

CLIMATE INVESTMENT FUNDS

CTF-SCF/TFC.6/3

June 14, 2011

Joint Meeting of the CTF and SCF Trust Fund Committees
Cape Town, South Africa
June 27, 2011

Agenda Item 4

MEASURES TO IMPROVE THE OPERATIONS OF THE CLIMATE INVESTMENT FUNDS

Proposed Decision by the Joint CTF and SCF Trust Fund Committees

The joint meeting welcomes the ideas set forth in document, CTF-SCF/TFC.6/3, *Measures to Improve the Operations of the Climate Investment Funds*, and the views presented at the 2010 and 2011 Partnership Forum on measures to improve the performance of the CIF. The joint meeting agrees that the following merit further elaboration and discussion:

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In this regard, the joint meeting requests the CIF Administrative Unit, in consultation with the MDB Committee to prepare a document for consideration at its next meeting in November 2011 that elaborates upon these ideas and how they could best be implemented.

INTRODUCTION

1. The joint meeting of the CTF and SCF Trust Fund Committees is invited to initiate discussions on measures to improve the performance of the CIF; taking into account the discussions at the 2010 and 2011 Partnership Forums of the CIF. Based on the preparations for, and discussion at the 2010 Partnership Forum, as well as feedback from CIF governing body members, some initial suggestions for consideration by the joint meeting are presented in this paper. Feedback from the 2011 Partnership Forum will be presented to the joint meeting under agenda item 3 of the meeting. After discussion at the present meeting, specific ideas receiving support from the meeting could be further developed by the CIF Administrative Unit and the MDB Committee in advance of the next meeting joint meeting in November 2011. In elaborating these ideas, it will be necessary to keep in mind that the CIF is an innovative partnership that goes beyond the business-as-usual procedures and practices of the MDB partners, and therefore, any elaborated proposals will need to be reviewed and agreed by the MDB partners.

2. These suggestions are related to: partnerships, governance, country ownership, financing, private sector, knowledge management and communications, speed of disbursement, strengthening of results measurement, development impact, gender, and assessing improvement.

- a. *Partnerships.* The CIF is a global partnership established to contribute to an efficient response to the different challenges climate change poses to development. The following suggestions may be considered as ways to broaden the partnership:
 - i. Open a dialogue between the UNFCCC and the CIF – voluntary reporting through the CIF providing information to the UNFCCC with the invitation to the UNFCCC to transmit its views to the CIF.
 - ii. CIF is currently working in 45 pilot countries, yet a number of additional countries have expressed an interest in accessing CIF or other climate financing. The joint meeting may wish to consider providing CIF funding to allow MDBs to work jointly with these interested countries in order to prepare investment plans and strategies. This would cover countries beyond the already selected pilot countries in areas related to the CIF programs, including those that are on a “waiting list”. If such dedicated funding were to be made available, countries that earlier had expressed an interest in participating in a CIF program, or countries that express an interest in taking advantage of such an opportunity, could initiate work with the MDBs and other development partners to develop programmatic investment plans and program/project concepts that could be financed in the future by drawing on different sources of climate financing, including bilateral programs, MDB programs, the CIF if additional funding becomes available or possibly the Green Climate Fund when it becomes operational.
 - iii. The Committees might also consider whether additional funding should be made available for capacity building as part of the process of preparing investment plans and whether and how additional partners, such as appropriate UN agencies, should be invited to engage with the country governments and MDBs in providing such capacity building.

- iv. Recognizing that partnerships are critical to achieving the objectives of the CIF, proposals should be developed as to how to further strengthen country-level partnerships among the MDBs and other stakeholders operating at the country level, including bilateral and UN organizations, civil society organizations, the private sector, and indigenous peoples.

- b. *Governance.* The following ideas may be considered for further development:
 - i. Should constituencies (such as those in the Boards of the MDBs) be established to allow more “voice” for countries on the CIF committees and sub-committees? Under a constituency system, members on the CIF committees and sub-committees would be expected to represent the views of all countries participating in the constituency. Support may be required for developing country members to assist them in fulfilling their responsibilities as representatives of a constituency.
 - ii. How can the joint meetings of the CTF and SCF be used to allow for more strategic discussions on climate finance? Should membership of the joint meetings maintain the principle of an equal number of seats for contributor countries and recipient countries? Currently, when joint meetings are held, the representation from contributor countries is less than that from recipient countries, since some contributor countries have a seat on both the CTF and SCF Committees. Providing 16 seats at the joint meeting for both groups of countries would enable contributor countries that are not represented on either of the two committees to participate in the joint meeting’s strategic discussions on the CIF.
 - iii. Two independent reviews of the experience with self selected observers to the trust fund committees and sub-committees were commissioned and will be further discussed during consultations among civil society, private sector and indigenous peoples groups at the 2011 Partnership Forum. Based on those consultations, suggested modifications regarding the observers may be considered.

- c. *Country ownership.* Strong country leadership of CIF planning and implementation, building on national plans that set out countries’ needs, objectives and priorities, and allowing countries to select their CIF partner and financing modalities of choice is a key aspect of the CIF design. Sufficient resources and time are needed to ensure that in designing a country investment plan, it is based on a rigorous analysis and diagnosis of the problem in order to identify where and how to ensure the best value for money of the CIF investments. This may involve commissioning desk studies either before or following an initial scoping mission. If such analysis is required, it needs to be recognized that the preparation of an investment plan will require more resources and time than in circumstances where the analysis is already available. Where international consultants are engaged at various stages during the development of an investment plan, terms of reference for working with a country should also consider including a capacity building/knowledge transfer component. To facilitate collaboration with countries, MDBs need to be sufficiently resourced to enable them to engage effectively and frequently at the country level with

governments and other stakeholders. Consideration should be given as to: (i) whether the arrangements currently in place (funding, support for capacity building, joint missions) have allowed the countries' to exercise their leadership role and the MDBs to engage sufficiently at the country level, and (ii) what other factors have enhanced or hindered country leadership.

d. *Financing.* The following ideas may be considered for further development:

- i. Encourage broader use of instruments available through the MDBs, such as technical cooperation, development policy loans, country trust funds, results based financing. Invite the MDBs to further explore innovative and streamlined financing instruments to advance the objectives of the CIF.
- ii. Allow for projects that are fully funded by the CIF (no blending with MDB lending) to be approved by the appropriate CIF committee or sub-committee (i.e., there would not be a subsequent final approval by the MDB Board). This is probably most relevant for purposes of the SCF.
- iii. Recognizing the large unmet demand for CIF funding, should agreement be reached to actively seek additional funding for the CIF?
- iv. How should the pipeline of the various programs be managed so as to allocate CIF resources to achieve maximum results through effective, transformational projects and programs.

e. *Private sector.* Explore processes and procedures to facilitate greater collaboration with, and leverage more financing from, the private sector, building on the CIF experience to date of the private sector arms of the MDBs in testing ways to unblock market barriers and draw in the national financial sectors. Experience has shown that it would be beneficial in the development of the investment plans to engage the private sector at an earlier stage, possibly through the involvement of national or local chambers of commerce. Another incentive that may be explored would be to determine specific allocations to be used for private sector engagement within each pilot program.

f. *Knowledge management and communications.* Develop a comprehensive and strategic communication plan, linked to and building on the knowledge management strategy approved for the CIF, to better disseminate the lessons learned from the CIF, including further promotion of country-to-country exchanges and regional level sharing of experiences through the Global Support Program. Part of the strategy should be to ensure that there are sufficient, high-quality products developed aimed at various key audiences. The plan should look at both internal and external audiences, including effective communication within the MDBs on the purpose and objectives of the CIFs as well as effective communication with the wider development community on the lessons learnt on demonstration and replication in the pilot countries.

g. *Speed of disbursement.* Ensuring funding is delivered quickly to the project level is important to ensure that the CIF demonstrate success and provide useful models for climate financing, including the Green Climate Fund. One option for speeding disbursement is to consider whether it would be useful to provide for parallel approval of projects in MDB boards with approval by the CIF governance bodies, or

much shorter time between CIF approval and MDB board approval by allowing CIF approval to happen at a later stage in the project preparation cycle. It also needs to be recognized that there is a trade-off between quick disbursement and the potential for the CIF to innovate and pioneer transformation and innovative financing, in consultation with diverse stakeholders. It may be useful to explore other financing vehicles designed to address both these challenges, such as challenge funds.

h. *Strengthening of results measurement.* Strong identification and measurement of results, especially climate change, development and poverty reduction impacts, is a priority. Results frameworks have been developed. There need to be clear tools and guidelines as to how these results frameworks cascade to the country investment plan and project level. It is essential that the results frameworks for investment plans and programs contribute to the overall results framework for each CIF. Stakeholders need to be confident in the methodology and baselines developed, and countries will need to have the capacity, or have capacity developed, to effectively measure and demonstrate results from plans and programs.

i. *Developmental impact.* The CIFs are a mechanism to deliver strong development outcomes as well as strong climate outcomes. To date, the investment plans have not focused on including indicators of development or poverty reduction impacts or gender impacts. Further work to develop such indicators for each investment plan may be considered.

j. *Gender.* While progress has been made on considering gender in the wider CIF results frameworks, consideration needs to be given on how to institutionalize gender in the CIF. One option may be to undertake a gender impact assessment review of the CIF, building on the Strategic Environment, Social and Gender Assessment of the CIF prepared in 2010. Such an assessment should identify where further progress is needed, including whether capacity should be built in the Administrative Unit and countries on gender.

k. *Assessing improvement.* In choosing to move forward with any modifications to the CIF, it will also be important to test and demonstrate that such modifications do indeed improve the functioning of the CIF. This will help the CIF to contribute to the learning on, and demonstration of, effective climate financing.