CLIMATE INVESTMENT FUNDS

CTF-SCF/TFC.7/7
October 20, 2011

Joint Meeting of the CTF and SCF Trust Fund Committees
Washington, D.C.
November 3, 2011

Agenda Item 7

PROPOSAL FOR LAUNCH OF INDEPENDENT EVALUATION OF THE CLEAN TECHNOLOGY FUND AND THE STRATEGIC CLIMATE FUND

Proposed Decision by the Joint CTF and SCF Trust Fund Committees

The joint meeting of the CTF and SCF Trust Fund Committees welcomes the proposal in document CTF-SCF/TFC.7/7, regarding an independent evaluation and invites the independent evaluation offices of the MDBs to carry out an independent evaluation of the first three years of operations of the [CTF] [CTF and SCF] as called for in the [CTF] [CTF and SCF] Governance Framework[s]. The CIF Administrative Unit is requested to inform the heads of the independent evaluation units of this invitation.

In this regard, the independent evaluation offices are requested to prepare a note on their recommended approach to, and terms of reference and budget for, the joint evaluation for review and approval by the CTF and SCF Trust Fund Committees at their next joint meeting in May 2011.

I. INTRODUCTION

1. The Governance Frameworks of the CTF and the SCF each stipulate that an independent evaluation of the operations of the fund and the impacts of its activities should be carried out jointly after three years of operations by the independent evaluation departments of the MDBs. The evaluation is to be based on the scope and reporting criteria agreed with the Trust Fund Committee.[1] The operations and activities of each targeted program under the SCF (FIP, PPCR, and SREP) are also to be independently evaluated.

2. This note has been prepared to seek guidance from the CTF and SCF Trust Fund Committees on the initiation of the first independent evaluation.

II. ISSUES FOR DISCUSSION

3. **Defining timing and scope of the independent evaluation**. The CTF and SCF Governance Frameworks each stipulate that "an independent evaluation of the operations of the fund and the impacts of its activities will be carried out jointly ***after three years of operations*** by the independent evaluation departments of the MDBs." (Emphasis added). The Governance Frameworks did not provide any further guidance.

4. The CIF embodies goals that are broader than regular MDB operations in that they are aimed at generating global public knowledge and lessons as to how best to use scaled-up climate finance to achieve results. The CIF was established to demonstrate how to *transform* development pathways - to help developing countries adopt low-carbon and climate resilient development pathways - a challenging and ambitious project. As an interim financing instrument, established in anticipation of the creation of a new climate finance architecture under the climate change convention, including the establishment of the Green Climate Fund, stakeholders are looking to the CIF for lessons in effective mechanisms to finance climate action and financial innovation.

5. The CIF is also unusual in terms of its governance arrangements, which are among the most progressive in the multilateral context. Aside from the composition of the trust fund committees, with equal representation by developed and developing countries, implementation of the CIF entails an unprecedented degree of cooperation and operational coordination among the MDBs. An evaluation of CIF implementation, therefore, will need to incorporate broader considerations than just the implementation of the actual operations financed by the CIF.

6. The timing of the current evaluation is somewhat unusual in that it is required to be conducted "after three years of CIF operations". It needs to be recognized that there will be very scant evidence of results on the ground, recognizing that the first three years of the CIF were focused on (i) putting into place the institutional structures and operational guidance; and (ii) developing a programmatic approach to CIF operations at the country level through the preparation of investment plans. Early lessons emerging from the CIF have focused on the governance structures and consensus-based-decision making processes, the process for

[1] *CIF. 2008. Governance Framework for the Clean Technology Fund, paragraph 17.*
CIF. 2008. Governance Framework for the Strategic Climate Fund, paragraph 55.

developing investment plans, and MDB collaboration. There has not, however, been any significant learning through operations which are only beginning in most countries.

7. Given the normal timeframe for implementation of development programs, three years is a very short timeframe to be able to expect demonstration of conclusive *impacts*. The trust fund committees will need to ensure that the approach paper and terms of reference for the evaluation reflect this foreshortened timeframe. A related question is the trigger to determine when operations began under each of the funds.

a) Defining "operations"

8. The design documents do not explicitly define "operations" which leaves space for interpretation of the date when operations commenced. With regard to defining the potential starting point of CIF operations, the nature and the purpose for the establishment of the CIF need to be taken into account. In considering the trigger for the initiation of the evaluation, it is necessary to consider when operations began. The information below may provide options for a suitable trigger.

Dates	Milestones
July 2008	Establishment of the CIFs through a decision of the World Bank's Board of Executive Directors
October 2008	Organizational meetings of the CTF and SCF Trust Fund Committees and first Partnership Forum to select membership of the Trust Fund Committees
November 2008	First meetings of the CTF and SCF Trust Fund Committees
December 2008	First CTF joint missions in Egypt, Mexico and Turkey
January 2009	Investment Programs (IP) for Egypt, Mexico and Turkey endorsed by CTF Trust Fund Committee - First CTF funding approved for project to be developed under Turkey investment plan
May 2009	SREP Design Document approved
July 2009	FIP Design Document approved
August 2009	First disbursement of $250,000 on August 17, 2009, for the Turkey project – *Private Sector Renewable Energy and Energy Efficiency*.
October 2009	First meeting of FIP Sub-Committee
February 2010	First meeting of SREP Sub-Committee
November 2010	First Strategic Programs for Climate Resilience (SPCR) for Tajikistan, Niger and Bangladesh were endorsed by PPCR Sub-Committee
May 2010	First disbursement under the PPCR for a country preparation grant.
February 2011	First FIP joint mission
April 2011	First SREP joint mission
June 2011	First FIP investment plans approved

September 2011	First SREP investment plan approved
December 2011/January 2012	Expected date of first disbursement under a PPCR project

9. Considerable progress has been achieved in the preparation of investment strategies in 45 countries. To date, the CTF Trust Fund Committee has endorsed 14 investment plans for $4.5 billion and approved 24 projects for $1.7 billion. The PPCR Sub-Committee approved 18 grants totaling approximately $13 million for preparation of country and regional investment plans. Eleven Strategic Programs for Climate Resilience (SPCR) have been endorsed with funding requests for $684 million. Four PPCR projects have been approved for $34 million. The FIP Sub-Committee endorsed in June 2011 the first investment plans for Burkina Faso and Democratic Republic of Congo. The SREP Sub-Committee endorsed its first investment plan for Kenya in September 2011.

10. Some element of project activity at the country level would probably be required to allow an evaluation to take into account the different steps and phases of CIF programming and operations. Hence, it is recommended that the ***first actual disbursement under a project*** may be considered as the point at which operations commence for the purposes of this evaluation. For the CTF, this occurred on August 17, 2009. For the PPCR, the first project disbursement is expected in December 2011/January 2012. The first disbursement of any PPCR funds in May 2010 was for a country preparation grant to support the country in the preparation of its investment plan. No project disbursement has occurred for FIP or SREP.

b) Combining the evaluation of CTF and SCF or separate evaluations

11. As the first disbursement under the CTF program was made to Turkey on August 17, 2009, it is proposed that an evaluation of the CTF could begin after August 2012. The evaluation would be expected to cover the period September 2009 to August 2012. Work to prepare the evaluation could begin in September 2012, with the expectation that the evaluation could be presented to the joint meeting of the CTF/SCF Trust Fund Committees in May 2013, depending upon the scope and terms of reference of the independent evaluation.

12. For the SCF, the timing would be different if the same trigger is applied. While the first disbursement under the SCF occurred in May 2010, the funding provided was to support a PPCR country to prepare its investment plan. The first disbursement for an approved project is expected in December 2011/January 2012. If the same trigger for an evaluation were to apply to SCF as is proposed for CTF, then the timing would be over two years behind that of the CTF (i.e., the trigger would be December 2014/January 2015).

13. However, it is clear that there could be efficiencies and cost savings if both the CTF and SCF were evaluated in one exercise, even though it would need to be recognized that there will be a considerable lag in actual operational experience under the SCF.

14. Advantages and disadvantages of a combined evaluation are summarized below.

Table 2: Advantages and Disadvantages of a Combined Evaluation of the CTF and SCF

Advantages	**Disadvantages**
Costs– During the early stage of developing investment plans, the programs and processes across the funds are similar with improvements being introduced into the latter programs based on experience gained in the earlier ones. A combined evaluation could address the program development stage of all programs, and would probably be more cost effective for reviewing the results of the programming phase.	*Standard evaluation approach* – Each program has its own characteristics and is at different stages of development. A combined evaluation would therefore need to take into account the different stages and unique objectives of each program. With respect to the SCF, a combined evaluation would have the greatest focus on the PPCR since the FIP and SREP are still very much in the stage of program development. Even in the PPCR, operations will not have begun (in terms of disbursement under a project) during most of the reporting period.
Efficiency –A single evaluation team can be hired/established to cover the period from 2009 through 2012, and then a second evaluation would be triggered for the CIF as a whole in 2015.	*Expertise of the evaluation team* – The evaluation team might need to be of a significant size to cover all the areas of activities of the CIFs. This might result in some coordination and management challenges.
Comparability – The programs have similar governance structures and rules, similar operational approaches (development of investment plans, MDB collaboration and planning; subsequent project development). A combined evaluation could review and compare the processes that are common across the four programs.	*Different status of program implementation* – On the one side of the spectrum, CTF is the most advanced program with 14 approved investment plans and 20 approved projects, on the other side of the spectrum are the FIP and SREP with no operational approvals. The independent evaluation would need to take note of the variation in program progress. Comparison might not be straightforward. If a separate evaluation of the SCF were to be carried out, on the basis of the "first disbursement under a project trigger" that evaluation would not be triggered before December 2014. The independent review of the SCF could follow similar steps as the independent review of the CTF, beginning over two years later. Alternatively, a first independent review of the SCF could be combined with the second review of the CTF and launched in mid-2015. Such a review could more meaningfully include all three targeted programs of the SCF.
Staff time – A combined evaluation may result in savings in time for key staff in independent evaluation offices, and possibly in the MDBs and the CIF Administrative Unit over a longer time period. CIF focal points are often responsible for more than one program.	*Governance structure* – Each Trust Fund and each targeted programs has its own governance body with different membership. A combined evaluation will need a good communication strategy to ensure that all key stakeholders are equally well informed.

15. Guidance is sought from the joint meeting whether the first evaluation should focus on only the CTF or whether both CIF funds should be reviewed. Another option for this first evaluation might be to combine an evaluation of the CTF and PPCR, recognizing that the FIP and SREP were designed after these first two programs. If this first review is limited to the CTF, it may be most efficient to combine the second review of the CTF with the first review of the SCF and to launch such a combined review in mid-2015, recognizing that the first project disbursement under the SCF is forecast for December 2011 or January 2012.

c) Scope of the Evaluation

16. While it is can generally be anticipated that the independent evaluation will review activities at both the CIF program/partnership level, including the governance, as well as activities at the program and project level in the pilot countries, it is recommended that the joint meeting of the Trust Fund Committees invite the independent evaluation offices of the MDBs to prepare an approach paper together with draft terms of reference for review and approval at the joint meeting of the Trust Fund Committees in May 2012. The paper would also need to include an estimate of any costs that would need to be borne by the CIF for the independent evaluation for approval by the joint meeting.

17. The organizational arrangement of the evaluation approach is key to ensuring an efficient and credible process. The approach paper will be an opportunity for the evaluation offices to propose recommendations as to how best to manage the evaluation and the proposed terms of reference and budget which will allow the Trust Fund Committees to agree on the scope and reporting criteria as called for in the Governance Frameworks.