CLIMATE INVESTMENT FUNDS

CTF-SCF/TFC.12/8
June 17, 2014

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

Agenda Item 3

DRAFT RESPONSE TO THE INDEPENDENT EVALUATION OF THE CLIMATE INVESTMENT FUNDS[1]

[1] Prepared by the CIF Administrative Unit and the five CIF partner MDBs: African Development Bank, Asian Development Bank, European Bank for Reconstruction and Development, Inter-American Development Bank, and the World Bank Group.

PROPOSED DECISION

The joint meeting of the CTF and SCF Trust Fund Committees welcomes and takes note of the *Draft Response to the Independent Evaluation of the Climate Investment Funds*, (document CTF-SCF/TFC.12/8), and invites the MDBs to undertake steps to finalize the Management Response with a view to its publication together with the independent evaluation.

I. INTRODUCTION

1. The Climate Investment Funds (CIF), founded in 2008, represent one of the first efforts by the international community to place a significant amount of resources in a dedicated funding vehicle to support developing and emerging economies in adopting a low-carbon and climate-resilient development trajectory. To date the CIF has received over $8 billion in pledges and approved more than $4.8 billion to support investments in renewable energy, energy efficiency, sustainable transport, climate resilience, and sustainable forest management in 48 countries.

2. The CIF were established to fill a gap in the international climate finance architecture and were intended by design to pilot approaches and learn lessons for delivering climate finance at scale through the multilateral development banks (MDBs), notably through programmatic approaches seeking to initiate transformative results in developing countries.

3. We therefore welcome the opportunity to learn from an independent analysis of the CIF experience so as to improve the efficiency and effectiveness of CIF operations as well as to share useful lessons that can contribute to the design of the Green Climate Fund. We look forward to taking many of its conclusions and recommendations forward in the follow-up action plan that we have been requested to submit to the CIF Trust Fund committees.

II. MANAGEMENT RESPONSE

4. We agree with the independent evaluation affirmation that planned and ongoing CIF investments have potential for mitigating greenhouse gas emissions, boosting energy supply and efficiency, building resilience, and improving forest management and that the CIF has achieved this with genuine government leadership and integration with national policies while also spurring greater cooperation among the MDBs.

5. We appreciate the recognition of and strongly agree with the evaluation's assessment that:

a) Stakeholders expected the CIF to simultaneously address multiple and sometimes competing objectives, and 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.

b) The CIF has shown a capacity for organizational learning and adaptive evolution in response to evidence of gaps in policy, challenges that arise, and lessons learnt.

c) 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.

d) The CIF have provided a strong platform for MDB collaboration that goes beyond the CIF and have benefitted at the program and policy level from the combined technical expertise and experience of the MDBs.

6. At the same time, we do not feel that the evaluation adequately recognized some of the key characteristics or accomplishments of the CIF that are intrinsic to its pilot nature, namely:

a) That the CIF was established with the understanding that climate action was urgent and that improvements would be made over time in terms of design and implementation, which has been a continuous feature of the CIF. This assessment of progress is not adequately reflected in the evaluation.

b) That due to the relative novelty of the area and of the CIF, all stakeholders needed to go through a learning curve and the results of such learning are visible only in the medium term even when it comes to corporate level effects within the MDBs.

c) That the CIF represents a unique effort to effectively implement the Paris Declaration on donor harmonization and has led the MDBs to establish effective institutional mechanisms for such partnership and collaboration to materialize. This achievement and the importance of building on it has not been fully grasped.

7. This document responds to key findings from each of the sections as presented in the evaluation report. Specific factual corrections to the evaluation text are included in an annex.

8. At the request of the joint meeting of the CTF and SCF Trust Fund Committees, the CIF Administrative Unit and the MDBs have prepared an action plan to address the recommendations of the evaluation for consideration by the joint meeting in June 2014. This is presented as a separate document (CTF-SCF/12/9 *Action Plan in Response to the Recommendations of the Independent Evaluation of the CIF*).

III. Summary of Key Findings

The Global Role and Relevance of the Climate Investment Funds.

9. We agree with the finding that *the CIF has achieved legitimacy in design through its balanced and inclusive governance*.[2] We also agree that *the lack of conditions for, or a strategic approach to, sunset, has resulted in ambiguity for all parties*. The joint meeting of the CTF and SCF Trust Fund Committees has on several occasions discussed the CIF and the emerging financial architecture for climate change, but has not yet deemed it appropriate to engage in a discussion on the CIF sunset clause, in part owing to the desire to ensure the continuity of climate finance to eligible recipient countries while the structures of the Green Climate Fund are put in place. We propose in the accompanying action plan that the CIF Administrative Unit, working with the MDBs, prepare a paper for the consideration of the joint meeting of the CTF and SCF Trust Fund Committees in November 2014 outlining options for the future operations

[2] Text in italics represents language taken from the independent evaluation.

of the CIF, including in-depth consideration of operational, financial and legal issues associated with the CIF sunset clause.

10. We acknowledge the finding that *country selection by the CTF was opaque*. The SCF programs' approach to selecting pilot countries was more transparent and reflected learning from the CTF experience. The recent process for selecting new pilot countries under the SREP has further built upon this learning with refined selection criteria and a more robust expression of interest requirement from the countries.

IV. THE CLIMATE INVESTMENT FUNDS AS A WHOLE: ORGANIZATIONAL EFFECTIVENESS

Governance Legitimacy, Efficiency, and Efficacy

11. We agree that *the CIF's governance framework is inclusive, transparent and balanced between developed and developing countries* and that *the CIF's good disclosure practices and reliance on the MDB's existing accountability mechanisms strongly support program legitimacy*.

12. We can only partially agree with the finding that the *design of CIF governance has compromised effectiveness and efficiency*. The CIF Committees meet twice yearly, with each committee meeting for a maximum of two to three days per year, which compares favorably with other non-resident boards. The Committees approve projects on a rolling basis, as opposed to the quarterly funding cycle of other relevant funds, and take other decisions on a decision-by-mail basis. There has been slowness in reaching some decisions due to the differentiated risk appetites and differentiated priorities among Committee members that needed to be addressed and resolved before a suitable decision could be reached. Thus while we acknowledge that there has been a trade-off between achieving consensus on certain issues related to risk tolerance and speedy action on the ground, we believe that for a pilot instrument like the CIF it is essential to have difficult conversations among our Trust Fund Committees that lead to consensus. In this way, concerns can be better understood and better addressed in the future—by the CIF or other initiatives—and members continue to engage within their own constituencies to review and refine their positions. We recognize, however, that there is scope for improving the efficiency and effectiveness of CIF governance and propose specific recommendations in this regard in the action plan.

13. We do not agree that the two-fund design has compromised governance efficiency. The CTF and SCF have different strategic orientations and objectives making it appropriate that these funds have different governance arrangements. Among the SCF programs, there are many policy, operational and technical issues that are relevant only to the Sub-Committee concerned. As noted by the evaluation, the fact of three Sub-Committees means that more eligible recipient countries are engaged in the governance process; a total of 18 eligible recipient countries are represented across the three Sub-Committees. While some cross-cutting issues are discussed in each of the Sub-Committees and the decisions reached are often aligned, in some cases decisions are taken by only one Sub-Committee that benefit that program, for example the decision of the SREP Sub-Committee in October 2013 to invite new countries to express interest in participating in the SREP. Issues of common concern to both the CTF and SCF are submitted to the joint meeting of the two Trust Fund committees for decision.

14. We also do not agree that *the lack of a secretariat with a strong executive function has hampered efficient decision-making*. By design the CIF Administrative Unit was never intended to be a decision-making body, in keeping with the "light touch" arrangements of the CIF and the balanced and transparent governance structure. The addition of such responsibilities would have implications for the budget and level of technical expertise required among Administrative Unit staff.

CIF's Management Structure

15. We agree with the finding that *the CIF Administrative Unit has been responsive to growing demands while maintaining a lean administrative budget*, a finding that extends to the CIF's five MDB partners as well.

16. We also agree that *through the MDB Committee, the CIF have institutionalized a platform that has supported strong MDB collaboration* that extends beyond the CIF and that *the CIF has benefited from the combined technical expertise and experience of the MDBs*. The MDB platform created through the CIF has also generated positive "spillover" effects, enabling MDBs to explore other areas of common interest and synergies, such as joint climate finance tracking or exchanging lessons on the application of climate screening tools. On the issue of harmonization of MDB approaches for GHG accounting, while we agree that important work remains to be done, we disagree with the assumption that the CIF should be held accountable for progress in this area. This is an issue that extends far beyond the CIF and its MDB partners, and work has been underway since 2009 among MDBs and other international financial institutions (IFIs) to achieve progress toward harmonizing GHG accounting procedures through a dedicated joint MDB/IFI working group.

Efficacy of Governance and Management Functions

17. We agree with the finding that *the CIF's quality review system for investment plans and individual projects/programs has not significantly enhanced quality or ensured alignment with investment guidelines*. The procedures for establishing independent technical reviews at the investment plan level (for SCF programs) and project level (for CTF) were developed in response to a desire by some CIF Trust Fund Committee members for a level of review beyond the internal review procedures employed by the MDBs. The independent reviews were intended to reduce the perceived need for detailed technical reviews to be carried out by the Committee members themselves. In reality this has not happened as the evaluation points out that some Committee members continue to conduct their own detailed review processes. MDBs agree with the evaluation finding that technical reviews of SCF investment plans come too late in the process to add real value and moreover that these reviews reflect just one input into a highly consultative nationally-owned process. Given the lack of perceived value of the CTF project-level reviews, it has already been proposed to the joint meeting of the CTF and SCF Trust Fund Committees, in line with an effort to rationalize reporting requirements, to retire this requirement. Given the evaluation finding that the SCF review process does not substantially enhance quality, we propose in the action plan to also retire this requirement.

18. We acknowledge that *responsibilities for risk and conflict management were not originally designed into the CIF governance framework*. The Enterprise Risk Management Framework was agreed by the joint meeting of the CTF and SCF Trust Fund Committees in 2013, and the beta version of the Enterprise Risk Management dashboard was released in April 2014.

19. We acknowledge the finding that *the CIF monitoring and evaluation system is appropriately envisioned as a multi-level system, but* factors identified in the report limit *the robustness of the system*. We would like to highlight the joint work being undertaken by the CIF Administrative Unit and the MDBs to enhance the use of approaches to evidence-based learning in the CIF project cycle.

20. We acknowledge the finding that *a substantial proportion of CIF projects experience delays between investment plan endorsement and CIF project approval* for reasons identified in the report such as *political changes, implementation readiness*, etc. Moreover, we would emphasize that there are trade-offs between projects of a transformative nature and fast project preparation, approval and disbursement.

Learning

21. We strongly agree with the overall finding that *consistent with its pilot nature*, *the CIF has been able to evolve at the organizational level in response to learning and experiences*.

22. We also agree that *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*; and that *pilot country meetings have offered an important and well-received forum for exchanging lessons learned from investment planning and implementation across countries*.

23. We acknowledge that *at the project and investment plan level, the emphasis on learning has not been sufficiently institutionalized across the CIF portfolio*, more so in the CTF than in the SCF. We note that information sharing and lesson-learning components are now being included in the CTF portfolio through updates or revisions to investment plans (e.g., a large technical assistance project with a knowledge sharing component was included in the revised MENA CSP investment plan) and through the Dedicated Private Sector Programs (the DPSP mini-grid program includes a knowledge management facility). While we agree that learning components at the level of individual projects can serve a valuable function, we also point to the fact that broader South-South learning, such as has been carried out for concentrated solar power (CSP) and underway for geothermal, facilitates a sharing of experiences across countries, which CTF pilot countries have found tremendously valuable especially where there is no prior experience with a technology within a country, as has been the case with CSP.

24. We also highlight that lessons from the CIF are influencing other climate finance processes. The GCF has drawn from the experience of the CIF on a wide range of issues from risk management to results management. The CIF is also influencing how the MDBs tackle climate change in their operations beyond the CIF. For example, IDA 17 calls for the World

Bank to scale up support to IDA countries to develop and implement country-led, multi-sectoral plans and investments for managing climate and disaster risk in development in at least 25 additional countries, with the experience of the PPCR already feeding into the process of designing and rolling out this policy. The Sustainable Energy for All (SE4ALL) initiative has also substantially benefited from and followed the experience of the CIF in developing investment frameworks, conducting join missions, and carrying out stakeholder consultations.

Conclusions on Organizational Effectiveness

25. We agree with the report's assessment that the original "light touch" approach agreed when the CIF was created has grown "heavier" over time with Trust Fund committees becoming involved at a more granular level in CIF operations than originally envisaged.

V. THE CIF PROGRAMS: DEVELOPMENT EFFECTIVENESS

Clean Technology Fund (CTF)

26. We agree with the finding that *replication and uptake will be critical to achieve CTF's transformational goal of a low-carbon economy* and acknowledge that *many investment plans and projects lack a convincing theory of change that explains how scaled-up impact will be achieved*. At the same time we highlight that for many technologies the challenge partially lies in the fact that in order for an effective replication and uptake to occur, a substantive and timely available amount of concessional funding beyond the currently available CTF resources would still be required, at least up to the point of grid parity in the case of renewable energies.

27. We acknowledge *that the policy, regulatory, and macroeconomic situations in many CTF countries may slow down or limit transformation and replication*. While the intention and niche of the CTF is to support larger-scale investments, it is important to highlight that a number of CTF projects are benefiting from complementary interventions from MDBs, and in many cases CTF resources are being blended with complementary financing from other sources to provide technical assistance and capacity building to address policy and regulatory barriers to transformation and replication. In addition, the CIF is supporting through the SREP the Readiness for Investment in Sustainable Energy (RISE) initiative, an index designed to help countries to address policy and regulatory barriers and create enabling environment for transformation and replication. This initiative is expected to expand beyond SREP countries in 2015 to include some CTF countries.

Pilot Program on Climate Resilience (PPCR)

28. We agree with the finding *that the PPCR's Strategic Program for Climate Resilience (SPCR) development process has proved to be flexible*. The regional programs for the Caribbean and Pacific are a key example of such an innovative and tailored approach.

29. We acknowledge that *the choice of the PPCR focal point agency can be a significant factor in the development of horizontal and vertical linkages among institutions and stakeholders to mainstream climate resilience into development planning*. Although the findings from

fieldwork in three countries cannot be extrapolated to the PPCR portfolio as a whole, prior analysis conducted by the CIF suggests that where the Ministry of Finance or Planning takes the lead in PPCR coordination or collaborates closely with another line ministry, the prospects for successfully mainstreaming climate change resilience into development planning and programs are greater.

30. We acknowledge the finding *that limited ongoing engagement with multi-stakeholder consultative processes—especially after SPCR endorsement—has inhibited the development of stakeholders' networks to support SPCR project interventions*. This is being addressed, both through the convening of stocktaking fora at the national level (as in Samoa), as well as through a study commissioned by the CIF on behalf of CIF Observers to explore means for enhancing stakeholder engagement at the national level. This is elaborated further in the action plan.

31. We acknowledge the finding that suggests a *possible risk for PPCR in translating transformative aspirations in the SPCRs into project design*. We question the finding from fieldwork that suggests 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*. All of the cited projects, while still in early stages of implementation, have been designed to ensure benefits to particular user groups (e.g. farmers) or the public in general, including vulnerable communities (the Mozambique project explicitly targets vulnerable communities). Moreover this topic is also being addressed through engagement with PPCR pilot countries and task teams on a series of learning activities to raise awareness about approaches to strengthen the value chain between data and user-tailored products in the design of hydromet and climate services projects.

Forest Investment Program (FIP)

32. We are concerned about the findings of the independent evaluation in relation to the FIP as they are not well balanced and do not fully reflect the achievements and challenges of the FIP to date. The findings are neither sufficiently grounded in evidence and facts nor always consistent with the realities on the ground. Our concerns fall into two categories: (a) presentation of FIP findings; and (b) interpretation of the FIP's role in REDD+.

33. <u>Presentation of findings</u>: Important elements of the FIP are not appropriately discussed in the findings. The Dedicated Grant Mechanism for Indigenous Peoples and Local Communities (DGM) is an innovative and unique mechanism to empower indigenous peoples and local communities in REDD+ decision making and a truly transformational initiative. The report omits the participatory development of the FIP monitoring and reporting guidance and toolkit on which significant progress has been made.

34. <u>Interpretation of the FIP's role in REDD+</u>: The evaluation takes a rigid view of the application of the phased approach to REDD+. While this is a useful framework to map various actors across the REDD+ spectrum, it does not follow that an initiative such as the FIP should only undertake activities with the objective to enter the subsequent phase. While the FIP may be seen as the link between REDD+ readiness and performance-based payments, practical experience shows that providing investments sequentially does not match the reality in the

countries, especially since the FIP works in countries with highly varying levels of REDD+ readiness. A recently conducted study on the link between REDD+ readiness and FIP investment plans, commissioned by the CIF Administrative Unit in collaboration with the MDBs, confirms that the overlap of readiness and investment activities is actually a necessary element for success for the REDD+ agenda.

35. The evaluation states that *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*. Ensuring the sustainability of project results is the ultimate goal of any project activity, and no evidence is provided in the evaluation to suggest that FIP projects in particular are unsustainable. We disagree with the suggestion that the receipt of carbon offsets should be a metric for sustainability of FIP investments. Some FIP contributors have expressed concerns that projects funded through concessional climate finance should not be eligible for REDD+ carbon offsets just as projects that receive official development assistance are not eligible for carbon credits under the Clean Development Mechanism. This policy issue has not yet been discussed by the FIP Sub-Committee.

36. There are contradictions in terms of the presentation of the FIP in the wider REDD+ country context. On the one hand, it is said that *FIP has also built on important national REDD+ processes*, but on the other hand that *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*, a statement with which we strongly disagree. Each investment plan includes a section describing the current status of REDD+ in the country and how the FIP has and will enhance the REDD+ agenda manifested in REDD+ plans or equivalents. For example, the investment plan for Ghana presents not only the role of FIP in the national REDD+ governance framework but also the collaboration with the MDBs and other partners on REDD+ through a collaborative framework.

37. The key finding of the evaluation that *FIP investment plans have not addressed the main drivers of deforestation, however they still address relevant direct and indirect drivers* is a contradictory statement. It suggests that the authors do not grasp the importance of the underlying drivers as presented in the *FIP Design Document*. Elements such as unclear tenure regimes, lack of incentive systems, conflicting land use policies and poverty are identified in REDD+ plans or equivalents "as critical underlying drivers"[3]. As Exhibit 4-8 (page 47) and Table 31 in Volume 2 (Annex L) show, those underlying causes of deforestation and forest degradation clearly have been addressed in the majority of FIP investment plans.

Scaling Up Renewable Energy in Low Income Countries (SREP)

38. We welcome the early findings that *SREP investment plans present substantial, transformative gains for increasing renewable energy production* and that investment plans adhere to the programmatic approach. We disagree, however, that *expected impacts* from SREP

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[3] Kissinger, G., M. Herold, V. De Sy. Drivers of Deforestation and Forest Degradation: A Synthesis Report for REDD+ Policymakers. Lexeme Consulting, Vancouver Canada, August 2012.

investment plans on electrification *are relatively modest*. The SREP contribution to electrification relative to the funding provided is substantial. In Mali, Kenya, Tanzania, Honduras, as well as in upcoming plans for Pacific islands (Solomon Islands and Vanuatu) and Yemen, the contribution to increasing access both directly and through scale up will be significant. In Liberia, the implementation of the SREP program will benefit 9 percent of the population, which represents a substantial impact in what is likely the world's lowest rate of access to electricity – 1.6 percent nationwide and 6.7 percent in the capital city. Furthermore, positive impacts on electrification are not only achieved through off-grid projects but, we would argue, are achieved on a larger scale through providing stable base-load electricity supply to allow grid extension as well as more reliable service for existing consumers. In Ethiopia, the development of the SREP-funded geothermal project will increase the provision of substantial amounts of stable base-load power and therefore improve reliability of supply. The World Bank estimates this project will improve access to electricity to 1.1 million people, of which more than 70% will be new customers. More importantly, the impact of the SREP will be maximized by identifying successful and replicable models for both off-grid (e.g., Mali) and grid-connected projects which could bring transformation in this area.

VI. ACROSS THE CIF PROGRAMS: CROSS-CUTTING ISSUES

Investment Plans and Country-level Coordination

39. We appreciate the finding that *strong government leadership and good integration with national policies was found in most CIF recipient countries*, while acknowledging *that fieldwork revealed that stakeholders perceive consultations as information-sharing rather than real opportunities to influence the direction of the plan*. It is important to note that expectations should be set adequately in terms of how much can be expected from a financing mechanism such as the CIF to ensure effective stakeholder engagement in decision-making. This will most likely happen in countries with solid systems for stakeholder engagement in place. Where these systems are not in place, the CIF can try to stimulate or promote improved engagement but should not necessarily be held accountable because ultimately the process for decision-making is a prerogative of country authorities. As indicated above, the CIF is supporting a study underway to identify options to increase the engagement of national-level stakeholders in the implementation of CIF programs and projects. This is elaborated further in the action plan.

Private Sector Engagement

40. We agree with the finding that *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 creation of the SCF private sector set asides was an effort to enable SCF funds to be made available for more "ready" projects. Moreover, where necessary, in many SCF countries a program of advisory services projects will precede investments with the aim to create an enabling environment and preconditions for successful investments, promote and pilot new concepts, and validate their commercial viability. MDBs have recognized the limitations of the existing mechanisms and are looking forward to having additional discussions that might lead to more relevant models which will be more flexible in terms of markets and timelines.

41. We acknowledge the findings that *the CIF's government-led investment planning process has prioritized public sector over private sector investments* and that *the length of the planning process has undermined private sector engagement*. These findings were previously identified and in part motivated the creation of the CTF DPSP and SCF private-sector set asides.

42. We acknowledge that *the pooling of grant, capital 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 CIF Administrative Unit is leading discussions with the Trustee, the MDBs and CIF contributors to explore several proposals for addressing contributors' differences in risk tolerance and ultimately enable the MDBs to more effectively respond to the financing needs of the marketplace through the deployment of higher-risk financing instruments using CIF funds.

Leverage

43. While we agree that *the CIF generally have expressed "leverage" as a ratio of CIF funding to non-CIF project funding*, we disagree that the CIF *often uses language that implies misleadingly that the CIF funding attracted or catalyzed the rest of the project funding*. The CIF Administrative Unit, working with the MDBs, will continue to report on other co-financing mobilized by CIF-supported projects and ensure that this reporting is accurate and clear, and that no claims of causality of leverage are made.

44. We take issue with the finding questioning the *CIF's role in mobilizing additional project finance, as well as whether projects would or would not have happened without CIF funding* and point toward contradiction in the report. There is no doubt that the absence of a common agreement within the climate finance community on how to assess explicit causality or additionality leaves much room for interpretation. Nevertheless, the evaluation report indicates that *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.* This figure may be even higher for private sector projects where at least one MDB reports that none of its CIF private sector projects would have been able to reach financial close without the availability of CIF funds. Evidence from independent case studies on the Ouarzazate I and Eskom CSP projects and La Ventosa and Eurus wind projects indicate that CIF financing was indeed catalytic in mobilizing other financing for these projects. MDBs indicate that many other types of potentially transformative projects, including CTF and SREP geothermal projects, innovative energy efficiency and CSP projects in India, off-grid solutions in Africa and South Asia, and urban transport operations would likely not have materialized without CIF financing and the ability of the CIF to bring other funders around the table.

Balancing Direct Climate Benefits and Broader Development Benefit

45. We acknowledge that *the CIF have not devised a way to explicitly manage the trade-offs between climate and broader development benefits*, but we disagree that this is necessary. MDBs and CIF recipient countries seek to manage trade-offs in all of their projects, including those

supported by the CIF, countries' national priorities and development objectives and consistent with MDBs' policies.

46. We disagree with the implication that the removal of *development benefit indicators from the core national and program performance indicators in CTF and SREP results frameworks* diminishes the intent of these programs to deliver development impact. The CIF, as a partnership among the five MDBs, is built on the premise that climate change is a development issue and that programs and projects should bolster the synergies between climate benefits and development impacts. All CIF projects deliver development impact and climate benefits and are consistent with the country's developmental priorities and the MDBs' objectives as development institutions. Development impact indicators were removed at the program level for the CTF and SREP in a drive to simplify the results frameworks and improve the ability to aggregate results at that level. A wide variety of development impact indicators are used in CTF and SREP projects and programs, impeding aggregation. Development impact is still captured at the level of individual projects and programs.

Gender

47. We acknowledge the finding that *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.* These weaknesses are in some instances related to broader weaknesses already acknowledged at the level of the MDBs and action has been recently taken by several MDBs to address these (e.g., MDBs approving gender policies, strategies, new institutional frameworks). We also appreciate the recognition of actions taken to date including the recruitment of a Sr. Gender Specialist in the CIF Administrative Unit. Further steps to address gender in CIF programs are elaborated in the action plan.

ANNEX: SPECIFIC FACTUAL CORRECTIONS TO THE INDEPENDENT EVALUATION TEXT

Page	Statement In The Text	Remark
32	*Some features of the simplification* [of the results framework] *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.*	It should be noted that the original results framework for SREP did not track institutional changes. The CTF results framework did include some indicators to this effect, which were difficult to quantify and almost impossible to aggregate. The inability to aggregate such indicators would have diminished the purpose of the results framework. Institutional changes, where relevant, are tracked at the project level.
41	*A peer-reviewed independent impact evaluation* [of the Mexico Efficient Lighting and Appliances project] *found that refrigerator replacement yielded much lower energy savings than anticipated, and that air conditioner replacement actually increased energy consumption… although studies by the sponsoring agency have more positive findings.*	As indicated in an earlier submission of comments, three independent evaluations confirmed that the project is achieving energy savings as planned. Several methodologies were applied to estimate energy savings resulting from the project, namely those from the Electric Research Institute (Instituto de Investigaciones Eléctricas), the National Polytechnic Institute (Instituto Politécnico Nacional), the University of California - Berkeley and the Trust Fund for Power Savings (Fideicomiso para el Ahorro de Energía Eléctrica). The latter (FIDE) is the executing agency within the Government of Mexico for this project. FIDE has determined that all but one methodology (the one from Berkeley) are convergent and yield similar results in terms of energy savings achieved by the project.
53	Exhibit 4-12: Distribution of SREP Endorsed Funding (in Million USD)	the allocation for Waste/Biogas in Nepal is off-grid, so please move amount to 'Investment in off-grid / Distributed Technologies'
54	*In Nepal, where views are split on whether the SPCR aligns with National Adaptation Programmes of Action (NAPA), some stakeholders see recent changes in SREP programming as moving away from fulfilling national objectives.*	There are no changes in SREP programming in Nepal. Maybe the report meant 'changes in PPCR' programming? Please check.
54	*MDB collaboration to support country-led programming is a unique feature of the CIF; 80% of all endorsed investment plans have been prepared with the support of two or more MDB partners.*	Please check for consistency. The report elsewhere says that "nearly half of all endorsed investment plans have been prepared with the support of two of more MDBs" (p. 17).

62	*Fieldwork did identify cases in which it was difficult to firmly establish the additionality of CTF funds. For example, CTF financing for the Mexican Urban Transport Transformation Program (UTTP) 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 UTTP represents a new project finance modality for bus rapid transit in Mexico).*	While the report acknowledges that new financing modalities are proposed through the project, the statement does not reflect accurately the additionality of CTF support. As indicated earlier, the use of CTF funds is helping create a new product in the market that will become an important milestone for the transformation of public transport in Mexico. Find below the comments already submitted in response to an earlier draft of this report: While the Mexico UTTP project has indeed financed GNC bus acquisition by the private sector and keeps offering support in this regard, the report does not reflect accurately the potential and objectives of CTF support. First, because far from standard, this kind of financing is so innovative in the Mexican context that, for Monterrey, it required a change in the concession arrangement. Private banks are used to financing the acquisition of buses from private operators in traditional systems, but this financing is usually balance sheet instead of project finance. The Monterrey case is, to the World Bank's knowledge, one of the first attempts to do project finance financing for a BRT corridor in Mexico. Far from crowding out private sector investment, this is an important milestone for the transformation of public transport in Mexico. In this sense, supporting BANOBRAS, as an important financial intermediary in Mexico, to develop a bus financing product is a key element of the developmental work for the project. BANOBRAS has been hesitant to provide support for bus financing in project finance arrangements for this kind of project. The participation of the CTF/WB allows for exploring the possibility of instruments that are innovative in this context. The support provided to BANOBRAS aims at finding the most efficient way to support these projects by developing appropriate financial products to scale up its support to the sector. Given this risk perception in the market, access to World Bank and CTF financing for these initial projects is a key element of

		financially sustainability. From the World Bank Group’s experience in Puebla, according to IFC (transaction advisor for Puebla BRT project), the presence of the UTTP makes the project financially viable for the state of Puebla. Based on regional experience in Latin America, particularly in Colombia, World Bank expects financial sustainability to be a major challenge for the public transport systems in Mexico in the medium term. Particularly for these early systems, CTF financing will be critical to support the development of financially sustainable clean public transport systems in the coming years.