances to balance investments in hard infrastructure with "softer" adaptation measures.[112]

[112] See, for example, World Bank/IEG. Adapting to Climate Change: Assessing World Bank Group Experience. Phase III of the World Bank Group and Climate Change.

4.3 Forest Investment Program

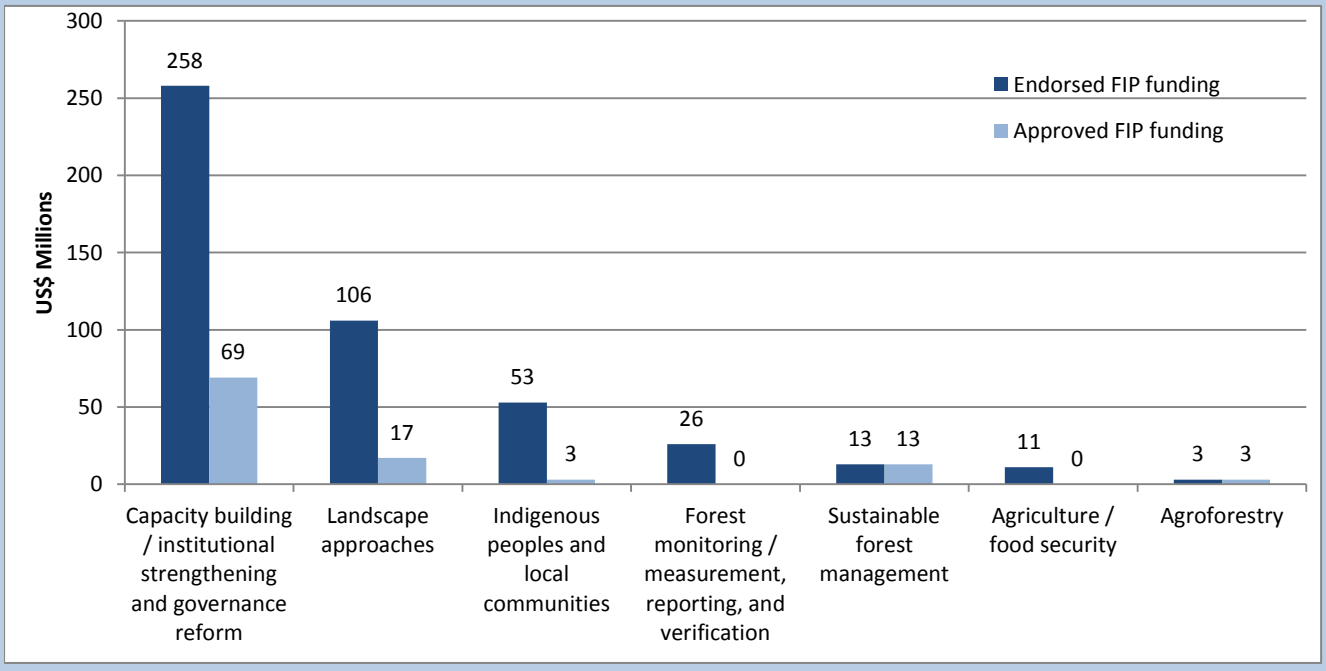
KEY FINDINGS

- FIP design documents do not clearly define how transformational change is to be achieved or demonstrated.
- Some FIP interventions are poised to initiate important changes with transformational potential, if implemented as planned. Major activities have been identified in about half of the FIP countries to support the improvement of the policy and regulatory framework for sustainable (forest) land use and private investments.
- Most FIP plans fail to show clearly how individual projects can jointly contribute to sectoral transformation and associated institutional and policy changes, shifts in forest management paradigms, and re-orientation of sector strategies and investment priorities, all crucial for scaling-up and sustainability. While it would be unrealistic to expect that FIP could achieve sectoral transformational change alone—given relatively modest resources and the vast needs of some countries such as Indonesia and Brazil—more than half of FIP plans do not clearly describe how FIP fits in to the broader REDD+ country context.
- About half of FIP investment plans do not address the drivers of deforestation and forest degradation with the strongest links to the FIP's transformational impact objectives; however they still address relevant direct and indirect drivers.
- FIP has brought financing to address jointly identified forestry issues in a national REDD+ context. FIP has also built on important national REDD+ planning processes.

By December 31, 2013, plans encompassing 24 FIP projects had been endorsed, and six projects had received MDB approval. However, only two had progressed to disbursement, so there is little on-the ground project experience.

Exhibit 4-8: The FIP Portfolio

As of December 31, 2013, all eight FIP investment plans have been endorsed; these plans include 24 projects for $420 million in FIP allocations. Six projects have been MDB approved. The figure below shows funding by sectoral focus.



4.3.1 FIP and Transformational Change

A key FIP objective is to "initiate and facilitate steps toward transformational change in developing countries forest related policies and practices."[113] In its Program logic model, FIP defines its transformative impact as "reduced GHG emissions from deforestation and forest degradation [and] enhancement of forest carbon stocks." The FIP design document addresses transformational change definition and assessment; however, the operational guidelines, investment criteria, and results framework do not provide sufficient guidance on how to identify programmatic interventions with a likelihood of delivering transformational impact.[114] While "transformational change" necessarily has different interpretations, depending on the country context and the degree of stakeholder involvement in the FIP process (see Annex L.1), the concept of transformational change is poorly understood in some countries and not well presented in some investment plans.

Some FIP interventions are poised to initiate important changes with transformational potential, if implemented as planned, although with few FIP projects in implementation, it is too soon to assess actual transformational change. In Burkina Faso and Mexico, the endorsed projects complement each other and work toward a common goal, and the likelihood of increasing transformation is good. Both investment plans emphasize empowerment of local communities and adopt a landscape approach to integrating different land uses (see Exhibit 4-9). About half of FIP investment plans meet a key FIP objective to initiate transformational change by addressing key direct and underlying drivers of deforestation and forest degradation. And the bulk of FIP funding is directed toward capacity building and institutional strengthening (Exhibit 4-8).

Major activities have been identified in about half of the FIP countries to support the improvement of the policy and regulatory framework for sustainable (forest) land use and private investments, which is positive. However, many FIP plans fail to show clearly how individual projects can jointly contribute to sectoral transformation and associated institutional and policy changes, shifts in forest management paradigms, and re-orientation of sector strategies and investment priorities—all crucial for scaling-up. While it would be unrealistic to expect that FIP could achieve sectoral transformational change alone—given relatively modest resources and the vast needs of some countries such as Indonesia and Brazil—more than half of FIP plans do not clearly describe how FIP fits in to the broader REDD+ country context, making it difficult to understand how these plans may complement other ongoing and planned efforts.

In most FIP countries, the success of the individual interventions and scaling-up hinges on many assumptions: national policy commitment, tenure reforms, and institutional readiness. In Burkina Faso, the FIP tries to deal with the scaling-up objective explicitly, but recognizes that it will require more

Exhibit 4-9: Programmatic Approaches in Burkina Faso and Mexico

In **Burkina Faso**, transformational change focuses on wood energy, improving energy efficiency, and restoring degraded lands by empowering local communities, and moving toward an integrated landscape approach supported by legislative changes and capacity building. The plan outlines action to scale-up sustainable forest management projects at local levels.

In **Mexico**, the focus is on sustainable land and forest management by *ejidos,* areas of communal land for agriculture in which community members individually own specific parcels and farm them. *Ejidos* are registered with Mexico's National Agrarian Registry (*Registro Agrario Nacional*). FIP plans to strengthens the capacity of service providers and communities and improve the access of *ejido* members to finance. FIP's resources are relatively minor in the Mexican context, but aim for significant changes in the way rural development policies are managed and aligned at the level of forest landscapes and creation of innovative credit and financing facilities for REDD projects.

[113] Design Document for the Forest Investment Program (FIP), July 7, 2009.

[114] Design Document for the Forest Investment Program (FIP), July 7, 2009; FIP Investment Criteria and Financing Modalities, June 29, 2010; FIP Operational Guidelines, June 29, 2010; FIP Results Framework, May 2011.

funding. The Indonesian FIP success is contingent on the success of major policy and regulatory reforms. In a few countries, such as Lao PDR, FIP investment plans represent a collection of loosely connected projects, sometimes based on old concepts or a continuation of an existing project.

Half of the plans do not address the drivers with the strongest links to the ultimate transformational impact objectives (see Annex L.2). Because FIP works in a broader context, often in coordination with other forestry initiatives, this is not necessarily an issue if the plan sufficiently justifies the FIP focus, and how it complements other efforts; however, as mentioned above, these diagnostics are missing in more than half of the plans. One contributing factor is that FIP has in many countries suffered from inadequate baseline data concerning land use changes and GHG emissions, and detailed spatial analysis of the drivers of land use change. If the drivers of deforestation had been analyzed and mapped adequately before the FIP in all pilot countries, a strategic prioritization of drivers might have led to planned activities with a stronger, evidence-based approach to transformation.

A project portfolio review suggests that the majority of FIP projects, like traditional forest projects, depend on continuing external support. If not enough attention is paid to sustainability (e.g., in terms of profitability of production-oriented investments), and bringing in complementary financing from private sector and securing payments for ecosystem and environmental services (including REDD-based forest carbon), many FIP projects risk ending as isolated interventions with limited impact beyond project life or project site.[115] The ongoing FCPF Emission Reduction Project Idea Note (ER-PIN) process aims at establishing links between the Carbon Fund and FIP in selected countries, but it is too early to conclude anything about that process.

Exhibit 4-10: FIP's Dedicated Grant Mechanism

The *FIP Design Document* (2009) calls for a dedicated grant mechanism (DGM) to "be established under the FIP to provide grants to indigenous peoples and local communities in country or regional pilots to support their participation in the development of the FIP investment strategies, programs and projects." This innovative feature is one of the comparative advantages of FIP among other forestry funds. Operational guidelines for the DGM were approved in September 2013, after a three-year design and consultation period led by a transitional committee of indigenous peoples' groups and local communities. Given that investment plans have already been endorsed in the eight FIP pilot countries, the guidelines came too late to guide the process of involving indigenous peoples and local communities in the development of the FIP investment strategies. However, indigenous peoples have been highly engaged in the design of DGM activities at the global and country levels.

The objective of the DGM has since expanded to enhance the capacity and strengthen participation of indigenous peoples and local communities and FIP and other REDD+ processes. The DGM design includes both a country-level component that (a) supports capacity building and (b) awards grants on a competitive basis for investments proposed by indigenous peoples and local communicates, as well as global component for exchanging knowledge and strengthening networks.

4.3.2 Improved Coordination through FIP

FIP in most countries has brought financing to address jointly identified forestry issues in the REDD context, especially in smaller countries where FIP finance plays a bigger role. More interaction between MDBs generally occurs with FIP's engagement, along with other donors and various government agencies, particularly with the CSOs that deal with forestry and climate change. FIP has not always used this opportunity optimally.[116]

FIP has built on national REDD+ planning processes and dialogue platforms, and in some countries has

[115] The Democratic Republic of the Congo and Burkina Faso are exceptions; both plans explicitly discuss the importance of Reduced Emissions from Deforestation and Forest Degradation payments for ensuring transformational change. In the Democratic Republic of Congo, the emission reductions payments are to ensure the long-term sustainability of long-term activities, such as reforestation and support for community forestry. In Burkina Faso, some planned action is contingent on implementing a pre-financing mechanism that considers the amounts awarded as advances for environmental services rendered.

[116] In Lao People's Democratic Republic, FIP consultations were limited, with little collaborative planning among multilateral development banks, possibly because both the Asian Development Bank and the World Bank continue some support for activities similar to the way they were before FIP.

contributed to the design of enabling policies and measures. FCPF, UN-REDD Programme, and related national partners and donors have succeeded in establishing improved platforms for coordination, policy dialogue, and sometimes concrete collaboration on activities that reduce emissions resulting from deforestation and forest degradation at the country level. In some countries, such as Mexico, mechanisms for sector coordination already existed, and FIP has been able to build on these platforms. In Indonesia, FIP has not integrated itself within the national REDD+ consultation and coordination process.

4.4 Scaling Up Renewable Energy in Low Income Countries

KEY FINDINGS

- SREP investment plans present substantial, transformative gains for increasing renewable energy production, if implemented successfully, but their expected impacts on electrification are relatively modest, with the exception of Nepal.
- SREP stakeholders place different emphases on the Program's goals of increased access to clean energy and increased supply of renewable energy; the result has been a portfolio with about 61 percent of funds focused on grid-tied renewable energy.
- Consistent with SREP objectives, all investment plans use a programmatic approach that includes funding for capacity building of key stakeholders and institutions and advisory services to support policy changes.

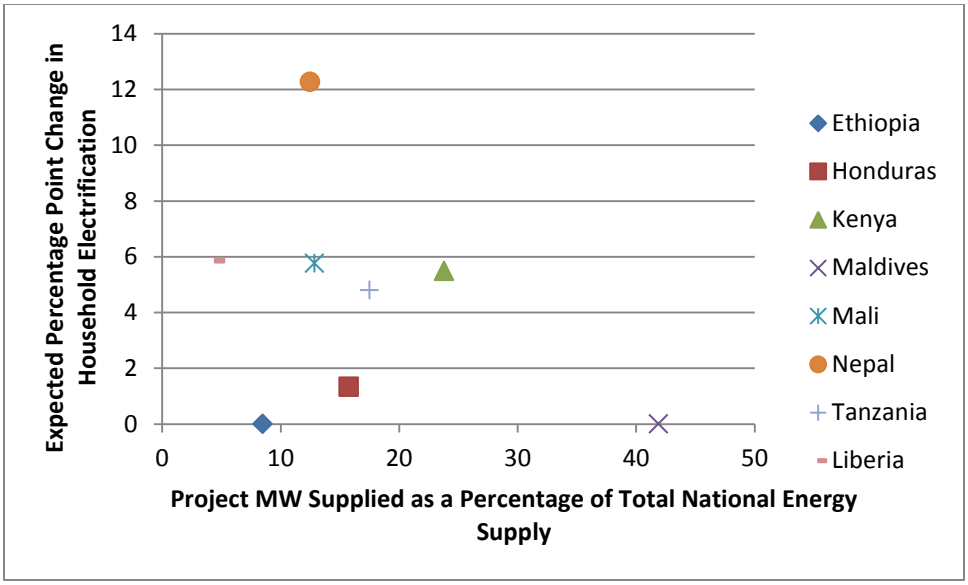
Exhibit 4-11: The SREP Portfolio

As of December 31, 2013, eight SREP investment plans have been endorsed; these plans include 28 projects for $340 million in SREP allocations. Three projects have been MDB approved.

Creating new economic opportunities and increasing energy access through the use of renewable energy. SREP investment plans present substantial, transformative gains for increasing renewable energy, if implemented successfully; expected electrification outcomes are more modest, save for Nepal (Exhibit 4-12).[117] These potential results must be cautiously interpreted for several reasons. First, SREP resources are modest when compared to the scale of the energy issues in many of the pilot countries. Liberia, for instance, has what is likely the world's lowest rate of access to public electricity—1.6 percent nationwide and just 6.7 percent in the capital city of Monrovia. In this difficult context, SREP's $50 million can make a measurable impact (as Exhibit 4-12 illustrates), but expectations must be tailored to the scope of the problem. Second, many targets are based on preliminary estimates in investment plans; targets may evolve as projects are appraised. For example, in Kenya, the Menengai geothermal project was appraised for 400 MW, instead of the 200 MW cited in the investment plan, given greater-than-anticipated interest from other financiers.

[117] These potential results can also be expressed in terms of the project electrification target as a percentage of unelectrified households. In Nepal, SREP targets for new households electrified are expected to halve the number of unelectrified households. In Honduras, Kenya, Liberia, Mali, and Tanzania, targets represent electrifying 6 to 7 percent of unelectrified households. No change in the electrification rate is expected for Ethiopia.

Exhibit 4-12: Renewable Energy and Electricity Access in SREP Investment Plans



See Annex M.1 for sources and details.

SREP aims to create new economic opportunities and increase energy access through the use of renewable energy, according to its design document; in its revised results framework, SREP's outcome objectives are increased access to clean energy and increased supply of renewable energy. SREP stakeholders are not in unison on the Program's priorities, though interviews with MDBs and TFC members indicated a predominant belief that SREP is, first, about energy access, and, second, about renewable energy for productive uses. SREP Sub-Committee members expressed mixed opinions on the relative importance of off-grid or distributed technologies to achieve energy access in their comments. In some cases, especially in areas with low population densities and high poverty rates, decentralized off-grid or mini-grid renewable energy systems may be more effective to meet SREP's objective of wider economic, social, and environmental co-benefits. In practice, investment plans have been endorsed with the on-grid/off-grid division of funding that the recipient country proposed, and the result has been a portfolio with about 61 percent of funds focused on grid-tied renewable energy, as shown in Exhibit 4-13. Almost all SREP investment plans describe how grid-tied projects are integrated with national plans to increase energy access. Most grid-tied renewable projects include SREP funds to connect those projects to the grid (i.e., transmission lines), although whether those lines will extend to rural or remote locations is not clarified.

SREP off-grid projects have focused largely on addressing energy needs in rural and remote areas with no power infrastructure, where small-scale, distributed renewable energy technology is appropriate (Annex M.2, Annex N). A strong focus on mini-grid systems is consistent with SREP's focus on productive uses. Some project approaches are especially innovative; in Nepal and Honduras, SREP is strategically combining efforts to increase electricity access with increased access to clean cook stoves, which has the potential for important positive outcomes for women.

Exhibit 4-13: Distribution of SREP Endorsed Funding (in Million USD)

SREP Investments	Ethiopia	Honduras	Kenya	Maldives	Mali	Nepal	Tanzania	Liberia	TOTAL	%
Investment in Off-Grid / Distributed Technologies										
Mini-Grid (Hydro, PV, Wind)	-	-	10	-	15.5	7	15	41.7	89.2	72%
Distributed PV Tech	4	7	-	-	-	5	9	5.8	30.8	25%
Cooking Technology	-	3	-	-	-	-	-	-	3	2%
Off-Grid Total	*4*	*10*	*10*	*-*	*15.5*	*12*	*25*[a]	*47.5*	*124*[a]	*36%*
Investment in On-Grid Renewable Energy										
Geothermal	26	-	40	-	-	-	25	-	91	44%
Wind	20	-	-	-	-	-	-	-	20	10%
Solar PV	-	-	-	-	12	-	-	-	12	6%
PV/Wind Mixed	-	-	-	23.5	-	-	-	-	23.5	11%
Hydro	-	17	-	-	10	20	-	--	47	23%
Waste/Biogas	-	-	-	5	-	8	-	-	13	6%
Grid-Tied Total	*46*	*17*	*40*	*28.5*	*22*	*28*	*25*	-	206.5	*61%*
Enabling Environment/Other[b]										
Enabling Total	-	*3*	-	*1.5*	*2.5*	-	-	*2.5*	*9.5*	*3%*[a]

Source: Data compiled from SREP investment plans.

[a] Includes $1 million for a project preparation grant for Tanzania.

[b] Many of the country investment plans include enabling and capacity building activities in the project rather than separately. An additional $10 million in funding for capacity building was included in project line items. Therefore at least 6% of SREP funding has been slated for activities to support the enabling environment.

A programmatic approach. All SREP investment plans include funding for capacity building of key stakeholders and institutions and advisory services to support policy changes; this programmatic approach is a key difference between SREP—which focuses on low-income countries—and CTF. Approximately 6 percent of SREP funding has been slated for these activities. A review of SREP investment plans shows emphasis on building capacity of relevant local actors and on support for regulatory and policy changes. Components in Kenya and Nepal are aimed at strengthening governance and institutional capacity, as well as Nepalese banks and manufacturers. A component of the Honduras investment plan focuses on support to develop policies, laws, and standards to enable the integration of renewables in the energy sector and catalyze private investment, while in the Maldives, SREP technical assistance to develop the feed-in tariff regime and standardized power purchase agreements can address key market failures and enable scale-up. In Liberia—in the absence an adequate legal and regulatory framework—a regulation-by-contract approach is being initially sought, with the expectation that additional regulatory, planning, and policy support will follow. In adopting these programmatic approaches, SREP plans have been responsive to Program objectives.

5. Across the CIF Programs: Cross-cutting Issues

This chapter explores the following cross-cutting issues: investment plan development and country-level coordination, private sector engagement, leverage, and balancing climate and development benefits (including gender equity).

5.1 Investment Plans and Country-level Coordination

KEY FINDINGS

- Strong government leadership and good integration with national policies was found in most CIF recipient countries.
- CIF consultations in most fieldwork countries were perceived by stakeholders as information-sharing rather than real opportunities to influence the direction of the plan, or to actively participate in decision-making. Broader ownership of CIF investment plans appears compromised in about half of these countries.

5.1.1 Country Ownership and Coordination

Government leadership and MDB collaboration. Review of investment plans[118] and joint mission reports, plus fieldwork and interviews, suggests strong government leadership and good integration with national policies in most CIF recipient countries. Nearly all CIF investment plans document alignment with national development and climate strategies. In fieldwork, most government officials felt that their country's investment plan reflected national priorities; for example, in Morocco, the government played a strong role in selecting wind and CSP interventions. This being said, there is weak policy alignment in a few recipient countries, such as Kazakhstan, where the CTF investment plan is not linked clearly with national climate strategies or the Nationally Appropriate Mitigation Actions (NAMA). In Nepal, where views are split on whether SPCR aligns with the NAPA, some stakeholders see recent changes in SREP programming as moving away from fulfilling national objectives.

Exhibit 5-1: CIF Programming Objectives

The CIF programming process is intended to bring strong country ownership and leadership to CIF-funded activities, while building on the MDBs' abilities to mobilize climate financing at-scale, assist in building country-level capacity, and leverage partnerships. This process reflects the CTF and SCF founding principles that "activities financed by the fund should be based on a country-led approach and should be integrated into country-owned development strategies, consistent with the Paris Declaration."

Sources: The Clean Technology Fund. June 9, 2008; and Strategic Climate Fund. June 3, 2008.

Fieldwork in countries participating in multiple CIF Programs (i.e., FIP and CTF in Indonesia and Mexico, and PPCR and SREP in Nepal) suggested minimal coordination or synergies between the Programs, apart from the involvement of the finance ministry. However, no negative implications of this lack of coordination were raised.

MDB collaboration to support country-led programming is a unique feature of the CIF; 80 percent of all endorsed investment plans have been prepared with the support of two or more MDB partners (see Annex I.1). Evidence indicates most countries visited experienced effective collaboration between MDBs and the

[118] Fifteen of 16 CTF investment plans explicitly mention coordination with national climate plans or strategies, while thirteen out of the fourteen CTF investment plans containing renewable energy generation projects link those projects to national strategies or action plans. All of the SPCRs developed by least developed countries explicitly mentioned coordinating with or building on their National Adaptation Programmes of Action.

government and among MDBs during plan development; in the Latin American and Caribbean countries visited, MDBs had initial disagreements about their roles in the early part of the investment planning process, but the resulting investment plans are still well-coordinated. Fieldwork suggested that SPCR development benefited from a local MDB presence in terms of capacity building and coordination.

Capacities varied significantly among countries visited for the evaluation; for example, while Mexico has advanced capacity for planning an investment plan, in the Democratic Republic of Congo, the FIP plan was one of the first investment plans ever prepared in-country. In lower capacity countries, such as the Democratic Republic of Congo and Mozambique, there was a greater dependence on international technical assistance, including from the MDBs, to support investment plan development.

CIF implementation coordination. The evaluation found some positive examples of coordination. Many stakeholders see the Democratic Republic of Congo's FIP coordination office as potentially strong. The inclusion of leaders of two Amazonian indigenous peoples' groups on Peru's FIP Steering Committee has bolstered coordination. Mexico uses existing and well-regarded coordinating bodies and mechanisms.

Elsewhere, the evaluation found little evidence of effective coordination in countries at the CIF Program level. Several factors weaken coordination, illustrated by these examples:

- *Lack of clear roles and responsibilities.* In Kazakhstan, responsibility for CTF coordination was shifted among ministries several times, and agencies were unaware of each other's activities. In Mozambique, responsibility for PPCR coordination was changed in a way that did not inspire confidence in implementation coordination capacity.
- *Ineffective coordinating unit.* In Indonesia, the FIP Steering Committee does not hold regular meetings and operates in parallel, without coordination with other REDD+ coordination groups.
- *Different agencies administer donor funds.* Agencies that are responsible for PPCR often do not serve as the focal point for other adaptation funds, such as in Mozambique and Nepal.[119]

Countries with locally-based MDB technical staff that are engaged in CIF activities have stronger coordination (although in several countries, evaluators met with in-country MDB staff who had limited or no awareness of CIF activities).

5.1.2 Stakeholder Participation

MDB policies on consultation do not apply to CIF investment plan development. Instead, governments and consultants work with MDBs to define plans for stakeholder engagement during the investment plan development process, drawing on MDB and country procedures and CIF guidelines.

SCF Program-level guidance is more inclusive than CTF guidance on expectations for stakeholder groups that should be consulted, such as relevant UN and other development partners, private sector, and civil society. PPCR, SREP, and FIP also explicitly name local communities and indigenous peoples, and PPCR and FIP explicitly name women or women's groups. In contrast, CTF guidelines indicate a role for consultation with government, private industry, and development partners; no role is stated explicitly for civil society.

With the exception of FIP, CIF guidelines do not assign explicit roles for broader stakeholders to influence and share control over the development of investment plans or decision-making processes, nor do they elaborate on what constitutes effective or meaningful consultation (see Annex I.2). FIP is the exception; it calls for a multi-stakeholder national steering committee that includes representation from subnational authorities, indigenous

[119] Although efforts are underway in Nepal (outside of the PPCR) to develop a common adaptation framework for the most significant programs.

peoples, private sector, and civil society, and suggests that the outcome of effective stakeholder engagement would be "consensus reflecting broad community support." The joint UN-REDD and FCPF guidelines for stakeholder engagement provide also detailed steps for planning and implementing effective consultations.[120] Section 3.3.3 discusses FIP guidelines and FPIC.

CTF plans were mostly developed without wide stakeholder consultation. Governments, MDBs, and some development partners have been engaged in the development of all CTF investment plans, but about 80 percent of the original CTF investment plans were developed without consultation with civil society and about 60 percent were developed without consulting the private sector.[121] CTF guidelines do not require broad-based consultation, and no funding is provided to prepare investment plans (unlike for SCF). Civil society and private sector were consulted in about half of subsequent CTF investment plan revisions. In three of five CTF countries visited, the methods of engagement (meetings and Web-based comment opportunities) were perceived as information-sharing[122] or were seen as not influencing the direction of the investment plan. There were procedural shortcomings in meeting organization. The evaluation team did not find evidence that consultations made a substantial impact on the design of investment plans in the fieldwork countries.

In SCF, stakeholder engagement during investment plan development has been more inclusive than in CTF, but in almost all countries visited there were concerns about the quality of engagement. Development partners were engaged everywhere. Civil society and private sector groups were engaged in investment plan development in all SCF countries visited, although in nearly all countries concerns about the inclusiveness of consultations arose, particularly about women and indigenous peoples. Women and women's organizations were included in consultations for half of PPCR and FIP investment plans,[123] but none of SREP's joint mission reports or investment plans explicitly reported consultation with women's groups. In fieldwork, some concerns were raised related to language issues, the way consultations were organized and managed, how stakeholder comments were addressed and incorporated, and the transparency of decision-making. Misunderstandings about the purpose of the consultations and the rules that applied to them also led to frustrations among CSOs, especially in Indonesia. Fieldwork also found little evidence to indicate established multi-stakeholder decision-making processes or consultation processes that substantially affect the design of the investment plans.

In about half of the countries visited, despite concerns about the consultation processes, broader stakeholders (including civil society, private sector, and indigenous peoples, in some cases) still generally recognize the investment plan as relevant and important. In the other half of countries visited, there was mixed stakeholder support for the final investment plan (see Annex O).

[120] UN- Reduced Emissions from Deforestation and Forest Degradation (REDD) and FCPF. 2012. Guidelines on Stakeholder Engagement in REDD+ Readiness with a Focus on the Participation of Indigenous Peoples and Other Forest-Dependent Communities. April 20, 2012.

[121] Based on a review of CTF investment plans and publicly posted joint mission reports, corroborated by fieldwork in the four CTF countries visited. This analysis faced several limitations, including the fact that about 40 percent of investment plans made no reference to consultation and only a quarter of the CTF joint missions have posted completion reports.

[122] For example, information about the investment plan being presented to the stakeholders

[123] IUCN. 2013. Gender Review of the CIF. March 11, 2013.

5.2 Private Sector Engagement

KEY FINDINGS

- SCF fieldwork suggests the need for a more realistic and better assessment of the varying maturity and needs of the private sector, especially in low-income countries.
- The CIF's government-led investment planning process has prioritized public sector over private sector investments. The length of the planning process has undermined private sector engagement.
- The pooling of grant and loan contributions within the CTF (i.e., contributors with different risk preferences) has meant that potentially innovative, but risky approaches and tailoring financing to private sector needs have been curtailed.

The design of the CTF and SCF both acknowledge the significant role of the private sector in climate change mitigation and adaptation. Many contributor countries see private sector engagement as a key justification for their participation in the CIF. This section first considers the ways in which the CIF engages with the private sector, followed by the implications of the CIF programming process and operational rules for private sector engagement.

5.2.1 How the CIF engages the private sector

The private sector is engaged with the CIF through three major channels: (1) direct or intermediated finance to private sector entities through the MDBs' private sector windows; (2) public-private initiatives or partnerships (PPP); and (3) providing private co-financing for components of public investment projects. The CIF can also provide indirect support through public- and private-channeled interventions that improve the enabling environment for private investment (e.g., by tailoring the regulatory environment or reducing risk).

Direct or intermediated finance through the MDB's private sector windows. To date, many CTF programs in this first channel have been implemented via financial intermediaries.

- **Clean Technology Fund.** Whether financial intermediary projects will be transformational will depend largely on whether other financial intermediary institutions replicate the investments. On this important point, project documents assert, based on experience in other markets, that demonstration will lead to replication. An example is Colombia's project proposal for its sustainable energy finance program that states "experience in other markets [...] demonstrates that once a few strategic [financial intermediaries] enter the market and establish themselves as market leaders, other [financial intermediaries] will follow suit as they recognize the viability and value that sustainable energy financing products can bring to their business."[124] Project proposals also highlight the importance of knowledge management components to crowd in financial intermediaries.

  Turkey's experience provides some early evidence. CTF disbursement through financial intermediaries has been quick in Turkey; reflecting a mature market where certain conditions have been met, such as legislative framework (Energy Efficiency law, and regulation on *Increased Energy Efficiency in the Use of Energy Resources and Energy*) and a robust banking system. The scaling-up potential is highlighted by

[124] IFC and IDB. 2013. CTF Private Sector Proposal: A Joint Submission from IFC & IDB. Colombia Sustainable Energy Finance Program. Available at: http://www.climateinvestmentfunds.org/cif/sites/climateinvestmentfunds.org/files/C_sef_PID_120710.pdf

one MDB citing requests from 10 financial intermediaries for loans to support sustainable energy finance business, without CTF concessional support.

Nonetheless, for many intermediaries, CTF loan disbursement has been restricted to existing clients. Although this reflects risk management as experience was gained, fieldwork suggested that short CTF disbursement windows[125] limited the willingness of some financial intermediaries to look beyond their pipeline of projects and existing client base, which may limit the visibility and interest in sustainable energy finance outside the financial intermediaries' core customer base in the short term.

- **Strategic Climate Fund.** Fieldwork suggests the need for a more realistic and better assessment of the varying maturity and needs of the private sector, especially in low-income countries. In PPCR pilot countries in Africa, earlier assumptions in the SPCRs about the readiness of firms to boost resilience investments have not been borne out largely due to the underdeveloped private sector and limited awareness. In Mozambique, for example, there was recognition of significant difficulties in identifying suitable or interested firms, and a decision to begin with advisory services that support capacity building to help identify investment opportunities in the future. In Nepal, IFC is designing its first risk-sharing facility to address local banks' constraints to provide climate resilient lending; early indications are promising.

  Limited evidence from SREP fieldwork suggests mixed outcomes in terms of removing barriers to private sector engagement. In Ethiopia, the development of a geothermal strategy for Ethiopia recognizes and seeks to address an important barrier to the private scale-up of geothermal, namely the government's lack of experience purchasing electricity from independent power producers. In Nepal, the small hydropower finance program aims to encourage and enable local banks to provide long-term debt financing to small hydropower developers, by extending the tenor of loans and implementing a currency-hedging mechanism. Interviews with local banks, however, suggested that they already provide loans for hydropower deals with longer tenors and the main obstacle for developers is a lack of equity.

  FIP investment plans are generally scarce on the details of mechanisms and incentives for steering private sector investment into sustainable forest management, and neither present nor emphasize the need for a clear business case for private sector involvement. External challenges have not been well considered within the investment plans, and the detailed options open to the private sector are not well presented with an exception of Brazil and Mexico. Mexico represents a unique and more positive case because its investment plan was designed with a clear intention of boosting private investment in the forest sector through facilitating the participation of private actors in the forest sector. Elsewhere, FIP fieldwork revealed in general limited interest from the private sector and significant challenges ahead in terms of mobilizing private sector know-how and capital. In the Democratic Republic of Congo, the private sector appears to be interested in principle in a FIP financing window, but there are major challenges in mobilizing concessional loans and guarantees and extending credit lines due to lack of credit rating, high country risks, and insecure land tenure. In Indonesia, consultations with private sector revealed littler interest in participating in FIP, and a significant dilemma arising from IFC's exclusion criteria applied to companies that have a poor credit track record or that have implemented past activities that have led to deforestation, and the reality that, in Indonesia, it is difficult to find qualified companies.

[125] CTF agreements made by the MDB's required that financial intermediaries disburse CTF funds within a fixed timeframe; typically less than two years; although for one intermediary it was six to nine months. One intermediary noted that they needed to pay a commitment fee if they failed to disburse.

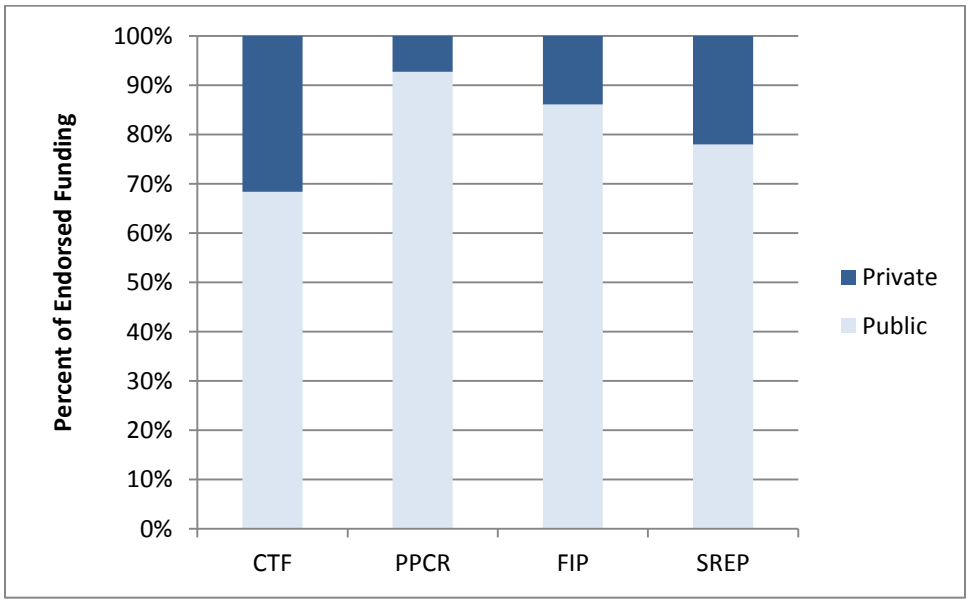
Leveraged private sector finance via public sector investment projects. Only CTF and SREP endorsed investment plans envision private co-financing for public sector interventions (in the project itself). At endorsement, it was anticipated that 31 percent of total financing for CTF public sector projects and 14 percent for SREP would be provided via private co-financing. The share of private finance in the total ranges from 12 percent in the Morocco CSP project to 78 percent in the Mexico Renewable Energy Program. No clear sectoral pattern emerged; energy and transport projects both attracted private capital.[126]

Several CIF public sector projects use PPP models to engage the private sector; Morocco's Ouarzazate CSP project is a particularly successful example. This PPP represents one of the most ambitious in the region and has the potential to demonstrate the effectiveness of the PPP model and develop precedents for complex contractual arrangements. The public Morocco Agency for Solar Energy has a 25 percent stake, with the remainder held by a consortium of private developers selected through a competitive bidding process. Morocco's experience highlights the importance of public support (including a track record for honoring contractual arrangements) before private sector actors are willing to invest.

5.2.2 Implications of the CIF programming process for private sector engagement

The CIF's country- and government-led programmatic approach to investment planning has resulted in most funding being directed at public-sector interventions (Exhibit 5-2). Interviews and fieldwork suggest strong incentives for public agencies to capture CIF resources. In retrospect, greater foresight in the design of the CIF, based on the GEF's similar experience with diminishing private sector engagement following the implementation of a new resource allocation system, could have avoided this capture.[127]

Exhibit 5-2: Endorsed Funding Directed at Public and Private Sector Interventions



Source: CIF Project Database, as provided by the CIF AU on December 3, 2013.

The Joint CTF-SCF TFC has not articulated a preferred division of funding, although it has urged countries and MDBs to allocate an increased share to direct private sector investments. On one hand, this strategy supports

[126] De Nevers, Michele. 2013. Private Funding in Public-led Programs of the CTF: Early Experience.

[127] This finding was documented as early as October 2008, in public drafts of the Mid-Term Review of the GEF Resource Allocation Framework, prior to the design of the SCF programs. See for example: GEF Evaluation Office.2008. Mid-Term Review of the GEF Resource Allocation Framework (Full Report). GEF/ME/C.34/Inf.2. October 30, 2008.

greater engagement of private capital in CTF; at the time of investment plan endorsement, the anticipated ratio of CTF funding to private sector co-financing is nearly 1:5 for private-led interventions, versus 1:3 for public-led interventions. On the other hand, in PPCR, no public sector projects and only two private sector programs are anticipated to attract private sector co-financing (one of which has faced significant challenges in identifying a private sector partner). This broad directive has also not been reconciled with the relative capacities of the private sector across the CIF Programs, or country-level assessments of the barriers to private sector engagement.

Public sector interventions can lay the groundwork for future private investment by addressing the regulatory framework or investing in complementary infrastructure. For example, in the Maldives, SREP public-channeled technical assistance to develop the feed-in tariff regime and standardized power purchase agreements will address key market failures dampening private investment. In Morocco, CTF-financed electricity transmission infrastructure will allow private power producers to sell wind power into the grid. And in many FIP countries, indirect support for private sector engagement, including through policy and legal and land-tenure related reforms, will be important building blocks. Some of these public-sector investments may ultimately catalyze more private sector involvement than direct private sector investments.

The lengthy investment plan approach has undermined private sector engagement. Some private-sector clients engaged at the planning stage were not willing to wait and walked away. In other cases, market conditions changed dramatically resulting in the loss of the originally anticipated projects. In addition, having solid assurance that funds will be available is important when approaching potential clients and beginning to structure financial packages; getting TFC approval provides the necessary assurance but takes more time, presenting difficulties for engaging private clients.

The CIF have reacted to the perceived under-allocation of private-sector funds in the investment plans, as well as the timing issue, by setting up a dedicated private-sector program for CTF and private-sector set-asides for the three SCF Programs. The intent is that these programs have a complementary approach to the investment plan development process, which offers on-demand financing for private-sector programs that align with countries' existing investment plans and priorities. While still nascent, the set-asides already have proven to be faster. However, the set-asides do not address some of the fundamental issues related to risk tolerances that have contributed to limiting the use of innovative instruments.

5.2.3 Implications of the CIF operational guidelines

The specifics of CIF operational procedures for private sector deal structuring, as well as differing risk sensitivities of CTF TFC members stemming from different methods of fund capitalization, have contributed to a limited use of innovative financial instruments.[128] For example, allowing the use of subordinated positions vis-à-vis MDB loans and commercial lenders was seen as a particular improvement for the CIF among global climate funds in terms of private sector engagement,[129] but CIF operational procedures and differing risk sensitivities have made it more difficult in practice to subordinate CTF funds to MDB funds.

Some incremental improvements for deal structuring have been made. The CTF and SCF TFCs approved proposals for the use of local currency lending,[130] which is seen by many as essential to engaging with the private sector, and in particular with small-and medium-sized enterprises. These approvals should help move forward five private sector projects that had been approved by the CIF committees but not as of yet by the MDB

[128] To date, the majority of private sector projects have been implemented using project finance loans, although two projects have used guarantees or risk sharing facilities. As of mid-2013, no CIF projects have used equity.

[129] In other words, CTF funds would have a lower priority claim on assets than the more senior lending; by taking this risk, the CTF could hope to stimulate investments that might not otherwise be funded.

[130] The MDBs have a variety restrictions that vary by institution, including internal legal or charter restrictions, that prevent them from bearing the risk of the CIF Trust Funds when lending in local currency.

boards. Negotiation of the use of local currency has been complex and protracted in the CTF, due to concerns that potential losses on local currency loans due to exchange rate fluctuations could impact the CTF Trust Fund's ability to repay donors that contribute loan.

5.3 Leverage

KEY FINDINGS

- The CIF generally have expressed "leverage" as a ratio of CIF funding to non-CIF project funding, often using language that misleadingly implies that the CIF funding attracted or catalyzed the rest of the project funding. The CIF should develop a realistic understanding of when and why it has actually mobilized other finance as a consequence of its investments.
- It is difficult to precisely determine whether the CIF has in fact mobilized additional financing, but for many projects, fieldwork raised questions about the CIF's role in mobilizing additional project finance, as well as whether projects would or would not have happened without CIF funding

Exhibit 5-3: Defining Leverage, Co-finance and Additionality

The terms "leverage" and "additionality" are commonly used in climate finance discussions. Different actors use these terms differently, and no standard definition or methodology exists (Brown et al. 2011; OECD 2013). The CIF have not adopted an official definition of "leverage," nor has the UNFCCC.

Leverage—The evaluation adopts the definition that *resources are leveraged when a CIF investment contributes to crowding-in or catalyzing the investment of new and additional funds*. While the evaluation primarily looks at leverage during the lifetime of a project, it should also be acknowledged that some projects might leverage private co-financing only after a project has been completed. For example, an infrastructure project such as the construction of transmission lines for wind power in Egypt might reasonably be expected to catalyze private finance *after* the lines are built.

Co-finance—The CIF often uses the term "leverage" interchangeably with "co-financing." For the purposes of this evaluation, leveraged resources are not necessarily equated with co-financing. While the CIF have not adopted an official definition of co-financing, this evaluation understands co-financing to mean project resources that are committed by associated non-CIF sources, including public and private sector sources, carbon finance, and bilateral and multilateral development partners, to meet the broader project objective (i.e., not only the objective of the CIF funding).

Additionality—In this evaluation, the concept of "additionality" is related to leverage, but is distinguished as supporting public and private activities that likely would not otherwise have taken place.

Sources: Brown, J., B. Buchner, G. Wagner, and K. Sierra. 2011. Improving the Effectiveness of Climate Finance: A Survey of Leveraging Methodologies.; OECD. 2013. Comparing Definitions and Methods to Estimate Mobilised Climate Finance. Climate Change Expert Group Paper No. 2013(2). Authored by Randy Caruso and Jane Ellis (OECD). May 2013.

The CIF generally have expressed "leverage" as a ratio of CIF funding to non-CIF project funding, often using language that implies that the CIF funding attracted or catalyzed the rest of the project funding, without substantiating those implications.[131] The implication that CIF funding has "leveraged" all non-CIF project funding is misleading. CTF and SCF both have key objectives to leverage financing, but the term "leveraging" has cross-pollinated with the concept of "co-financing" in the CIF vernacular, without the Joint CTF-SCF TFC adopting an official definition of either term.

[131] The 2013 CIF Annual Report cites financial leverage ratios using this formula, and states that "CIF funding is attracting significant co-financing from other sources."

The CIF may play an important role in financing a project, regardless of whether it leverages additional financing. However, for learning purposes—and to maximize future leverage—it is important for the CIF to have a robust and realistic understanding of when and why it has actually mobilized private sector and other finance as a consequence of its strategic investments.

It is difficult to precisely determine what contribution the CIF has made to securing or catalyzing additional project financing. For many projects investigated through fieldwork, questions were raised about the CIF's role in mobilizing additional project finance, as well as whether those projects would or would not have happened without CIF funding. In some projects, the CIF seem to have effectively leveraged financing; for example, in Turkey, approximately $150 million of CTF and $800 million in MDB funds have helped leverage over $500 million in private funds for renewable energy and energy efficiency investment by supporting financial institutions in building sustainable energy lending businesses. In other projects, CTF concessionality appears to have been an important factor in leveraging private sector funds, but the role of CTF in mobilizing other project financing, including from governments and MDBs, is less clear.

Exhibit 5-4: Benchmarking Co-finance

The ratio of total endorsed CIF funding to anticipated non-CIF funding is 1:7.8 CIF-wide. Among CTF TFC-approved projects as of June 30, 2013, the ratio of CTF approved funding to non-CIF funding is 1:6.7. GEF-4/5 full-sized projects in the climate change focal area have an average co-financing ratio of 1:13.2; the GEF and CIF ratios must be cautiously compared, given the GEF's inclusion of China, which produces higher co-financing ratios on average.

Sources: GEF. 2013. Strategic Positioning for the GEF. GEF/R.6/19. November 20, 2013.

Fieldwork, interviews, and the project lead survey emphasized the importance of CIF funding for moving projects forward. Nearly three-quarters of CIF project leads believed that their project would not have proceeded without the addition of CIF funding. In Morocco, CTF concessionality was critical for attracting and securing private sector involvement in the Ouarzazate CSP project. Fieldwork did identify cases in which it was difficult to firmly establish the additionality of CTF funds.[132] For example, CTF financing for the Mexican Urban Transport Transformation Program has been redirected to finance the purchase of natural gas buses and ancillary investments, which is also done by public and private Mexican banks (although the transport program represents a new project finance modality for bus rapid transit in Mexico).

In FIP, evidence suggests limited leverage and potentially some crowding out of recipient country funding (which may partially reflect strong competition for domestic funds). Fieldwork found some hesitancy among development partners to commit co-financing to FIP, and little evidence of attracting major investments from the private sector. The recently endorsed FIP private sector set-aside projects represent an opportunity for improved engagement. A survey of FIP MDB project leads found varied opinions; about half of those surveyed felt that CIF funds catalyzed additional contributions from recipient country governments and private sector, while half did not. About a quarter of FIP project leads surveyed believe that CIF funds crowded out recipient country funding.

[132] This evaluation's survey of CIF MDB project leads found about 9 percent of CTF project leads felt CTF financing had crowded out private-sector financing (see Annex P).

5.4 Balancing Direct Climate Benefits and Broader Development Benefits

KEY FINDINGS

- The CIF have not devised a way to explicitly manage the trade-offs between climate and broader development benefits.
- Development benefit indicators have been removed from the core national and Program performance indicators in CTF and SREP results frameworks, although they are still required at the project-level.

Despite clear climate and development benefit objectives (see Annex F), the CIF have given mixed operational messages about the relative importance of direct climate-related and broader development benefits.[133] A confounding issue is that the CIF lack clarity on what constitutes a development versus a climate benefit. Discussions in CIF governing bodies have increasingly focused on development benefits. Some contributor countries noted the increasing importance of demonstrating development benefits to garner support for fund contributions. Several documents and decisions reflect a preference for a stronger focus on development benefits, including the CIF 2010 Strategic Environmental, Social and Gender Assessment, the CIF 2011 Measures to Improve the Operations, and the 2012 decision to require all CIF-financed projects to include at least one development impact indicator.[134] In interviews, MDBs also noted increasing pressure from certain TFC contributors to demonstrate co-benefits in funding proposals, particularly poverty reduction and gender considerations.

Exhibit 5-5: CIF Climate and Development Tradeoffs

The CIF face genuine tradeoffs between climate and broader development benefits. In the CTF, for example, appraisals of bus rapid transit and CSP projects illustrate a tradeoff among wider development benefits, shorter-term climate benefits, and transformational change. CSP arguably offers fewer direct development benefits compared to bus rapid transit. Yet both CSP and bus transit are defensible choices. In interviews, many stakeholders highlighted CSP as exemplifying the CIF transformational purpose: large CIF investment may help reduce the cost of this technology over time. This support has translated into funding; 21 percent of CTF funding has been endorsed for CSP, compared with 15 percent for transport.

Other project types offer potential win-win scenarios; the World Bank's Independent Evaluation Group (2010), for example, shows that many energy efficiency projects promise both higher carbon-reduction benefits and higher non-carbon economic benefits than wind power investments.

At the same time, to streamline indicators, the CIF have removed development benefit indicators from core national- and Program-level performance indicators in CTF and SREP results frameworks.[135] This is partly a response to the challenge of aggregating development benefits because they are often project specific. Regardless, the implication is an approach to results measurement that cannot track development benefits at the country-, Program-, fund- or CIF-level. For SREP and CTF, development benefits are expected to be described in project documentation at the project output, outcome, and impact levels, so that ex-post evaluations can assess achievements. To date, no mandate or resources have been given to assess development benefits explicitly at the CIF, fund, or Program level.

CTF, FIP, and SREP operational documents also lack guidance on how to manage trade-offs between direct climate benefit and broader development benefit priorities, as shown in Exhibit 5-6. In PPCR, integrating climate

[133] CIF operational documents use the terms co-benefits and development impacts interchangeably. This evaluation uses the term "development benefits," which should be understood to broadly cover environment, health, economic, and social co-benefits.

[134] CIF. 2012. Note on Development Impact Indicators. CTF-SCF/TFC.9/5/Rev.1.

[135] For CTF: comparing December 2012 and November 2010 versions of the results frameworks. For SREP: comparing June 2012 and October 2010 versions of the results frameworks. The FIP results framework is still under development, but themes for annual reporting were approved in 2013 and include development benefit performance indicators.

resilience into development planning is the objective, and thus prioritization is expected to be based on national development priorities.

Exhibit 5-6: Consistency with Operational Guidance on Development Benefits

Program	Operational Guidance	Results
CTF	Operational documents suggest that projects with greater development benefits and projects with greater emissions reductions potential should both be prioritized, without guidance on how to handle trade-offs. [136]	Lacking guidance, recipient countries and participating MDBs prioritize at the *investment plan level* based on their own strategic or practical considerations. Evidence is scant that CTF has systematically prioritized investments with higher co-benefits; most investment plans justify selected interventions as high potential for GHG emission reductions at a reasonable cost, and six of the 16 CTF investment plans make no mention of poverty alleviation or support for low-income groups as a rationale for selection, while many others reference vague poverty reduction implications. At the *project-level*, 27 of 28 CTF projects under implementation have defined co-benefit indicators. It cannot be determined whether this reflects CIF priorities or is just broadly consistent with the MDBs' objectives as development institutions.[137]
FIP	One of FIP's investment criteria is "integrating sustainable development (co-benefits),"[138] but guidance is unclear on how to set priority among development benefits or manage trade-offs.	Most FIP investment plans describe how they will provide co-benefits to the livelihoods and human development of forest-dependent communities, including indigenous peoples and local communities. All seven plans name poverty reduction, gender impacts, and livelihoods or job creation among social and development co-benefits. All seven plans also name environmental co-benefits related to biodiversity, soil/agriculture, water conservation, and climate resilience or adaptive capacity. Evidence from fieldwork, however, suggests that FIP investment plans give insufficient consideration to challenges, risks, and trade-offs to achieve these development benefits. They lack sufficient detail to describe a logical theory of change on how to achieve development benefits.
SREP	Operational guidelines do not suggest that projects with greater development benefits be prioritized, but a discussion of co-benefits is required for project briefs.	Three SREP investment plans mentioned development benefit criteria as a basis for prioritization for potential interventions, one of which did so explicitly. All seven of the endorsed plans identified environmental, health, and social development benefits.
PPCR	Integrating climate resilience into development planning is the objective, and thus prioritization is expected to be based on national development priorities.	All SPCRs document how they align with national development and climate strategies.

[136] Clean Technology Fund Investment Criteria for Public Sector Operations. February 9, 2009; Clean Technology Fund Guidelines for Investment Plans. August 6, 2009.

[137] The principal indicators (by frequency) were: income generation and employment (21 percent), private sector growth and support (16 percent), reduced pollution and improved health (14 percent), household benefits such as improved access to energy, cost savings, improved comfort (heating and air conditioning), and, increased reliability of energy supply (10 percent).

[138] FIP: Investment Criteria and Financing Modalities. June 29, 2010.

5.5 Gender

KEY FINDINGS

- Some work remains to ensure gender issues are mainstreamed in CIF planning, and fieldwork uncovered several instances where gender considerations did not carry through to investment projects. Recent governance and management actions are a positive step forward.

The CIF began in 2008 without an explicit gender focus,[139] and early attention to gender was inadequate, as a recent external CIF gender review has shown.[140] As noted above, no CTF or SREP countries and just half of PPCR and FIP pilot countries included women's organizations in investment plan consultations.[141] Of the CTF investment plans endorsed in 2009 and 2010, 15 percent mentioned gender; both CTF plans endorsed in 2011 and 2012 mentioned gender. All of the PPCR, FIP, and SREP investment plans reviewed by the 2013 Gender Review also mentioned gender. The first countries that developed their SPCRs showed limited uptake of gender; later countries described gender issues in more detail. For example, Dominica, Samoa, and Tonga stand out as having particularly gender-sensitive SPCRs.

Fieldwork showed risks to follow-through during implementation. For example, in Mozambique, the SPCR makes multiple references to a national gender strategy, but fieldwork suggested that the gender considerations were not shared by relevant ministries or the planning agency, and gender considerations did not carry through to investment project development. In Mexico, despite attention paid to gender issues in FIP project appraisal document, during fieldwork, the majority of interviewees still felt that gender was not being properly addressed.

Recent governance and management actions are a positive step forward; the CIF AU recently hired a gender specialist to produce and execute an action plan to support gender-related collaboration among the MDBs, among other responsibilities, and MDBs have committed to including a gender specialist in future joint mission teams. Gender is an important area for joint efforts and sharing of experiences, given that global knowledge on gender issues in some CIF project contexts is at an early stage. For example, an International Union for Conservation of Nature (IUCN) study found an insufficient state of global knowledge on gender in the context of large-scale renewable energy;[142] a new study is underway to address this gap.[143]

[139] Neither the CTF nor the SCF governance frameworks make reference to gender issues, and CIF has no gender policy. At a fund and program level, CTF guidelines do not address gender issues. PPCR joint mission guidelines and FIP investment criteria require consultation with women during joint missions. The SREP design document lists the "greater involvement and empowerment of women and other vulnerable groups" among its design principles. *Sources:* CTF Guidelines for Investment Plans, August 6, 2009; Guidelines for Joint Missions to Design PPCR Programs, June 18, 2009; FIP: Investment Criteria and Financing Modalities, June 29, 2010; Design Document for SREP, June 1, 2009.

[140] IUCN. 2013. Gender Review of the CIF. March 11, 2013.

[141] IUCN. 2013. Gender Review of the CIF. March 11, 2013. SREP based on review of joint mission reports and investment plans.

[142] IUCN. 2013. Gender Review of the CIF. March 11, 2013.

[143] IUCN/USAID, Global Consultation on Gender and Large-Scale Renewable Energy, forthcoming 2014.

6. Conclusions and Recommendations

The CIF have mobilized almost $8 billion for climate related investments, making CIF the world's largest climate fund. Planned and ongoing CIF investments have potential for mitigating greenhouse gas emissions, boosting energy supply and efficiency, building resilience, and improving forest management. The CIF have done so with genuine government leadership and integration with national policies while also spurring greater cooperation among the MDBs. And while it is not surprising that some high-capacity countries were faster to engage, some lower-income countries have worked with the CIF to develop promising, coherent investment plans.

Stakeholders expected the CIF to simultaneously address multiple and sometimes competing objectives. They wanted fast disbursement, quality control and accountability for plan and project design and execution, quickly demonstrable results, transformative impacts, benefits for both climate and development, private sector engagement, policy mainstreaming with improved coordination among national agencies and between donors, consultative and inclusive national planning approaches, detailed monitoring and reporting, and more. The CIF experience in confronting these many trade-offs provides lessons relevant to the future of the CIF, the GCF, and other channels of climate finance and action.

This chapter is not a comprehensive summary of the evaluation, but gathers major actionable findings with recommendations for the CIF and considerations for the GCF. Exhibit 6-1 provides a brief summary of these points. It is important to recognize the formative nature of this evaluation. The CIF have developed investment plans for 48 recipient countries, but only 38 percent of pledged funding has been allocated to projects in implementation, and only 9 percent has been disbursed. So this assessment focuses on the organizational effectiveness of the CIF, and on prospects for development effectiveness and climate impact as indicated by plan and project design, and by early implementation experience.

On the role and future of the CIF

The CIF were established in 2008 in response to a perceived urgency to address climate challenges with significant financing. They were conceived as an interim measure pending the effectiveness of a UNFCCC-agreed financial structure, and were designed to demonstrate and deploy transformational actions to mitigate and adapt to climate change. Since then, the climate finance landscape has evolved, with the decline of the carbon market and the emergence of the GCF.

The evaluation finds that, although operating outside the guidance of the UNFCCC, the CIF have achieved legitimacy in design through balanced and inclusive governance and through inclusion of a 'sunset clause.' That clause requires each of the CIF to "to conclude its operations once a new financial architecture is effective," with the proviso that they may decide to continue operations "if the outcome of the UNFCCC negotiations so indicates." If the CIF were to conclude operations in the very near-term, some recommendations would not apply.

As a new financial architecture emerges in the form of the Green Climate Fund, strategic and operational uncertainty has emerged about the future of the CIF. There are pressures for the CIF to continue and expand. Additional countries are keen to join the CIF; criteria for expansion are being discussed in all Programs, new funding has been committed by some contributors; new countries are being solicited under SREP; and some current recipient countries wish to start a second phase of programming. However, the CIF have not clarified their interpretation of when "a new financial architecture is effective."

This evaluation recommends resolving the uncertainty on the triggering of the sunset clause. It is beyond the scope of the evaluation to recommend specific mechanisms for doing so; complex legal and financial issues may be involved. However, it is possible to sketch issues. Different considerations apply to the management of (i) approved projects versus (ii) those in the pipeline versus (iii) wholly new investments.

(i) About 38 percent of CIF-pledged funds have been committed to MDB-approved projects; another 14 percent has been approved by the CIF and is waiting for MDB approval. Given that responsibility for supervision of approved projects rests with MDBs, the CIF role for these projects is one of country- and Program-level monitoring, reporting, and evaluation and ensuring accountability for use of funds.

(ii) About half of CIF-pledged funding has been programmed via CIF-endorsed investment plans but not yet allocated to CIF-approved projects. Here the challenge is to assure consistency of projects with the investment plans. It might be logical to maintain the CIF structure for processing and approving this pipeline, which should be exhausted within a relatively short period.

(iii) Sunsetting is most salient with respect to wholly new funding. Here the evaluation suggests the following considerations. First, it may take time before the GCF is ready to fully take on operational responsibilities; in the meantime there may be willing funders and willing recipients who wish to address urgent climate challenges. Second, this evaluation and others have found that the proliferation of climate funds places coordination and reporting burdens on recipient countries. This suggests that there is a need to consolidate climate funding sources while still maintaining flexibility in the way that climate finance is used.

Some of the following recommendations only pertain to a scenario where the CIF continue to accept and program new funds; others would also apply in scenarios in which the CIF continue to manage their existing portfolio of endorsed and approved plans.

Governance and management

On the whole, CIF governance has achieved legitimacy in design through an increasingly inclusive and balanced governance framework, an expanding role for observers, and increased disclosure and transparency in governance. However, governance efficiency and effectiveness has been hindered by the CIF's original complex architecture, including the two-fund design and the establishment of six separate governing bodies. A rule of decision by consensus, together with the lack of a secretariat with a strong executive function, has hampered efficient decision-making resulting sometimes in indecision and micromanagement. Responsibilities for management of risk and conflicts of interest were not originally designed into the governance framework, a deficiency now being addressed. The CIF have shown a capacity for organizational learning and adaptive evolution, for instance by working to improve their results frameworks.

The CIF AU has been responsive to growing demands while maintaining a lean administrative budget. Through the role of the MDB Committee, the CIF have institutionalized a platform that has supported strong MDB collaboration, and has fed MDB technical expertise into CIF operations. MDBs have effectively coordinated to support country-led preparation of investment plans—a role that has proven particularly important for lower capacity countries. Opportunities remain to improve MDB coordination, including related to GHG accounting and at the in-country level.

The CIF could take a number of steps to improve governance efficiency. They could look to best practice in meeting and decision-taking procedures from other corporate and multilateral organizations with non-resident governing bodies. They could consider defining categories of decisions for which consensus is not required, and explore possibilities for delegating some decisions, for instance on administrative issues, to working groups or to the CIF AU, focusing CIF committee attention on strategic issues. Giving the CIF AU a stronger executive function would help to unblock decision-making logjams when consensus is lacking or when discussions become mired in inaction. The GCF may wish to consider similar options; like any new organization chartering untested waters, it is likely to face a strong need for organizational learning and adaptability.

Operations and quality control

The CIF's 'light touch' approach relied on the MDBs for supervision, quality control, review and accountability at the project level, and created a lean administrative unit (rather than a full secretariat) relieved of these responsibilities. But the governing bodies maintained review responsibilities for investment plans and projects

and over time added extra layers of duties to the CIF AU. Review functions have been undertaken by some contributors. Requirements for formal external review of SCF investment plans and CTF projects have added little value to MDB procedures, often coming too late in the process. Compounding the issue for CTF were imprecise and sometimes overly complex investment guidelines. The result was a three-stage approval process (CIF investment plan endorsement; CIF project approval; MDB project approval) that did not always guarantee project consistency with CTF investment guidelines.

The CIF project cycle involves endorsement of an overall investment plan by the CIF committees, followed by CIF approval of constituent projects, and finally MDB approval. The investment plan stage has lagged behind indicative guidelines for PPCR and FIP plans, reflecting in part more ambitious objectives. Overall, the greatest incidence of delay has been in the project preparation stage, after plan endorsement. Factors contributing to delay include project novelty or complexity, implementation readiness, and political changes.

The CIF have set ambitious climate and development benefit objectives but have given inconsistent messages about the relative importance of these objectives. The CIF lack guidance on how to manage trade-offs among these objectives, as well as a clear way operationally to weigh these objectives at the governance level.

Attention to gender is critical to ensuring project success and impact. The CIF began without a gender focus, but attention to gender increased over time in investment plans. Fieldwork for the evaluation showed some risk to follow-through in implementation. The recent appointment of a gender specialist is a positive step forward; momentum needs to be maintained.

The CIF could reframe CTF investment criteria to be more realistic, less ambiguous, and more useful for decision-making, in part by recognizing trade-offs among objectives. External project and investment plan review, if used, should come earlier in the cycle. Both the CIF and the GCF should recognize also that ambitious, complex, and innovative projects in the climate realm can take time, and that enabling conditions are important. The GCF could consider adopting a variant of the IDB model of including with project proposals a self-assessment of evaluability, including presence of a robust logical framework that would be independently validated after approval. This focuses attention of the project team on quality at entry—an important determinant of the final outcome—and promotes feedback, learning, and evaluation.

Transformation, leverage, and impact

Transformative impact is a major goal of the CIF, and a justifiable one. CIF resources—and even hoped-for GCF resources—are small relative to global needs, so it makes sense to focus those resources where they will do most to advance transformation to a climate resilient, low-carbon economy.

The goal of transformation was not pursued as consistently as might have been hoped for, in part because of uneven focus on addressing the barriers to impact and replication. Some CIF projects are clearly transformational in goal or design. For instance, the combined CTF investments in CSP could help reduce the cost of this globally relevant technology. Some FIP investment plans chart a path towards transformed forest management; however, most FIP plans fail to show clearly how individual projects can jointly contribute to sectoral transformation and associated institutional and policy changes, shifts in forest management paradigms, and re-orientation of sector strategies and investment priorities, all crucial for scaling-up and sustainability. CTF investment criteria for transformational impact focuses on quantifying GHG emissions reductions rather than the logic of demonstration effect, barrier removal, or the mechanisms for replication. CIF claims of financial leverage often carry an unjustified implication that the CIF has attracted funds that would not otherwise be forthcoming. And CIF appraisal estimates of cost-effectiveness in emissions reductions provide limited comparative information for good decision-making.

The CTF is the largest and most advanced in implementation of the Programs. Factors driving CTF implementation performance include country leadership with government focal points with the authority and ability to manage disbursement; existing MDB relationships and technology track records; and mature policies,

regulations, and financial sectors. The policy, regulatory, and macroeconomic situations in more than half of CTF countries has the potential to slow down or limit transformation and replication.

The CTF results framework does not fully support some transformational investments. There is a tension between stakeholder desires for quickly demonstrable and quantifiable results in GHG reductions or renewable energy production, and interests in supporting transformational change, which may for instance require long-term efforts at institutional capacity building and policy reform. The PPCR, however, includes strengthened government capacity as a core indicator at the national level.

For more impact, the CIF could give more critical attention to the robustness of the causal chain toward impact, and especially the enabling environment and replication mechanisms in CTF. It could adopt an operational definition of transformation that would focus on the mechanics of demonstration, diffusion, and barrier removal. It could adopt and enforce a more rigorous definition of cost-effectiveness of emissions reduction. These recommendations are likely to also have relevance for the GCF, whose goal of promoting 'paradigm shifts' is akin to the CIF's transformational goals. It is also worth noting the role that policy and regulatory reforms can play in supporting investment impacts.

Risk management

The CIF are funded by contributors with different degrees of risk tolerance, lenders being generally more conservative than those who furnish grant or capital funds. The way that funds are pooled has skewed the CIF toward risk aversion. Too high a level of risk aversion however may impede the CIF goal of demonstrating innovative approaches to climate challenges. The CIF do not utilize the full range of available financial instruments (such as equity investments), impeding their ability to use grant funds to support high-risk, high-return investments.

Risk aversion has dampened the CIF's appetite for risky (potentially innovative) private sector projects, which has led to delay and some missed opportunities to pilot and learn from experience with new instruments. If the CIF continue to initiate investment plans, they could engage in a dialogue with the donors on acceptable levels of risk tolerance compatible with an innovative and potentially transformative portfolio. They could find ways of matching contributor risk preferences to different elements of the CIF portfolio, or could pool risks by looking at the portfolio as a whole, and not individual projects. The GCF may wish to consider that innovative and 'paradigm shift' efforts are inherently risky, with the potential of both informative failure and high payoffs. Again, this suggests focusing results attention on *portfolio* performance at the national or global level, rather than the individual project level.

Private sector engagement

The CIF have recognized the importance of the private sector in scaling-up climate change mitigation and adaptation activities. Despite high hopes for private-sector engagement at the outset of the CIF and the relatively flexible operational guidelines for deal structuring, the CIF have not succeeded in avoiding some of the same stumbling blocks that other global climate funds have faced. A government-led investment planning process has prioritized public sector over private sector investments. The investment plan approach also has undermined private sector engagement as a result of the length of the planning process. As noted above, a limited range of financial instruments has been deployed. In some countries, weak private sector capacity has required re-sequencing of activities, starting with awareness raising and capacity building before moving on to investment. The CIF have begun to address this through private sector set-asides. If they continue to approve new investments, they could in addition deploy a wider range of financial instruments. They could place greater emphasis on capacity building, including through advisory services. Both the CIF and the GCF could recognize that changes in the enabling environment for the private sector—such as removal of energy subsidies that discourage energy efficiency and renewable energy investments—can be powerful drivers of private sector participation. This could suggest more attention to programmatic series of policy-oriented loans or grants.

Investment plans, national ownership and consultation

Programmatic national investment plans are an innovation of the CIF. The investment plan process has largely secured strong government ownership and alignment of CIF plans with existing national strategies and programs. MDBs and governments have collaborated effectively to develop investment plans, and development partners have been engaged in the process in all CIF countries. In some cases, coordination was undermined by a lack of clear roles and responsibilities, perceptions of limited strength and capacity of the coordinating ministry, an ineffective coordinating unit, and dispersion of donor funding among agencies.

The SCF consultation process has been more inclusive than that of the CTF. There are concerns, however, about the quality and depth of stakeholder engagement and inclusiveness, particularly with regard to women and indigenous people. Broader public ownership of the investment plans was compromised in about half of the fieldwork countries, due to shortcomings in the stakeholder engagement process. This stemmed in part from a lack of clear CIF guidance on expectations for consultation (with the exception of FIP). CIF consultations in most fieldwork countries were perceived by stakeholders as information-sharing rather than real opportunities to influence the direction of the plan, or to actively participate in decision-making. Consultations did not substantially affect the design of investment plans. Many consultation processes were "one-offs," with limited communication after consultation meetings or workshops. Communications were also not sustained after investment plan endorsement. As a result, investment plan accountability and legitimacy to citizens and beneficiaries has been limited in some countries.

If the CIF continue to initiate investment plans they could adopt improved guidelines on consultation procedures at the investment plan level, encouraging the formation of participatory structures that could continue to inform plan and project implementation. The GCF currently has no direct analog to the national investment plan. Still, it may wish to consider the advantages of long-term engagement in support of national investment planning. And if it supports long-term programs of loans or grants it may wish to consider adopting guidelines on participatory processes.

Learning, monitoring, and evaluation

The CIF have undertaken inwardly focused learning which has resulted in improvements in their organizational performance, for instance through reappraisal and revamping of monitoring and evaluation.

The CIF also have a vast potential to develop and disseminate outwardly focused learning on how countries can respond to the challenge of climate change. This potential has been partially realized. CIF global knowledge products have been improving over time and moving toward more in-depth assessment in thematic areas, although opportunities remain to learn more explicitly from negative experiences. Pilot country meetings have offered an important and well-received forum for exchanging lessons learned from investment planning and implementation across countries.

At the project and investment plan level, the emphasis on learning has not been sufficiently institutionalized. Trial and error learning could strengthen the pursuit of energy efficiency and resilience by the CIF and others. These areas require a deep understanding of the behavior and motivation of households and firms. Incorporation of information sharing and lesson-learning elements is stronger in SCF investment plans and projects than in original CTF plans, where these elements are lacking. Half of revised CTF investment plans are strengthened with respect to learning.

The recent incorporation of impact evaluations into projects is welcome. This comes at a time when development agencies are beginning to incorporate rapid monitoring and feedback systems into project design. Far from being an added burden, such built-in systems and evaluations can pay for themselves by improving project implementation, allowing 'course correction' and informing the design of subsequent scale-up activities. The CIF should also continue to focus efforts on important thematic issues in its portfolio, especially those with

wider application, such as CSP and climate services, and should continue to pursue efforts to build evaluative approaches into its learning.

If the CIF continue to develop and approve projects they could go farther to integrate real-time feedback, learning, and rigorous assessment of impact into project activities. If needed, the CIF could use grant funds to defray added costs of implementation that generate widely-applicable lessons—a public good. These approaches are worthy of consideration by the GCF. A policy of supporting open data from project monitoring (with appropriate exceptions for privacy and confidentiality) would facilitate local and global learning by allowing comparison of project and non-project areas, comparison of projects operating in different contexts, and integration with beneficiary feedback and other sources of information.

CIF monitoring and reporting systems have made substantial positive progress after a slow start, although significant work remains to be done. The PPCR is breaking ground on the development of adaptation M&E systems at aggregated levels. The inclusive, iterative process of developing and revising the results framework has led to broad stakeholder buy-in, but compromised the timeline, and possibly the value of the indicators. The GCF may wish to reflect on CIF's experience in adopting an initially overly complex results framework and on the frequent tardiness of global programs to establish baselines.

The CIF M&E system is appropriately envisioned as a multi-level system, but differences in MDB GHG accounting methodologies and gaps between CIF systems and MDB operational procedures diminish the robustness of the system. Additionally, many project and investment plan results frameworks are not yet aligned with those at the Program level, limiting the CIF's ability to understand how project-level results contribute to country- and Program-level results. Significant work also remains ahead to develop data quality procedures and provide data analysis and use plans.

The CIF have no provision for independent evaluation at the national, Program, and CIF level, with the exception of this evaluation. (To a limited extent, independent evaluation at the project and country level is carried out by the respective independent evaluation units of the MDBs.) Independent evaluation is important for both accountability and learning, and will be worthwhile regardless of whether the CIF retains its portfolio or transfers it to the GCF. As there may not be a sufficient volume of work to sustain a dedicated independent evaluation unit, the CIF could explore making arrangements with an existing organization to cooperatively undertake independent evaluation. One possibility is the still-nascent Independent Evaluation Unit of the GCF. The pipeline of CIF projects would give the Unit an opportunity to ramp up activities while GCF projects reach maturity for evaluation. Another possibility is the Independent Evaluation Unit of the GEF, which has extensive experience in evaluating climate change operations, covering multiple implementing entities, supported by international funds.

Exhibit 6-1: Summary of Actionable Conclusions and Recommendations for the CIF and considerations for the GCF

Findings and Lessons	Recommendations for the CIF	Considerations for the GCF
On the role and future of the CIF		
The lack of a strategy with respect to CIF's sunset clause is causing uncertainty in operations; SREP is actively expanding through new pledges and soliciting additional pilot countries, while other Programs have deferred.	• Put in place a strategic or contingency plan with respect to the sunset clause that distinguishes between maintenance of the existing pipeline of plans and projects and initiation of new ones.	• The CIF would need to coordinate with the GCF were there to be a transfer of any responsibilities associated with existing funds and project portfolio.
Governance and management		
CIF governance structure has achieved legitimacy in design through an inclusive and balanced framework, and expanded role for observers, and good disclosure and transparency. Efficiency and effectiveness has been hindered by the CIF's complex architecture, consensus decision rule and lack of a secretariat with strong executive function. However, CIF have shown a capacity for organizational learning and adaptation over time.	• Look to best practice in meeting and decision-taking procedures from other corporate and multilateral organizations with non-resident governing bodies. • Consider defining categories of decisions for which consensus is not required. • Delegate some approval and other decision-making responsibilities to working groups. • Delegate operational decisions to the administrative unit, subject to strategic guidance from the TFC.	• The GCF may wish to look at best practice in meeting and decision-taking procedures from other corporate and multilateral organizations with non-resident governing bodies. • Efficient governing bodies often delegate non-strategic and lower-level operational decisions to Board subcommittees or to the Secretariat. • Consensus decision making has advantages and disadvantages. • Innovative new organizations benefit from flexibility to learn and to adapt their procedures and structures.
Operations and quality control		
The Trust Fund Committees have maintained review responsibilities at the investment plan and project level, and over time added extra layers of duties to the administrative unit. Requirements for formal external review of projects have added little value to MDB procedures, coming too late in the process. Review functions have been undertaken by some contributors. Vague and sometimes contradictory CTF investment guidelines are not always complied with despite the layers of approval. Delay in the project cycle has been most notable in the project preparation stage, after plan endorsement. Factors contributing to delay include project novelty or complexity, lack of implementation readiness, and political changes.	• Reframe CTF investment guidelines to be more realistic and less ambiguous. • Explicitly recognize, and offer guidance on trade-offs among objectives. • External project review, if used, should come earlier in the cycle.	• To the extent that the GCF will want to verify proposal quality or consistency with guidelines, the recommendations to the left will be relevant. • Ambitious, complex, and innovative projects in the climate realm take time; enabling conditions are important. • Consider adopting a variant of the IDB model of including with project proposals a self-assessment of evaluability, including presence of a robust logical framework that would be independently validated after approval.
The CIF began without a gender focus, but attention to gender increased over time in investment plans, though not	• MDBs and CIF should maintain attention to gender in	• There are continuing challenges to incorporate

Findings and Lessons	Recommendations for the CIF	Considerations for the GCF
always in consultations. Fieldwork for the evaluation showed some risk to follow-through in implementation. The recent appointment of a gender specialist is a step forward.	project design and execution.	gender perspectives in climate investments.
Transformation, leverage, and impact		
Some projects are plausibly transformational; others lack a convincing logic of transformation and impact. Leverage and cost-effectiveness are incorrectly or inconsistently calculated. Core indicators do not always capture steps to long term transformation, for example in the form of institutional change. Factors driving CTF implementation performance include country leadership with government focal points with the authority and ability to manage disbursement; existing MDB relationships and technology track records; and mature policies, regulations, and financial sectors. The policy, regulatory, and macroeconomic situations in more than half of CTF countries has the potential to limit or delay transformation and replication.	• Agree on a specific interpretation of 'transformation' that focuses on the logic of demonstration effects, lowering technology costs through economies of scale, and removing policy and regulatory barriers. Ensure that research and learning is geared to identify key barriers to impact and assess the degree to which CIF interventions address those. • Adopt and enforce a more rigorous definition of cost-effectiveness of emission reduction. Discontinue the use of the term 'leverage' and devote effort to better understand when CIF has actually catalyzed private sector and other finance as a consequence of its investments. • Recognize that projects and plans focused on transformative institutional changes may not yield near-term carbon or resilience benefits.	• The GCF's goal of promoting 'paradigm shifts' will, like 'transformation', encounter definitional and measurement problems. The CIF recommendations (left) may have analogs for the GCF.
Risk management		
Risk management has been unstructured in the CIF, although the development of a CIF-wide risk management framework is underway. Some stakeholders in the CIF are risk averse and thus, the CIF does not deploy the full range of originally-intended financial instruments. This is particularly the case for private sector engagement.	(If the CIF continue to initiate investment plans:) • Find ways of matching contributor risk preferences to different elements of the CIF portfolio. • Pursue innovative mechanisms for private sector engagement.	• Innovative and 'paradigm shift' efforts are inherently risky, with the potential of both informative failure and high payoffs. This suggests focusing results attention on *portfolio* performance at the national or global level, rather than the project level. The GCF may wish to consider the ideas to the left.
Private sector engagement		
The CIF have taken big strides forward in engaging the private sector, but have encountered some of the same hurdles as other climate funds. Government-led investment planning in most countries prioritized public sector over private sector investments, and the length of the investment planning process undermined private sector engagement. The CIF have begun to address this issue through SCF private sector set-asides and CTF's	• Deploy a wider range of financial instruments. • Place greater emphasis on capacity building, and on complementary public sector actions such as improving the enabling environment, supporting policy and regulatory reform, and building supporting physical infrastructure.	• Private sector investors need rapid decisions on funding. • Policy and regulatory reform can remove barriers to private sector investment; programmatic series of policy based loans or grants are one avenue to accomplish this.

Findings and Lessons	Recommendations for the CIF	Considerations for the GCF
dedicated private sector program.		• Capacity building may be important for countries with weak private sectors.
Investment plans, national ownership and consultation		
Investment plans have succeeded in securing strong government ownership, but with uneven results in promoting mainstreaming and coordination. In most fieldwork countries, concerns were raised about the quality and depth of consultations at the investment plan level.	• (If the CIF continue to initiate investment plans): Improve guidelines on consultation procedures at the investment plan level, encouraging the formation of enduring participatory structures.	• If the GCF adopts programmatic loans it may wish to consider suggesting guidelines on participatory processes.
Learning and evaluation		
Aside from this report, there is no provision for independent evaluation at the national, Program, or Fund level, or for a summative evaluation of the CIF.	• Invite the GEF Independent Evaluation Office or the GCF Independent Evaluation Unit to cooperate on independent evaluation tasks, with funding directly from the Trust Fund committees. This could include a summative evaluation of the CIF. • Ensure that projects are aligned with and describe linkages to Program-level results.	• There are substantial needs for capacity building at the national level to be able to track and analyze progress towards low-carbon and resilient development.
The CIF have vast potential to provide valuable lessons on responding to the challenge of climate change. There are insufficient plans for learning from projects, although a few projects are beginning to incorporate impact evaluations.	• Integrate real-time feedback, learning, and rigorous assessment of impact into project activities; if needed, use grant funds to defray added costs of implementation that generate widely-applicable lessons.	• Rapid feedback and learning from projects in implementation allows 'course correction' and improves outcomes. It also provides global benefits in understanding what works, what doesn't and why. Thus there is strong rationale for additional grant financing and other ways of incentivizing more rigorous and timely monitoring and evaluation.