Climate Investment Funds

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Agenda 4

Operational Modalities for the Climate Investment Funds' New Strategic Programs

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1. Background and purpose

1. The Climate Investment Funds (CIF) were established in 2008 to provide scaled-up climate finance to developing countries in support of low-emission, climate-resilient development. CIF business model is characterized by five main features:

    - Country-led programmatic participatory approach enabling the design and implementation of strategically linked investments aligned with national priorities and building on existing efforts and strategies
    - Delivery of financing through multilateral development banks (MDBs) working together in a coordinated manner to support the implementation of coherent large-scale investment packages for cross-sectoral interventions responding to countries' priorities and objectives
    - Large-scale investment packages helping to create or deepen markets, stimulate private investments, and drive policy reform
    - Scaled-up, predictable, and flexible envelope of concessional resources
    - Consideration of system transformation and social inclusion at the outset

2. To maximize the comparative advantages of CIF's proven business model in support of accelerated climate action in priority areas, the CIF Administrative Unit and partner MDBs developed four program strategies seeking to drive the "*rapid and far-reaching transitions in energy, land, urban and infrastructures, and industrial systems*"[1] called for by the international scientific community. These new program strategies are the following:

    - Integration of Renewable Energy into Power Systems
    - Climate-Smart Urbanization
    - Accelerating Low-Carbon, Climate-Resilient Transition in Industry
    - Nature, People and Climate Investments

3. This document presents the operational modalities for both the public and private sector operations that will be developed under CIF's new strategic programs. It complements MDB's operational policies and procedures on which CIF relies. This document first outlines the operational modalities common across all strategic programs, and then it presents those specific to each one (see Annexes). This is a "living" document to be updated from time to time, as deemed necessary.

2. Country eligibility and access to CIF funding[2]

4. Access to CIF concessional resources for the new strategic programs will be open to all interested countries and shall be determined based on eligibility to Official Development Assistance (ODA).[3]

5. CIF concessional resources will also be open for regional interventions in recognition of multi- national drivers and pressures of climate change. Addressing systemic barriers to the development of markets

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[1] IPCC (2018), *Special Report: Global Warming of 1.5°C*, *Summary for Policymakers.*

[2] The procedures and criteria will be expanded upon in upcoming program-specific design and countries' eligibility and selection documents.

[3] A country would be deemed eligible for CIF concessional resources if holding the ODA-eligibility status at the time of selection and approval by the relevant CIF governing body. The Organization for Economic Co-operation and Development/Development Assistance Committee's (OECD/DAC) list of ODA recipients for 2019 and 2020 is available on the OECD web site. The DAC revises the list every three years. Countries that have exceeded the high-income threshold for three consecutive years at the time of the review are removed. The next review of the DAC List will take place in 2020 and made available on the OECD web site.

for low-emission and/or climate-resilient solutions can require multi- country partnership and actions.[4]

6. The process for the submission, assessment and ranking of countries' Expressions of Interest shall envisage the following steps:

a) Relevant CIF governing body to:
   - Agree on the approach and criteria proposed to elicit and evaluate eligible countries' Expressions of Interest and demand and prioritize the allocation of CIF's resources
   - Endorse, on a non-objection basis, the experts that would serve on the Expert Group(s) that would be established to evaluate and rank countries' Expressions of Interest to access funding under the new programs
   - Determine, based on CIF Administrative Unit's and MDB Committee's recommendations, the number of eligible countries for each new program.
   - Determine, based on CIF Administrative Unit's and MDB Committee's recommendations, the size of the country envelopes.
   - Determine the allocation of resources for private sector windows (where relevant)
   - Determine, based on CIF Administrative Unit's and MDB Committee's recommendations, the allocation of resources for dedicated innovation windows – "CIF Climate Ventures" (where relevant)
   - Determine, based on CIF Administrative Unit's and MDB Committee's recommendations, the allocation of resources for the dedicated financing mechanism for local communities and indigenous people under the *Nature, People and Climate Investments program*.

b) The CIF Administrative Unit in partnership with the MDBs will inform eligible countries of CIF's new programs and invite interested governments to submit an Expression of Interest to the CIF Administrative Unit. The Expression of Interest will include a cover page and annex relevant official documents (see Table 1). To prepare their Expression of Interest, countries will be expected to use their existing low-emission and climate-resilient development strategies and plans such as Nationally Determined Contributions, National Adaptation Plans, and/or other official climate-relevant plan or strategy.

c) Independent Expert Groups established by the relevant governing body of CIF will evaluate the Expressions of Interest against the approved criteria and submit a ranked list of eligible countries to the relevant governing body of CIF to help it prioritize the allocation of available resources. The list could include a regional group of countries if a regional-wide intervention is deemed appropriate by the independent Expert Group following the review of the Expression of Interests and if an MDB and/or a regional organization can be secured to engage with, motivate, and influence member countries; coordinate implementation of interventions, and facilitate cross-learning among countries.[5]

d) The relevant CIF governing body will review the recommended ranked lists and approve the selection of countries or regions eligible for CIF funding per strategic program. The decision shall be informed by the need and relevance of providing a scaled-up volume of concessional resources to achieve transformational impacts.

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[4] For instance, the Caribbean Catastrophe Risk Insurance Facility is a regional catastrophe fund for Caribbean governments to limit the financial impact of hurricanes and earthquakes by quickly providing financial liquidity when a parametric policy is triggered. This sovereign insurance allows countries to pool risks in a diversified portfolio. Since it is highly unlikely that several countries will be hit by a major disaster within the same year, the diversification among participating countries creates a more stable and less capital-intensive portfolio, which is cheaper to reinsure. Other examples can include market scale (as has been the case for geothermal development in Caribbean countries) import and tax regulations, and technical standards, among others.

[5] For instance, ECOWAS Center for Renewable Energy and the and the West African Development Bank (BOAD) which are the implementing entities of the CIF's Clean Technology Fund--backed Regional Off-Grid Electrification Project in countries in West Africa and the Sahel region. (See World Bank's web site here for more details on the project).

Table 1: Expression of Interest content and evaluation criteria

Expression of Interest content:	
• CIF's strategic program(s) to which the country is expressing interest. • Line(s) of action to be pursued with CIF support per program(s) of interest. Line(s) of actions can be taken directly from country-driven climate strategies and plans (Nationally Determined Contributions, National Adaptation Plans, and/or other relevant low-emission and climate-resilient development plan(s)/strategy(ies) which are to be referenced or Annexed). • Rationale for alignment with country-driven climate strategies and plans (Nationally Determined Contributions, National Adaptation Plans, other relevant low-emission and climate-resilient development plan(s), and National Gender-related Policies). • Key implementation arrangements (governance and strategy for implementation, capital mobilization, monitoring and reporting). • Annex as background relevant official documents.	
Program-specific content - lines of action:	
Integration of Renewable Energy into the Power System	▪ Actions to increase the flexibility of power grids to enhance the penetration of renewable energies in the energy mix, *and/or* ▪ Actions seeking to harness the potential of renewable energy generation for electrifying end-uses sector, such as building, transport, and the industry sectors
Climate-Smart Urbanization	▪ Describe the role(s)/responsibilities of sub-national government/authorities (municipalities) in enabling low-emission and climate-resilient development *and* ▪ Vision for implementing a climate-smart urban development growth model ▪ Actions to address the climate mitigation and vulnerability opportunities of cities
Accelerating Low-Carbon, Climate-Resilience Transition in Industry	▪ Actions to reduce emissions in high-emitting industries (e.g., iron and steel, cement, chemicals and petrochemicals, aluminum, pulp and paper, transport)
Nature, People and Climate Investments Program	▪ Actions to conserve, sustainably manage or restore ecosystems, or enhance forest or soil carbon stocks while protecting biodiversity and supporting rural livelihoods *and/or* ▪ Actions to improve agricultural productivity through practices that reduce GHG emissions and the pressures on natural resources while enhancing livelihood options *and/or*

	▪ Actions to protect or restore coastal ecosystems while reducing GHG emissions and developing livelihood options for coastal communities *and/or* ▪ Actions to address the climate vulnerability of rural and/or coastal communities.

Evaluation ranking criteria:

a) **Vision:** The Expression of Interest specifies how the country seeks to use CIF concessional resources to address barriers to the achievement of its low-carbon and climate-resilient development plan(s) or strategy(ies), and the additional value CIF resources could bring to meeting its goals.

b) **Ambition and alignment**: The Expression of Interest indicates the country's ambition level in the new CIF strategic program(s) and related lines of actions, and its alignment with the country's climate strategies and plans.

c) **Holistic perspective on climate risks and opportunities:** The Expression of Interest indicates line(s) of action that cover both mitigation and adaptation.

d) **Relevance for CIF's strategic programs:** The Expression of Interest aligns with the strategic objectives of one or more CIF strategic program(s).

e) **Leadership:** The Expression of Interest confirms active involvement of the Ministry of Finance and/or Planning in the formulation and implementation of the line(s) of action, including supporting responsible government entities through horizontal coordination mechanisms

f) **Governance**: The Expression of Interest defines the institutional framework for implementation, assigning roles and responsibilities to line ministries, relevant agencies, and/or sub-national governments / authorities

g) **Implementation strategy**: The Expression of Interest identifies concrete actions to be implemented (e.g. technical assistance, capacity building or investments), the financing sources contemplated, and the monitoring and reporting responsibility.

h) **Private finance mobilization strategy**: The Expression of Interest defines a strategy for engaging the private sector and mobilizing private sector resources toward the delivery of the line(s) of actions and the country's low-emission and climate-resilient development goals.

i) **Stakeholders engagement**: The Expression of Interest includes a strategy or mechanism for engaging and advancing the voice, skills, and livelihoods of women, indigenous peoples, youth organizations, local communities, and the civil society (as applicable).

j) **Complementarity:** The Expression of Interest demonstrates that CIF fills a funding gap by providing the country with access to concessional resources not otherwise available, or complementary to existing ones.

3. CIF implementing agencies

7. **CIF will continue to deliver concessional resources through its existing partner MDBs** namely, the African Development Bank, the Asian Development Bank, the European Bank for Reconstruction and Development, the Inter-American Development Bank Group, and the World Bank Group, including the International Finance Corporation.

8. The inclusion of other MDBs as CIF implementing entities under CIF might be brought to the consideration of the CIF governing bodies on a case-by-case basis if after and assessment by the CIF Administrative Unit and the Trustee it is considered that the benefits clearly outweigh the costs and there is an alignment with existing policies within the World Bank.

4. Business model for allocation of resources

9. The programmatic approach is one of the core design elements of CIF's business model and integral to CIF's ambition to achieve transformational change. It is centered around country-led investment plans and thematic programs—supported by MDBs collaboration, informed by multi- stakeholder consultation, and associated with a scaled-up, predictable, and flexible resource envelope—that set out strategically linked investments, unified by a transformative vision.[6] It brings systems-level thinking and solutions to help countries meet their climate ambitions.

10. The past decade of CIF's climate action has demonstrated the advantages of this approach in contributing toward transformational change. Important outcomes include:[7]

    - An organized and consultative way to prioritize investment
    - A successful platform for MDB joint programming and collaboration
    - Increased ownership, awareness, and willingness for broader strategic dialogue within government
    - An opportunity to link national strategies and priorities with resources

11. CIF has also helped its partner MDB to move into more innovative low-carbon and climate-resilient technologies and sectors, create markets for such technologies, support climate action across multiple sectors, and pilot new blended finance instruments and approaches that are now considered mainstream within MDBs. Other key lessons learned on the CIF programmatic approach include the relevance of:

    - Scaled-up, predictable, and flexible volumes of concessional resources to secure buy- in from multiple stakeholders, incentivize policy and regulatory reforms, move markets, and push boundaries
    - A flexible model to adapt to the wide diversity of climate change and development contexts in the CIF recipient countries[8]
    - Dedicated and flexible arrangements for private sector operations, which require timely responses to contingent market conditions.[9]

12. CIF will continue to use a programmatic approach in the allocation of resources to programs and projects developed under the new strategic programs. Building on the lessons learned and the recommendations of the independent evaluation of CIF's programmatic approach and other related

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[6] Other key features of CIF's programmatic approach vary by CIF program. For the Strategic Climate Fund, other key features include the identification and use of an institutional structure to coordinate the country program, support for additional readiness activities, regular stakeholder review meetings, and knowledge and learning activities at the program level.

[7] ICF (2018), *Evaluation of the Climate Investment Funds' Programmatic Approach*.

[8] ICF (2018), *Evaluation of the Climate Investment Funds' Programmatic Approach*.

[9] The programmatic approach in the DPSPs centered around the joint MDB development of project pipelines focused around thematic, technology priorities such as geo-thermal energy or energy-efficiency.

research,[10] the adopted approach will be tailored to the specificities of CIF's new strategic programs and countries' needs.

13. The landscape in which CIF operates has changed significantly over the past ten years, and many countries now have their own climate strategies and plans (Nationally Determined Contributions, National Adaptation Plans, and are developing Long-Term Strategies).[11] CIF's programmatic approach will strategically complement these existing climate-relevant programs, plans, strategies, or frameworks at the regional, national, sub-national, sector levels.

14. CIF's programmatic approach will continue to be implemented in accordance with the tenets of its 2018 CIF Gender Policy in order to advance equal access to and benefit from CIF-supported investments for women and men in CIF pilot countries. Specifically, this will include such elements as use of gender-responsive assessment, consultation, design, implementation, and monitoring, reporting and evaluation processes, with a view toward supporting gender equality outcomes through CIF assistance.[12]

15. **Dedicated private sector windows might be established under the new programs** in recognition of the specific nature of private sector operations, and the relevance of private finance mobilization for climate action. It will also ensure the integration of dedicated strategies and approaches for the mobilization of private resources in the country-led investment action plans. Where feasible, it will also aim to support low-carbon and climate-resilient entrepreneurship at the local level.

16. **A financing mechanism dedicated to Indigenous Peoples and Local Communities is proposed to be established under the *Nature, People and Climate Investments program*.** This is in recognition of the specific needs of indigenous people and local communities, and the relevance of their involvement in decision-making and governance processes for effective land-based climate adaptation and mitigation. The establishment of such a dedicated financing mechanism will build on the successes and lessons learned of CIF's Dedicated Grant Mechanism,[13] and be pursued under CIF's *Nature, People and Climate Investments Program*.

17. **Dedicated CIF Climate Ventures windows are proposed to be established within new CIF strategic programs**. The aim of the dedicated CIF Climate Ventures windows is to provide MDBs with the flexibility, incentives, and risk capital required to support innovative and early stage ventures holding the potential to generate transformative climate initiatives that MDBs would not be able to undertake with their resources alone (see Section 4.3).

18. CIF's programmatic approach for the new strategic programs will take the following four main modalities:

    - Country-led investment action plans, which may be carried out at the regional, national, sub-national (municipal), or sectoral-level
    - Thematic dedicated windows for private sectors operations

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[10] ICF (2018), *Evaluation of the Climate Investment Funds' Programmatic Approach*; CIF and Institute for the Future (2018), *A New Story to Spark the Future of Climate Action.*

[11] An emphasis on national planning was valuable when CIF began its operations a decade ago given that climate change planning and priority setting was in its nascent stages, particularly in lower-income countries.

[12] See CIF Gender Policy at: https://www.climateinvestmentfunds.org/sites/default/files/meeting-documents/joint_ctf-scf_17_4_rev.1_cif_gender_policy_rev1_2_final.pdf

[13] See ITAD (2018), *Learning Review of the Dedicated Grant Mechanism for Indigenous Peoples and Local Communities in the Forest Investment Program (FIP) of the Climate Investment Funds (CIF)*.

- Thematic dedicated Climate Ventures windows for innovation
- Dedicated financing mechanism for local communities and indigenous people.

19. Public and private sector-oriented programs and projects[14] proposed for CIF funding shall meet the investment criteria established for each new strategic program, as outlined in the dedicated Annexes of this document.

4.1. CIF's programmatic approach

20. The programming of CIF concessional resources will include the following main steps:
    - Diagnostic and investment action planning at the regional/national/sub-national/sector- level
    - Development of a coherent intervention package
    - Implementation of strategically-aligned interventions
21. These steps will be undertaken on an as-needed basis, depending on context-specific circumstances and recipient countries' requirements. With a view of enhancing the cost- and time-efficiency in the programming of CIF's resources, these steps will harness, where available, existing regional/national/sub-national/ sector-level programs, plans or frameworks, including MDBs' country strategies.
22. The diagnostic and investment action planning phase shall envisage at least one joint mission led by the relevant government entity working together with the respective MDBs. Solid pre-work is expected to ensure that the joint mission will be inclusive and maximize the involvement and consultation with a range of stakeholders including representatives from relevant government agencies, private sector groups, other development partners, NGOs, academia, youth organizations, Indigenous People, and other community-based and civil society groups, including youth organizations. This phase will result in the formulation of an investment action plan setting the foundation for subsequent development of strategically aligned program and project pipelines and strategies for mainstreaming climate risk and opportunities into countries' and other entities' decision-making processes and mobilizing resources from other public and private sector entities. The investment action plan will be submitted to the relevant governing body of CIF for review and endorsement as a basis for preparing program or project proposals for CIF funding. Ideally, the country's Ministry of Finance and/or Planning will submit the investment action plan, which will identify how it will seek to mobilize finance from other public and private sources (particularly private sector ones) and define how CIF support will help the country boost its ambition in accelerating climate action.
23. To contribute toward transformational change, and thereby deliver "strategic changes in targeted markets and other systems, with large-scale, sustainable impacts that shift and/or accelerate the trajectory toward low-carbon and climate-resilient development",[15] recipient countries and their partner MDBs shall demonstrate that diagnostic and investment action planning, and the development and implementation of the related interventions, meet the following dimensions of transformational change:[16]
    - *Relevance*:
        - o Country-ownership and political commitment, thereby coherency with and

[14] A program refers to a combination of multiple projects (sub-projects). A project refers to a single intervention.

[15] ITAD et al., (2019), *Final Evaluation Report - Evaluation of Transformational Change in the CIF*.

[16] The definition of transformational change is the one provided by ITAD et al., (2019), *Final Evaluation Report - Evaluation of Transformational Change in the Climate Investment Funds*.

contribution towards the objectives or the implementation of priority investments identified in existing country-led climate change strategies and/or plans, such as a country's Nationally Determined Contributions, National Adaptation Plans or countries' Long-Term Strategy. CIF supported investment action plans will seek to take a supplementary or scaling up role in filling outstanding gaps to the delivery of existing country-led climate change strategies, plans and investments.

- Alignment with the strategic objectives and most feasible opportunities of one or more CIF's strategic program(s) in the targeted context

- *Systemic change*: Adoption of a system-level socially-inclusive participatory approach leading to fundamental shifts in system structures and functions by targeting the root causes hindering countries' low-emission and climate-resilience development (e.g., institutional, regulatory, and policy failures; market failures and financial barriers; knowledge and technical capacity barriers). This approach shall do the following:
  - Call for closer collaboration and coordination among MDBs and within their public and private sector arms and with other relevant stakeholders
  - Take into due consideration the perspectives of multiple stakeholders, including women's organizations, youth organizations, and indigenous people and local communities with a view of delivering demonstrable and measurable impact on gender equality and social inclusion outcomes [17]
  - Take into due consideration the activities supported by other climate finance delivery channels to ensure coherence and complementarity at the programming, activity, or instrument level
  - Seek to mainstream climate-related risks into countries' macroeconomic and fiscal policy, public financial management, and financial regulation, as appropriate
  - Seek to mobilize private sector resources and support the integration of climate risks and opportunities into private actors' decision-making processes.

- *Scale*: Design and prioritization of contextually large-scale interventions to deliver contextually large-scale impacts, including explicit strategies for enabling subsequent scale-up or replication of the CIF-funded intervention and wider market impacts.

- *Sustainability*: Adoption of strategies and approaches enabling the delivery of system changes over the long-term, after CIF's concessional finance support is terminated. To this end, collaboration and coordination with other relevant initiatives to build on synergies and optimize the use of concessional resources and strong knowledge and learning to assess and increase the impact of current and future investments.

24. Further, interventions summited for funding, will also ensure that that they do no harm, thereby avoiding causing significant unintended environmental and social negative impacts. This will be ensured by CIF partner MDBs through the implementation of their environmental and social safeguards policies, processes and procedures.

25. To deliver on its transformational ambitions, CIF will seek to provide a scaled-up, predictable, and flexible volume of concessional resources for the design and implementation of a strategically aligned packaged of interventions. For undertaking the diagnostic and investment action planning phase at the regional/national/sub-national/sectoral level, CIF will provide a grant of up to USD 1

[17] This can be achieved through context-specific problem identification (e.g., of gender gaps), targeted measures to reduce these gaps, and sex-disaggregated monitoring of the outcomes, in line with the objectives of CIF's Gender Policy.

million.[18]

26. These new strategic programs also present an opportunity for CIF and the MDBs to raise the bar on engagements at the country-level and start piloting approaches– that can be mainstreamed over the next phase of CIF operation (such as those identified as critical zones of opportunity in *The Future of Climate Action Map*[19]). There are numerous opportunities to enhance the programmatic approach in this regard under CIF's new programs, such as:

    - The engagement of a wider range of stakeholders, including youth, circular economists, local entrepreneurs, and innovators, in the shaping of investment plans and interventions
    - Hackathons, local innovation hubs, accelerator/incubator programs, and other methods that have proven to be effective in identifying innovative climate solutions and driving climate action at the local level. These tools could be incorporated at the investment planning phase to ensure that key problems are identified and defined (and locally- sourced solutions are considered and financed) to drive transformational change through CIF.
    - Communication tools and art, which play a critical role in generating local buy-in for low-carbon initiatives and changing social norms and behavior. CIF will explore how such communication tools can be incorporated more centrally into the development and delivery of investment plans and programs.

4.2. Dedicated private sector windows

27. The programmatic approach for private sector operations will envisage the MDBs' collaborative identification of priority thematic and/or technology-based private sector funding opportunities in all countries deemed eligible for CIF funding by the relevant governing body. Thematic and/or technology-based programs and projects proposed for CIF funding shall demonstrate:

    - *Relevance:* Align with CIF new programs and national/sub-national/sectoral- level climate priorities, strategies or plans including, where applicable, CIF funded investment action plans
    - *Scale:* Prioritize contextually large-scale interventions to deliver contextually large-scale impacts
    - *Systemic change*: Target the root causes determining the need for concessional financing, and demonstrate the potential for replication by providing a signal to the market that the operations are sustainable and profitable over the long-term without concessional finance support
    - *Sustainability:* Enable the delivery of system changes over the long-term after CIF concessional finance support is terminated.

28. The programmatic approach for private sector operations will seek to harness CIF's comparative advantage in enabling innovation, by supporting MDBs in pursuing frontier approaches in difficult contexts and attracting private investors and financiers in new ways. [20]

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[18] This amount will cover funding to countries as Investment Plan Preparation Grant (IPPGs), MDB support to preparation of investment plans (country programming support) and other analytical work related to the investment planning process.

[19] *The Future of Climate Action Map* represents one of the outcomes of work that CIF initiated in 2018 in partnership with Institute for the Future and in consultation with a range of experts and executives from academia, design, tech, finance, and media ad- hoc co convened partner MDBs and the World Bank's Technology and Innovation Lab to advance discussions on how to ensure the MDBs stay at the forefront of climate innovation and integrate the identified zones of opportunity in CIF's new programming

[20] To this end, the CIF Administrative Unit has been working with Climate Policy Initiative to identify innovative blended finance instruments

4.3. Dedicated CIF Climate Ventures windows

29. CIF is well placed to support MDBs in pursuing innovative approaches through large funding envelopes, a multi-MDB deployment model, and an appetite for risk. In the context of CIF's new strategic programs, experts have suggested that CIF continue to push the innovation envelope by investing a relatively small percentage of its funds in particularly high-risk but high-impact ventures.

30. The CIF Climate Ventures windows developed under new programs will provide MDBs with the flexibility, incentive, and risk capital required to support innovative and potentially transformative climate initiatives that they would not be able to undertake with their resources alone. By targeting frontier innovations in technology, business models, and market approaches, the financing and support provided by CIF's Climate Ventures windows could prove to be a game changer for many nascent low-carbon sectors in developing countries, leading to potentially transformative impacts.

31. CIF's Climate Ventures windows develop from the recognition that dedicated risk-tolerant capital is required to provide the holistic support that innovative ventures need to grow and expand into new markets. It also develops from the market need expressed by MDBs' innovation-focused teams and evidence on the shortage of growth capital for such initiatives in developing countries.[21]

32. CIF's Climate Ventures windows could support with technical assistance and/or equity, mezzanine, or other de-risking instruments the following:

- Early and growth-stage innovative companies providing climate-relevant technologies and solutions in developing countries. An example is IDB Lab's approval of USD 2 million (USD 1.5 million of which is equity), to implement a new technology solution called "e- kakashi", a service that combines internet of things, big data, artificial intelligence, and cyber physical systems to transform agriculture into a real-time, data-driven science.[22]
- Venture funds focused on climate action, such as venture capital firms investing in companies providing climate-smart agriculture technologies (e.g., the Brazilian SP Ventures)[23] or in groundbreaking clean energy technologies (e.g., Breakthrough Energy Ventures Europe)[24]
- Climate-focused venture ecosystem development initiatives in developing countries, such as TechEmerge, a first-of-its-kind matchmaking program launched by the World Bank Group to support proven technology companies around the world to bring high- impact technology solutions to emerging markets in select sectors (e.g., smart cities, climate resilience, sustainable cooking, and mobility) [25]
- Business plan competitions and sourcing of unique business models to drive climate action,

and business models of relevance to CIF's new programs. This work has encompassed an in-depth review of the instruments developed under the Global Innovation Lab for Climate Finance and engagement with partner MDBs, including through a prototyping workshop organized in September 2019 to discuss and kick-start the development of innovative financing structures.

[21] See for instance Dutch Ministry of Foreign Affairs' Dutch Good Growth Fund (2019), *Scaling Access to Finance for Early-Stage Enterprises in Emerging Markets – lessons from the field*.

[22] For more information, please see IDB web site - *IDB Lab, CIAT and SoftBank Partner to Promote Smart Rice Farming in Colombi*a

[23] SP Ventures acquires equity in innovative early-stage companies with novel technologies and solid business models, prioritizing Agtechs, Healthtechs and Fintechs companies.

[24] Breakthrough Energy Ventures Europe (BEV-E) is a first-of-a kind €100 million pilot fund investing in cutting-edge companies bringing radically new clean energy technologies to the market. It developed from the partnership between the European Commission and Breakthrough Energy Ventures. The European Commission provided half of the equity from its InnovFin. For more information, please see the European Commission web site here and Breakthrough Energy Ventures web site here.

[25] For more information, please see TechEmerge web site here.

which could then be piloted using CIF concessional funds

33. CIF's Climate Ventures windows will be supported through a small (up to 5% percent of total program funds) allocation under the relevant new strategic programs. Specific programming principles will be developed and submitted for approval.

5. Principles for using CIF concessional resources

34. The use of CIF concessional resources for both public and private sector programs and projects will adhere to the following principles and follow best practices in implementation:[26]

- *Economic rationale for using blended concessional finance*: CIF concessional resources should make a contribution that is beyond what is available, or that is otherwise absent from the market, and should not crowd out the private sector. They should be used to address institutional and market failures or other barriers that would not make a given intervention possible. CIF concessional financing should be used when MDBs' own standard financial products are insufficient to catalyze the investment, and if the project would not happen without it.

- *Crowding-in and minimum concessionality*: MDBs use of CIF concessional resources should, to the extent possible, contribute to catalyzing market development and mobilizing resources from other sources, particularly from the private sector, and minimize the use of concessional resources. The degree of concessionality should seek to address as directly as possible critical gaps in the financing structure and to minimize the need for future, ongoing concessionality. Where possible, the level of concessionality should be sized relative to the value of the externality or obstacle identified.

- *Commercial sustainability*: The deployment of CIF concessional resources should envision a strategy to phase out concessional support over time to achieve long-term financial sustainability or market viability and avoid dependence on a continuous flow of concessional resources. The CIF subsidy element of the investment should be transparent, targeted to address specific financing gaps, and time bound, with credible expectations that future investments in a similar project in a given sector will gradually require lesser levels of concessionality as market failures or other obstacles are reduced. The impact achieved by the intervention supported with CIF concessional resources should aim to be sustainable over time once CIF resources are no longer available/have been used.

- *Reinforcing markets*: MDBs use of concessional resources should be structured to effectively and efficiently address institutional and market failures and minimize the risk of disrupting or unduly distorting markets or crowding out private finance, including new entrants.

- *Promoting high standards*: MDBs use of concessional resources should seek to promote adherence to high standards of conduct in their clients, including in the areas of corporate governance, environmental impact, social inclusion, transparency, integrity, and disclosure.

[26] These develop from PPCR (2009), *Programming and Financing Modalities For The SCF Targeted Program, The Pilot Program For Climate Resilience (PPCR)*; FIP (2010), *Investment Criteria and Financing Modalities*; SREP (2010), *SREP Financing Modalities*; CTF (2012), *CTF Private Sector Operations*; CTF (2015), *Financing Products, Terms, and Review Procedures for Public Sector Operations*; GCF/B.10/06 (2015), *Level of Concessional Terms for the Public Sector*; GCF/B.19/12/Rev.01, *Concessionality: Potential Approaches for further Guidance*. In the context of private sector operations, they also develop from following to which CIF partner MDBs will adhere to: *Enhanced Principles for Blended Concessional Finance for Private Sector Operations* agreed by the Heads of MDBs and European Development Finance Institutions in October 2017; Joint-DFIs (2017), *DFI Working Group on Blended Concessional Finance for Private Sector Projects*; Joint-DFIs (2018), *DFI Working Group on Blended Concessional Finance for Private Sector Projects – Joint Report, October 2018 Update*.

5.1 Co-financing

35. Over the last 10 years of CIF operation, USD 6.4 billion in CIF-approved funding attracted more than USD 60 billion in expected co-financing, with the private sector contributing the largest single share (about 33 percent).[27] Cognizant that the co-financing potential can vary depending on the strategic program targeted, the type and context of intervention, and technology maturity, the expectation for CIF's new strategic programs is to improve on the results achieved to date.[28] Adequate co-financing from MDBs is a standard condition to apply for CIF financing.

36. To maximize the impact of CIF concessional resources, they must be implemented alongside an adequate volume of MDBs' own resources and with additional co-financing from other public and/or private entities. In exceptional circumstances (e.g., for countries in debt distress / at risk of debt distress), a stand-alone CIF funded program or project may be allowed for public sector operations, subject to justification from the country and relevant MDB.

37. CIF will rely on MDBs' harmonized definitions and procedures[29] to track the amount of financial resources committed by MDBs and other external sources, which may include resources from the private[30] (commercial) and the public (non-commercial) sectors. Figures tracked will reflect the best estimate of resource flows based on information available at the time of MDB Board approval and/or commitment to each program or project. By relying on MDBs' harmonized definitions and procedures, CIF will be able to track and report the contribution of each co-financier, including "private direct mobilization" and "private indirect mobilization."[31]

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[27] Sources: *CIF's Programs Semi-Annual Operational Reports* from December 2019.Note: CIF funding refers to Committee Approved resources; Expected co-financing data as of 31 December 2018.

[28] For instance, CIF's experience with its thematic programs shows that in the context of renewable energy, energy efficiency, and clean transport, about USD 4.9 billion of funding approved under CIF's Clean Technology Fund attracted USD 16.3 billion in expected private co-financing (i.e., a 1:3.3 co-financing ratio), while in the context of forestry, climate-resilience, and energy access-related interventions, about USD 2.1 billion of funding approved under CIF's Strategic Climate Fund attracted USD 994 million in expected private co-financing (i.e., a 1:0.47 co-financing ratio).

[29] See *Joint Report on Multilateral Development Banks' Climate Finance* (2019) and any subsequent edition that would become available and also, the reference guide *From Billions to Trillions: Transforming Development Finance* published by MDBs in April 2017 to explain how they calculate and jointly report private investment mobilization.

[30] Per MDBs harmonized definition, private entities are those with at least 50 percent of their shares held privately.

[31] Per MDBs' approach, sources of funding are categorized by (i) other MDBs; (ii) institution members of the International Development Finance Club, including bilateral and multilateral members; (iii) other international public entities such as donor governments; (iv) contributions from other domestic public entities, such as recipient-country governments; and (v) all private entities split by "private direct mobilization" and "private indirect mobilization".

When two or more MDBs jointly finance a project, which results in some overlap between the gross co-finance figures reported by the different MDBs, MDBs' approach nets out potentially double-counted co-financing by considering only the proportion of co-financing for every project that features co-financing from another MDB. "Private direct mobilization" refers to financing from a private entity on commercial terms due to the active and direct involvement of an MDB leading to commitment. Evidence of active and direct involvement includes mandate letters, fees linked to financial commitment, or other valid or auditable evidence of an MDB's active and direct role leading to commitments by private financiers. Private direct mobilization does not include sponsor financing. "Private indirect mobilization" refers to financing from private entities supplied in connection with a specific activity for which an MDB is providing financing, where no MDB is playing an active or direct role that leads to the commitment of the private entity's finance. Private indirect mobilization includes sponsor financing, if the sponsor qualifies as a private entity (Source: *Joint Report on Multilateral Development Banks' Climate Finance* (2019)).

6. Financing modalities

38. CIF is designed to provide resources at concessional terms and conditions i.e. on terms and/or conditions that are more favorable than those otherwise available. Concessionality can be achieved through one or a combination or the following: (i) interest rates below those available on the market; (ii) maturity, grace period, security, rank or back-weighted repayment profile that would not be accepted/extended by a commercial financial institution; and/or (iii) by providing financing to borrower/recipients not otherwise served by commercial financing.[32] Concessional finance can take different forms, and each form can be deployed through targeted financial instruments (see Section 6.2).

39. CIF's concessional resources will contribute to the broad range of financing instruments that can be made available through MDBs to address the variety of context-specific barriers and risks to climate action (see Section 6.2). CIF resources are expected to be used to finance the following main type of operations:

- *Technical assistance and advisory services for public and private sector operations:* Provision of (i) non-reimbursable technical cooperation operations and advisory services or ii) contingent recovery technical cooperation operations supportive of investment operations, blended finance operations, or "upstream" analyses carried out for identifying investment opportunities, creating markets, or advancing the development of innovative financing structures or business models. To support the development of a market of internationally transferred mitigation outcomes, non-reimbursable resources for technical assistance and advisory services may also be used for the development of measurement, reporting, and verification systems of greenhouse gas (GHG) emissions reduced or removed.
- *Investment operations (including investment grants operations):* Provision of reimbursable or non-reimbursable concessional resources to MDBs for the implementation of public sector program and project interventions, which may take the form of investment grants, concessional loans, guarantees, or a combination of these
- *Blended finance investment operations:* Provision of reimbursable concessional resources to MDBs for private sector projects, which may consist of debt instruments at softer terms and conditions, local currency financing, or risk mitigation instruments such as guarantees, or equity investments, among other financial instruments
- *Costs related to MDB Project Implementation and Supervision Services (MPIS) for preparation and supervision of investments and technical assistance and advisory services interventions (MDBs fees):* Cost recovery for MDBs' expenditures relating to managing the project cycle and covering the incremental staff, consultant, travel, and related costs of project development, implementation, supervision and reporting can be found in Section 7.

6.1 Financing terms

40. CIF's concessional resources seek to push boundaries to drive innovation, move MDBs to the frontier of risk taking, and pursue frontier approaches in difficult contexts with a view of pulling private capital into contexts otherwise deemed too risky or costly. CIF's concessional resources seek to enable

[32] The degree of concessionality of a given instrument is measured by its "grant element." For instance, a loan offered at market terms has a grant element of zero percent while a grant would have a grant element of 100 percent. The relevant market reference is determined by each partner MDB through own practices (e.g., market observations, or elicitation, with due consideration of the credit risk and quality of both the borrower and the lender).

interventions that would not otherwise happen with MDBs' own resources.

41. For public sector projects, CIF's resources would be expected to be:

- For non-IDA eligible countries[33] (typically middle-income countries): equal to the least concessional among IDA's terms effective as of July 1, 2019[34] (see Box 1)
- For IDA only countries (typically low/lower-income countries): softer than IDA's terms effective as of July 1, 2019 (see Box 1) subject to MDBs' justification of the need for a higher degree of concessionality in the relevant program or project document. The degree of concessionality for low-income countries shall consider countries' relative risk of debt distress as defined by the Joint World Bank-IMF's Debt Sustainability Framework methodology.[35] As a result, countries in debt distress or at high-risk of debt distress are eligible to receive 100 percent of CIF financing as grants. Countries at moderate risk of debt distress are eligible to receive 50 percent of financing as grants and the remaining 50 percent as credits.

42. CIF would apply the IDA's term effective at the time of funding approval for a program or project (or sub-project) by the relevant governing body. To reflect updates in IDA's terms and countries' eligibility, the CIF Administrative Unit will revise and update this document on an annual basis in the month of July.

43. The amount of grants as a percentage of the overall CIF funding package will be agreed by the relevant CIF governing body on the basis of a country's need as outlined in the investment action plan or program/project-specific circumstances.

44. In cases where national governments will borrow from MDB for on-lending to sub-national governments, MDBs will specify in the financing agreements that the pricing of CIF concessional resources must be maintained.

45. For private sector projects, the degree of concessionality of CIF resources shall be determined by MDBs on a case-by-case basis and structured following the Enhanced Blended Concessional Finance Principles for Private Sector Investment Operations agreed by the heads of MDBs and European Development Finance Institutions in October 2017.[36]

46. In light of the principle that outgoing funding cannot be more concessional than incoming contributions, the degree of concessionality of CIF resources for both public and private sector operations will be dependent on the type of contributions received.

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[33] Please refer to Annex 5 and IDA's web site for details on IDA eligible countries. For reference: eligibility for IDA support depends first and foremost on a country's relative poverty, defined as GNI per capita below an established threshold and updated annually ($1,175 in fiscal year 2020). IDA also supports some countries, including several small island economies, that are above the operational cutoff, but lack the creditworthiness needed to borrow from the International Bank for Reconstruction and Development (IBRD). For more details see IDA's web site.

[34] See Box 1 and IDA's web site.

[35] Please refer to the IMF's web site as the Debt Sustainability Framework is periodically reviewed.

[36] Joint-DFIs (2017), *DFI Working Group on Blended Concessional Finance for Private Sector Projects*; Joint-DFIs (2018), *DFI Working Group on Blended Concessional Finance for Private Sector Projects – Joint Report, October 2018 Update*.

Box 1: IDA terms effective as of July 1, 2019[37]

IDA maturity, grace period, principal repayment and acceleration clause

	Maturity	Grace Period	Principal Repayments		Acceleration Clause
Grants	NA	NA	NA	NA	NA
Small economy	40	10	2% for yrs. 11-20	4% for yrs. 21-40	Yes
Regular	38	6	3.125% for yrs. 7-38		Yes
Blend[38]	30	5	3.3% for yrs. 6-25	6.8% for yrs. 26-30	Yes

Note: Please refer to Annex 6 for IDA-eligible countries categorization and IDA's web site.

Fixed rates for FY20 Q1

	USD
Regular for small economy – service (10-yr grace and 40-yr maturity)	1.46%
Regular for IDA only – service (6-yr grace and 38-yr maturity)	1.48%
Blend - service	1.49%
Blend - interest	1.40%
Blend - total	2.89%

[37] Please refer to IDA's web site for the latest terms. As specified on IDA's web site, "*lending terms are determined with reference to recipient countries' risk of debt distress, the level of GNI per capita, and creditworthiness for the IBRD borrowing. Recipients with a high risk of debt distress receive 100 percent of their financial assistance in the form of grants and those with a medium risk of debt distress receive 50 percent in the form of grants. Other recipients receive IDA credits on regular or blend and hard- terms with 38-year and 25-year maturities respectively*". Please refer to IDA's web site for more details on maturity, acceleration cause, blend terms, etc. IDA's country categorization applies – see IDA's web site at: http://ida.worldbank.org/about/borrowing-countries.

[38] Blend terms apply to blend countries and IDA countries with GNI per capita above the operational cutoff for more than two consecutive years, known as gap countries. An exception to the GNI per capita operational cutoff for IDA eligibility has been made for some small states and small island economies (i.e., small economy terms) based on their vulnerability. Please refer to IDA's web site.

IDA guarantee pricing for guarantees approved on or after October 1, 2018[39]

Charges	Fees	Private Projects[40]	Public Projects *(incl. Policy-Based Guarantees)*[41]
Upfront Charges *(one-time fees charge on guarantee amount)*	**Front end**	-	-
	Initiation	Greater of 15 bps and US$100k	-
Recurring Charges *(per annum)*	**Standby**	-	
	Guarantee	75 bps	75 bps

Note: The pricing indicated would apply to both IDA-eligible and non-IDA eligible countries. For IDA eligible countries a degree of concessionality higher than IDA's terms can be granted subject to MDBs' justification in the relevant program/project document.

6.2 Financing instruments

47. CIF concessional finance support to countries and private actors will be provided in accordance with MDBs' procedures and the principles outlined in Section 5. CIF concessional finance may be provided through a variety of instruments utilized by the MDBs for lending, investing, and providing technical assistance and advisory services.

48. MDBs will determine the type, combination and degree of concessionality of the instrument on a case-by-case basis considering context-specific circumstances, the financing requirements and goals of a given intervention, and with a view of mobilizing additional public and/or private resources of national and/or international nature.

49. Furthering the CIF's role, the CIF Administrative Unit will continue to encourage and support MDBs in innovating how climate finance is deployed on the ground. It will hence keep on engaging with partner MDBs and other relevant stakeholders to identify, develop and test innovative instruments and business models[42] including, for instance, the ones identified through the dedicated work that the CIF Administrative Unit undertook in 2019 in partnership with Climate Policy Initiative.[43]

39 Sources: IDA's web site.

40 Refers to guarantees extended to backstop a government's obligation with a private sector entity (e.g., in the case of Public- Private Partnerships (PPP)

41 In accordance with IBRD and IDA Policy on Financial Terms and Conditions, policy-based guarantees cover debt service defaults, irrespective of the cause of such default, on a specified portion of commercial debt owed by Government and associated with the supported Government's program of policy and institutional actions. Policy-based guarantees do not support bilateral debt or debt extended by publicly owned entities that operate under public law for public policy purposes (e.g., bilateral financiers, government owned-policy banks and export/import agencies).

42 Defined as the ability to address, directly or indirectly, barriers to private climate finance that are not yet being addressed by the market, or that will be addressed in an improved manner compared to other approaches currently in the market.

43 In April 2019, the CIF Administrative Unit started work with the Global Innovation Lab for Climate Finance to identify innovative blended finance instruments and business models of relevance to CIF's new programs. It organized an interactive prototyping workshop with MDBs to discuss feasible and promising structures that could be developed and implemented as part of CIF future programming. These efforts could continue under the CIF's new programs by a) organizing working groups (e.g. CIF, MDBs) to disseminate new blended finance mechanism or develop the mechanics of a small number of instruments to be included as financing vehicles within the CIF's programs; and/or b.) organizing a number of mini labs, including dedicated desk research and design work, to iterate initial designs and build supporting evidence for new innovative financing instruments and approaches.

50. Table 2 provides examples of instruments that MDBs might use to deploy CIF concessional resources.[44] The simultaneous deployment of a range of instruments will be required to tackle the multiple risks and barriers to investment identified under each strategic program. These approaches may include a mix of concessional lending and risk management instruments (e.g., guarantees, insurance, foreign exchange risk hedging), start-up capital, and pay-per-service models, in addition to grants for technical assistance, project preparation, and strengthening the enabling environment.[45]

51. **CIF's risk appetite and tolerance for each strategic program will be determined by the relevant governing body and codified in related risk appetite statements** drafted by the CIF Administrative Unit in light of the type of contributions received. The degree of CIF's risk appetite and tolerance will influence its ability to deliver transformational change. Higher risk appetite and tolerance enhances the potential to achieve higher transformational outcomes and impacts.

Table 2: Examples of financial instruments (non-exhaustive)[46]

Public sector operations	• Grants, including convertible grants and contingent recovery grants • Debt products, including development policy loans • Guarantees

Private sector operations	• Convertible grants and contingent recovery grants
	• Senior/subordinated loans in USD or EUR
	• Senior/subordinated loans in local currency hedged
	• Contingent recovery loans
	• Subordinated loans/mezzanine instruments
	• Equity
	• Guarantees:
	  ◦ Second loss guarantees (single project and portfolio)
	  ◦ First loss guarantees (single project and portfolio)

7. Modalities for MDB Cost Recovery

52. This section outlines the process to recover MDB costs related to CIF programming. MDB cost recovery is identified at the following levels:

7.1 MDB Core Administrative Costs

53. The focal point teams for the MDBs receive an annual budget related to coordination costs for managing their CIF portfolio. Core administrative costs for the MDB focal point teams, as it relates to

[44] As discussed in CIF (2016) *CTF New Financial Products Classification Criteria*, the varying degree of risk associated with these instruments implies a varying risk tolerance from CIF contributors. A number of factors affect the risk embedded in the structure of a financial product (e.g., currency, contingency-based products, which are dependent on the occurrence or absence of a specific external event, convertibility).

[45] Strategic program-specific approaches are described in the respective program proposal.

[46] For possible innovative financing structures that could be pursued by MDBs with CIF support under each program, please refer to each program proposal.

the new Programs will be submitted in the annual CIF business plan and budget. Costs relating to the Strategic Climate Funds (SCF) will follow decisions taken by the SCF Trust Fund Committee which provides modalities for assessing MDB costs.[47]

7.2 MDB Project Implementation and Supervision Services (MPIS)

54. MDB Project Implementation and Supervision Services (MPIS) will reimburse MDBs for the incremental staff, consultant, travel, and related costs of project development, appraisal, implementation support, supervision and reporting. While generally CIF operations are largely integrated into MDBs' own operations, thereby allowing to minimize additional workflow and resulting in transaction cost savings, there will be some incremental costs to the MDBs for staff, due diligence, and reporting, which will be recovered through the MDB fee. Such costs can include, for instance:

    - Additional financial analysis to justify the need and role of CIF's concessional financing
    - Inclusion of strategic programs specialists and/or blended finance specialist in operations teams
    - Monitoring, reporting and evaluation for CIF's results measurements system
    - Additional cost of legal, loan and accounting departments to administer CIF's concessional resources.

55. For public sector operations, a simplified system will be used to determine the MDB fee on each public sector investment and/or technical assistance program/project (see Table 3). Cost recovery for the MDBs' expenditures will be based on MDB fees approved by the relevant governing body and paid either by the approving CIF Committee in the case of grants and investment operations in IDA eligible countries[48] or by CIF recipients[49] in the case of investment operations in non-IDA eligible countries for debt products, guarantees and other applicable products (see Table 3).

56. For private sector operations, fees will be determined on a case-by-case basis, proposed and approved through a customized budget request to cover the management costs over the life of the project along with each intervention submitted for approval to the relevant CIF's governing body. This is because private sector projects will vary in tenor and complexity resulting in the need for different supervision budgets for each project. As a result, private sector projects will not receive a standard budget allocation per project.

Table 3: MDB fees for public sector operations

Type of product	Fee	Paid by
Grants for context-diagnostic and investment planning	5% of the grant amount	CIF relevant Trust Fund
Technical cooperation / Advisory services grants[50]	Determined on a case-by-case basis, not to exceed 5% of the grant amount	CIF relevant Trust Fund
Investment grant operations including e.g. performance-	Determined on a case-by-case basis, not to exceed 5% of the	CIF relevant Trust Fund

[47] Methodology for allocation of MDB administrative costs for the SCF was approved on November 20, 2019 in the document titled: Additional Scenarios for SCF Administrative Costs.

[48] Please refer to Annex 5 and IDA's web site for details on IDA eligible countries.

[49] The recipient might be a sovereign government, sub-national government, state-owned utility, or any other public sector entity beneficiary of sovereign guarantees operations.

[50] Grants provided for supporting the preparation and/or implementation of CIF co-finance projects, including e.g. capacity building to private sector entities.

based financing	grant amount	
Debt products	The borrower will have two options for payment of MDB fees: (i) a fee of 0.18% of the undisbursed balance of the loan, in which case the fee payments will accrue semi-annually after loan signing, or (ii) a fee equivalent to 0.45% of the total loan amount, payable in a single lump sum amount, which may be paid by the borrower out of its own resources or capitalized from the loan proceeds following the effectiveness of the loan.	▪ CIF borrower when non-IDA eligible ▪ CIF Trust Fund when CIF borrower is IDA-eligible[2]
Guarantees	Loan guarantees: • 0.18% per annum on the undisbursed balance of the guaranteed financing, or 0.45% front-end-fee on the guaranteed amount, to cover the MDB's appraisal, negotiation, supervision, disbursement, and reporting costs and any costs associated with restructuring and dispute resolution. Contingent finance: One-time charge of USD 200,000, to cover the MDB's appraisal, negotiation, supervision, disbursement, and reporting costs.	▪ CIF borrower when non-IDA eligible ▪ CIF relevant Trust Fund when CIF borrower is IDA-eligible[51]
Others	Determined on a case-by-basis, not to exceed 5% of the volume of funding	▪ CIF borrower when non-IDA eligible ▪ CIF relevant Trust Fund when CIF borrower is IDA-eligible[2]

7.3 Country Programming

57. MDBs support CIF countries in preparing investment plans and in submitting programs and projects for CIF funding. CIF recipient countries will receive Investment Plan Preparation Grants (IPPGs) to support them in preparing investment plans. MDBs will receive funding to provide technical support to recipient countries as they prepare CIF Investment Plans. The scope of this funding will be outlined in the Design Document to be prepared for each new CIF's program.

[51] IDA eligibility would be determined at the time of funding approval for a program or project (or sub-project) by the relevant CIF governing body.

7.4 Principles for MDB cost recovery

58. Fees will be requested by MDBs and approved by the relevant governing body at the time of submission of a given intervention – e.g. investment action plan and/or project – for funding approval.

59. The MDBs will provide an annual report to the relevant CIF governing body on their itemized project processing and supervision costs, which may provide the basis for any adjustments to the MDB fee by the relevant governing body.

60. MDBs incurring extraordinary costs for the design and/or delivery of complex public and/or private sector interventions, would be required to submit a request for additional budget to the relevant governing body.

8. Pipeline management and cancellation policy

8.1 Scope and timeframes

61. CIF's Pipeline Management and Cancellation Policy aims to ensure efficient and effective implementation of programs and projects and disbursement of approved funds to maximize the use of available resources over time. To this end, CIF will apply the following broad arrangements of its Pipeline Management and Cancellation Policy (hereafter "the Policy"). In addition, the CIF Administrative Unit, in consultation with the MDBs, will prepare an updated Pipeline Management and Cancellation Policy document for review by the relevant CIF governing body at its meeting the second half of 2020. It will include additional clarity on what is to be treated as an extension/cancellation/restructuring and provide greater guidance on information requirements to request an extension, process regional programs, or assess whether the pipelines are aligning with the strategic objectives of focusing on frontier issues and solutions.

62. *Scope:* The Policy sets out the core criterion guiding the commitment of CIF concessional resources for programs and projects developed under the new strategic programs. The circumstances that would require the approval of the relevant governing body are one or a combination of the following:

    - Failure to meet the timeframes established in paragraph 64 from the approval of funding by the relevant governing body to MDB Board approval
    - Change of an investment action plan endorsed by the relevant governing body
    - Change to a program/project concept approved for funding by the relevant governing body, if the change is deemed material or major by the respective MDB

63. *Core criterion guiding resource commitment:* Readiness will continue to be the primary criterion against which CIF governing bodies will commit resources to programs and projects. It implies that resources should only be committed for interventions that are ready to move forward to final approval and implementation so that CIF resources are effectively and efficiently used for on-the- ground activities. Programming projections should be as realistic as possible with regard to the timing of program/project processing and should include information on the expected timeline for approval.

    - Private sector interventions encompassing an envelope of funding for a number of projects should be presented to the relevant governing body for approval only when projects utilizing at least one third of program's resources have been identified and are mandate-ready.
    - Public sector programs and projects should be presented to the relevant governing body for approval before appraisal and negotiations of the lending terms.

64. Timeframes:

- Investment action plans and dedicated private sector thematic programs must be submitted for endorsement by the relevant governing body of CIF within 12 months from the date eligible countries confirm their interested to partner with CIF.
- Programs and projects conceived under the investment action plans or dedicated private sector thematic programs must be submitted to the relevant governing body for funding approval within 18 months from the date of endorsement. Alternative submission timeline (in months) may be proposed for specific projects in the endorsed investment action plan with a justification for a longer timeframe.
- Programs and projects approved for funding by the relevant governing body must reach MDB Board approval within the following timeframes:
    - Public and private projects within 12 months from funding approval
    - Private programs with sub-projects must reach MDB Board approval within 24 months from funding approval.

8.2 Procedures applicable in case of non-compliance or risk of non-compliance with the applicable timeframes

8.2.1 Pipeline management and cancellation policy after country acceptance into CIF's new strategic programs

65. Should a CIF country be unable to submit the investment action plan for endorsement within the 12-month timeframe indicated in paragraph 64, such country may request an extension to the relevant governing body before reaching the time limit. The relevant CIF governing body will determine if an extension can be granted and, if so, for what timeframe.

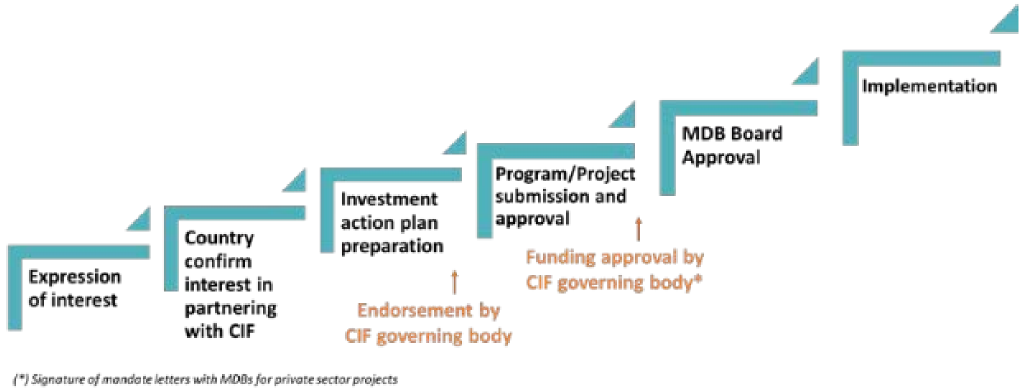
8.2.2 Pipeline management and cancellation policy after funding endorsement

66. If a program or project fails to be submitted for funding approval within 18 months from the date of endorsement, CIF resources notionally associated to such a program or project will be repurposed.

67. In exceptional circumstances,[52] the government or MDB may submit to the relevant governing body through the CIF Administrative Unit a request for an extension detailing the justification. Extensions must be requested before the end of the time limits indicated in paragraph 64. The relevant CIF governing body will determine if an extension can be granted and, if so, for what timeframe. Should the extension not be granted, it will also determine how CIF resources associated with such a program or project will be repurposed.

[52] Exceptional circumstances may include natural disasters, war, civil unrest, and macro-economic, political, or regulatory issues.

Box 2: CIF programming cycle



The first key stages of the project cycle—endorsement of investment action plans and approval of funds for programs/projects—involve the relevant CIF governing body. Once a project/sub-project has reached MDB Board approval, the subsequent processes follow the applicable MDB procedures and standards, with the exception of certain provisions such as results reporting. Reliance on MDB procedures and standards during post-MDB-approval processes reflects a fundamental principle of CIF as a partnership of MDBs.

CIF pipeline consists of programs and projects under development by countries and MDBs based on the endorsed investment action plans and the dedicated private sector windows. Each program and project includes an indicative date for submission to the relevant CIF governing body for funding approval, and an indicative date for approval by the MDB Board. These dates represent key milestones within the project cycle. They do not capture subsequent stages of the project cycle, such as financial closure, disbursement, implementation, and supervision.

8.2.3 Pipeline management and cancellation policy after funding approval by CIF governing body

68. If a program or project fails to meet the applicable timeframes outlined in paragraph 64, CIF resources associated with the program/project or sub-projects that have not obtained MDB Board approval will be canceled and released, as set forth in the following paragraphs.

69. In exceptional cases,[53] (i.e., those in which a longer timeframe than indicated in paragraph 64 is warranted) the government or MDB may pursue one of the following options:

- Request approval for a longer timeframe to the relevant CIF governing body through the CIF Administrative Unit at the time of submitting the program/project for funding approval, detailing the justification
- Request approval for a longer timeframe by submitting an extension request (detailing the justification) to the relevant governing body through the CIF Administrative Unit. Extensions must be requested before the reach of the time limits indicated in paragraph 64, and MDBs will have a period of up to nine months from the end of the timeframe referenced in paragraph 64 to reach MDB Board Approval. Alternative arrangements may be considered

[53] Exceptional circumstances may include Natural disasters, war, civil unrest, and macro-economics, political, or regulatory issues.

by the relevant governing body for programs and projects in Least Developed Countries.

70. On a semi-annual basis, MDBs will inform the CIF Administrative Unit of the status of programs and projects that are at risk of not meeting the applicable deadlines, and the amount of associated funding at risk of being canceled.

71. On a semi-annual basis, the CIF Administrative Unit will inform the relevant governing body, the MDB Committee, and the Trustee of these at-risk programs and projects and the associated funding along with, where applicable, an updated sealed pipeline taking into account any canceled funding that can be used to fund programs and projects in the pipeline.

72. In force of CIF Pipeline Management and Cancellation Policy, the Trustee will be authorized to de-commit the canceled resources based upon the information provided to the Trustee by the MDBs pursuant to this Policy.

73. With respect to managing CIF's portfolio after MDB Board approval, the principle of relying on MDBs' policies, procedures, and standards will continue. Once a program/project/sub-project has been approved by the MDB Board, the relevant MDB's cancellation policy and procedures will apply. If a program/project/sub-project gets cancelled after MDB Board approval, the associated CIF's resources that have not been used will be canceled and returned to CIF's Trustee. On a semi- annual basis and based on their internal systems, MDBs will inform the CIF Administrative Unit on the status of projects and programs.

8.3 Procedures applicable in case of changes to an endorsed investment action plan

74. Based on the operational experience gained by CIF to date, it is evident that program/project development and expectations are constantly evolving for many reasons, including changes in country priorities, financing structure of the project, or new information and technologies that becomes available. This may require modifications to the investment action plan endorsed by the relevant governing body. An investment action plan should be considered a dynamic document, with the flexibility to reflect changing circumstances and new opportunities.

75. Changes to an investment action plan deemed necessary by the country or the MDBs must be presented to the relevant governing body for review and endorsement through a decision by mail, especially in the case of substantial changes in objectives, design, and/or financing.

76. Any other amendments to the investment action plan will be notified to the relevant governing body through the semi-annual updates, which will include information on the status of each of program and project in the pipeline.

77. When the proposed changes to an investment action plan require endorsement by the relevant governing body, a request to the relevant governing body should be submitted for review. Such a request should include the following:

    a) Review of the status of the implementation of the original investment action plan

    b) Explanation of the circumstances and rationale for revising the investment action plan and making changes to the projects or programs

    c) Description of the proposed changes

    d) Assessment of the potential impact of the proposed changes on achieving the objectives and targets of the original investment action plan

78. The relevant governing body will review the revised investment plan and consider whether or not to endorse the proposed changes. If the proposed changes are endorsed, the pipeline will be updated

accordingly. If the proposed changes are not endorsed, the relevant governing body may propose an alternative way forward, in consultation with the concerned country and MDBs. Such proposals will indicate whether the programs/projects concerned will be removed from the pipeline, whether the associated resources will be released from the funding allocation to the investment action plan, and, in the case of funding being released, how the released resources may be used.

79. In the event that funding is released from an investment action plan, the relevant governing body may consider as a first option to keep the released resources available to the country for funding of new programs/projects within the scope of a revised investment action plan to be endorsed by the relevant governing body.

80. Other options for programming the released resources may include:

    e) Reallocating the released resources for another endorsed investment plan to fund projects and programs therein

    f) Reserving the released resources for a new investment plan

    g) Making other arrangements as appropriate

81. The process of releasing resources and subsequently programming such resources at the level of an investment action plan also apply to programs not approved by the relevant governing body upon submission (or resubmission, if applicable) or withdrawn by the countries and MDBs.

8.4 Procedures applicable in case of changes to a program/project concept approved for funding or restructuring of a funded program/project

82. Amendments to a public or private program/project concept approved for funding by the relevant governing body must be resubmitted for approval by the relevant governing body if the implementing MDB deems the amendment will result in substantial changes in objectives, design, and/or financing. Any other change to program/projects will be notified to the relevant governing body through the semi-annual updates, which will include information on the status of each of the programs/projects in the pipeline.

83. If the proposed changes are not approved, the relevant governing body may propose an alternative way forward, in consultation with the concerned country and MDBs, or decide to release the amount of associated resources.

84. Restructuring of a funded program/project would follow applicable MDB's policies and procedures.

9. Monitoring, reporting, evaluation and learning

85. CIF remains committed to serving as a learning laboratory for scaled-up climate finance through its new strategic programs. A dedicated set of monitoring, reporting, evaluation and learning activities tailored to the new strategic programs will be further developed upon their approval. These activities will be supported by strong knowledge management and communications, and will ensure that results are tracked, and lessons are learned to inform future decisions and investments in these areas to the benefit of both CIF and the wider climate finance architecture.

9.1 Monitoring and reporting

86. With the delivery of climate financing evolving, so does the requirement to capture, analyze, and learn from real-time and empirically robust data. This is to ensure that CIF's strategic programs stay committed and accountable to core objectives, inform decision-making and demonstrate progress toward national, regional, and international goals. It is also to ensure that the activities pursued under each strategic program are able to take a pulse, course correct, and maximize impacts for the most

urgent issues and most vulnerable populations.

87. To meet these goals, CIF's new monitoring and reporting framework developed for the new strategic programs will move the needle both on how climate investments explicate scientifically rigorous theories of change, and on how they approach and treat the corresponding data while striving towards transformational change. Over the past 10 years, CIF has been a pioneer in climate finance monitoring and results reporting, employing a unique participatory monitoring and reporting system that fosters a programmatic approach from investment to planning and implementation. Working through a transparent, country-led process that engages a range of stakeholders—including government ministries, civil society, indigenous peoples and local communities, the private sector, and MDBs—the process builds capacity and country ownership and allows for alignment and integration into pre-existing monitoring, evaluation, and reporting systems at the country level.

88. CIF monitor and reporting systems ensure in-country stakeholders and implementing MDBs have roles in tracking the performance of CIF-backed investments to ensure accountability, learning, progress, and results in advancing climate-smart development. This inclusive, programmatic approach from investment design to completion is time intensive but serves to enrich the entire process for maximized results. The programmatic approach links a series of actions and investments that mutually reinforce each other and contribute to national development goals and existing programming and partnerships.

89. The new monitor and reporting frameworks will build on current successes that have redefined the results measurement landscape in climate change. The participatory stakeholder-driven approach to monitoring and reporting has allowed greater integrity, ownership, inclusiveness, integration, and usability of the data that is collected. Enhancing the ability for climate finance to deliver the greatest impact per-dollar will require that financing entities can produce genuine findings that can inform real-world challenges in deploying projects and this will remain the foundational driver of the monitoring and reporting frameworks.

90. The new monitoring and reporting frameworks will assess the alignment of the investment strategy developed for each new program with CIF objectives on two tiers:

    - *Strength-of-fit with operational modalities*, assessing the rationale behind project's requirements for CIF concessional financing, and its ability to create long-term, viable, and inclusive systemic change that shifts into an improved low-emission environment and climate-resilient development. The logic-frameworks at this overarching program level will tag projects to key aspects under the four primary transformational change parameters (relevance, systemic change, scale, and sustainability) using qualitative measures.
    - *Strength-of-fit with programmatic objectives*, tracking the project's ability to deliver on core climate-change objectives. At the strategic action level, the framework will carry core indicators that underpin the primary driver or intention of the financing window. Each program will report against a set of pre-established core indicators. At project level, the framework will draw on the MDB project log-frame indicators that define more specialized indicators tracking sector-, country-, or population-specific (including gender- specific) metrics that are also fundamental to assessing impact delivery.[54] The frameworks will be built tracking results at different levels and timeframes of decision- making and on CIF's research on development co-benefits.

[54] At project level CIF will draw on project level indicator established by the MDBs in their project log-frames. CIF may develop and suggest one or more project level indicator per program for inclusion in these project log-frames.

9.2 Evaluation and learning

91. The CIF Evaluation and Learning Initiative has delivered several strategic independent evaluations and operationally-focused studies over the past few years, including evaluations of transformational change, CIF's programmatic approach and the use of concessional finance, among others.[55] These studies have directly informed strategies in CIF and elsewhere, including the operational modalities for CIF new strategic programs outlined in this document.

92. As indicated in its recently approved three-year (FY20-22) Business Plan,[56] the Evaluation and Learning Initiative will continue to undertake independent evaluations and other evidence-based learning activities related to the new strategic programs to inform future strategies and decisions. This includes, for example:

    - New thematic and cross-cutting evaluations on topics that are strategically and operationally relevant to the new strategic programs. The overall priority learning themes laid out in the Evaluation and Learning Business Plan—including transformational change, leveraging private sector through concessional finance, and development impacts of climate finance—remain highly relevant to the new strategic programs. Other sector or program-specific studies will also be pursued.
    - Ongoing participatory learning activities with high engagement of CIF recipient country governments, partner MDBs, local stakeholder groups, other climate funds and related practitioner or stakeholder groups. This includes building on the model of the Transformational Change Learning Partnership and other modalities for collaboration and engagement, including facilitation of strategic learning and uptake opportunities in countries and institutions.
    - Independent evaluations, "mid-term" and/-or "post implementation," to assess early progress, distill lessons for each strategic program, and inform continuous improvements. The specific timing and strategic focus of these evaluations would be decided in conjunction with the relevant governing body of CIF, and in consultation with CIF partners and stakeholders.

93. Evaluation and Learning activities related to specific strategic programs will continue to be demand-driven, thereby based on ongoing stakeholder consultations and feedback from CIF's governing body during the start-up and early implementation phase of each program. The representative and independent Evaluation and Learning Advisory Group will continue to provide strategic guidance and oversight to all activities.

94. A robust set of Evaluation and Learning activities related to the new strategic programs is contingent upon approval by the relevant CIF governing body of subsequent Evaluation and Learning annual work plans and budgets. To maximize synergies and ensure cost-efficiency, these activities will build on and integrate with monitoring and reporting and knowledge management activities.

[55] Please find links to all recent Evaluation and Learning reports here.

[56] Please find here the Evaluation and Learning Special Initiative Business Plan.

ANNEX 1: Investment Criteria for the Integration of Renewable Energy into Power Systems Program

95. The *Integration of Renewable Energy into Power Systems Program* aims to enable the smooth integration of higher shares of intermittent renewable energy generation into the grid and increase off-grid access to renewable energy.

96. To these ends, each program/project proposed for CIF financing shall seek to accelerate the deployment of an integrated mix of power grid flexibility measures in the following areas:

    - Enabling technologies
    - Enabling infrastructure
    - Electrification and demand management
    - Market design and system operations improvement.

97. With a view to maximizing the impact of CIF's resources, each program/project proposed for CIF financing shall demonstrate how it will meet the following criteria:

    (a) Potential for transformational change
        i. Relevance (strategic alignment)
        ii. Systemic change
        iii. Scale
        iv. Sustainability
    (b) Potential for GHG emissions reduction/avoidance
    (c) Financial effectiveness
    (d) Implementation potential
    (e) Gender equality and social inclusion impact
    (f) Development impact

a) Potential for transformational change

i. Relevance

98. Each programs/project proposed for CIF financing shall demonstrate:

    - Country-ownership in terms of alignment with governments' low-emission and/or climate resilience development goals and commitments as stated in nationally-driven climate-relevant plans and strategies (e.g., country's Nationally Determined Contributions and National Adaptation Programs) and CIF-supported investment action plans
    - Relevance to the strategic objectives and most feasible opportunities of the *Integration of Renewable Energy into Power Systems Program* in the target context

ii. Systemic change

99. Each program/project proposed for CIF financing shall demonstrate how it will lead to fundamental shifts in energy system structures and functions by targeting the root causes determining the need for concessional financing (e.g., institutional, regulatory and policy failures; market failures and financial barriers; knowledge and technical capacity barriers).

100. Each program/project intervention proposed for CIF funding should articulate the following, as determined on a case-by-case basis:

    - Potential in demonstrating innovative financing structures, ventures and/or business models seeking to:

- Tackle barriers to private climate investments that have not yet been addressed and/or that could be addressed more effectively and efficiently than approaches deployed to date
- Mobilize capital toward areas that have not yet been able to attract public and/or commercial capital at all or at scale
- Accelerate recipient countries' ability to deliver on their climate and sustainable development goals.

iii. Scale

101. Each program/project proposed for CIF financing shall demonstrate how it will seek to deliver contextually large-scale impacts including, for instance, explicit strategies for enabling subsequent scale-up or replication of the CIF-funded intervention and wider market impacts. This include the program/project potential in generating a demonstration effect that would lead to a sizeable reduction in GHG emissions growth,[57] deployment and/or transfer of low-emissions and/or climate-resilient technologies or commercial replicability.

iv. Sustainability

102. Each program/project proposed for CIF financing shall demonstrate how it will seek to deliver its intended benefits over the long-term, after concessional finance support is terminated. To this end, each program/project would need to articulate how it incorporates the key factors that have been proven necessary to increase the likelihood of sustainability (including, for example, broad ownership and inclusivity or institutional capacity), how concessional support will be phased out, and how potential barriers to achieving its intended long-term objectives would be addressed.

103. Potential for GHG emissions reduction/avoidance

104. Each program/project proposed for CIF financing shall demonstrate how it will contribute to achieving the objectives of the *Integration of Renewable Energy into Power Systems Program* by including, as applicable, an assessment of its contribution toward:

    - Increased share of renewable energy in the energy mix
    - Increased flexibility, reliability and climate resilience of power networks
    - Increased access to affordable, reliable and modern energy services
    - Reduction/avoidance of GHG emissions. Each program/project proposed for CIF funding will contain an assessment of direct CO_2-equivalent emissions savings over the lifetime of the proposed program/project. Emission reductions will be calculated by subtracting projected lifetime emissions of a CIF-financed intervention from the projected lifetime emissions of the business-as-usual program/project that would have otherwise been pursued. Each program/project interventions should seek to achieve the greatest GHG abatement opportunity available in the target context, providing a sizeable contribution towards the achievement of a country's climate goals, strategies or plans and/or in rising

[57] Scope for avoided annual GHG emissions will be calculated on the basis of the potential emissions saving that would result if the CIF financed program/project were to be replicated throughout the targeted area, region, and/or sector of the country (or countries, for regional projects). This indicator will demonstrate both the potential for emissions reductions in absolute terms (i.e., CO_2-equivalent avoided) and relative terms (i.e., as a percentage of total emissions).

ambitions.

- Contribution to technology development, CIF's priority is to prioritize the deployment, diffusion, and transfer of low-emissions technologies that are at, or approaching, the "market take-off" phase and in sectors that make major contributions to GHG emissions. Each program/project proposed for CIF financing shall outline a given technology's stage of development and mitigation potential (tCO_2-equivalent/year) as well as on their ability to increase power system's flexibility, reliability, and resilience. CIF will not support technologies that are still in the research stage. CIF's concessional resources should be focused on technology deployment which may include commercial demonstration of new low-emission technologies.

- Enhanced integration of climate-related risks (transition risk) considerations in project stakeholders' decision-making processes, including through enhanced climate-related financial disclosures.

b) Financial effectiveness

i. Value for money

105. Each program/project proposed for CIF financing will include:

- A detailed assessment of the need for concessionality and how the program/project meet the principles for using concessional resources (with evidence and calculations as appropriate)

- An assessment of the cost-benefit ratio, and/or other relevant indicators of cost-effectiveness, and, where applicable

- An analysis of the expected reduction in the cost of the technology due to technological progress and scale effect at the country/regional/global level, and/or through organizational learning and scale effects at the country level[58]

ii. Mobilization potential

106. CIF aims to mobilize additional resources at scale for rapidly and efficiently achieving the objectives of the *Integration of Renewable Energy into Power Systems* area of action. To this end, each investment program/project proposed for CIF financing is expected to mobilize co-financing by MDBs and other public and/or private entities (e.g., governments, project sponsors, other development partners of bilateral and/or multilateral nature, or philanthropic organizations).

c) Implementation potential

107. Consistent with standard MDBs appraisal procedures, programs/projects proposed for CIF funding shall articulate how they will ensure successful implementation, including arrangements for long-term operations. Successful implementation implies: (i) identification of the institution(s) with the capacity and the responsibility for implementation; (ii) coordination and collaboration with relevant stakeholders or initiatives; (iii) addressing those institutional, policy or regulatory failures, market failures, financial barriers, or knowledge and technical capacity barriers to the achievement of the

[58] Technology learning curves, which show a constant reduction of the investment cost for each doubling of production, can be used to derive cumulative capacity needed for a technology to become competitive. While recognizing the limitations of learning curves, it is possible to quantify deployment costs of a new technology and assess cost-effectiveness relative to the emissions savings potential, for a given learning rate, initial cost of the technology, and cost of the competing incumbent technology.

program's/project's objectives.

d) Gender equality and social inclusion impact

108. CIF is committed to gender mainstreaming and enhancement of gender equality outcomes across its programming and operations, in line with its CIF Gender Policy (2018). It is also committed to enhance the representation and voice of indigenous people and local communities and youth organizations in decision-making processes. To ensure CIF delivers on its gender and social inclusion commitments, each program/project proposed for CIF funding shall articulate the process used to identify, evaluate, and address existing context-specific barriers and gaps in gender equality and social inclusion with the aim of reducing these gaps and improving gender and social inclusion outcomes on the ground. CIF projects should also ensure equitable outcomes with particular attention to potentially negatively impacted or vulnerable groups.

e) Development impact potential

109. CIF aims to demonstrate the potential for low-emission and resilient technologies and to contribute to achieving the Sustainable Development Goals (SDGs), particularly but not limited to the following:

- *SDG 7: Affordable and clean energy – Ensure access to affordable, reliable, sustainable and modern energy for all*
- *SDG 13: Climate action – Take urgent action to combat climate change and its impacts*
- *SDG 5: Gender equality – Achieve gender equality and empower all women and girls*

110. Each program/project proposed for CIF financing shall demonstrate its potential development impacts in consistency with standard MDB appraisal criteria and with particular emphasis on the following:

a) Environmental co-benefits potential (i.e., potential for reducing emissions of air pollutants from energy-and/or cooking related activities, including electricity production and transportation, as well as reducing contaminant discharges in liquid effluents from energy systems) are important sustainable development objectives. CIF investments should address major impacts of pollutants on health and the environment.

b) Social co-benefits potential for achieving:
   - Increased/accelerated access to affordable, reliable, and modern energy and/or cooking services with positive impacts on gender equality outcomes.
   - Positive gender and social inclusion impacts through the inclusion of target measures such as (i) improved renewable energy employment and science, technology, engineering and math (STEM) skill development for women; (ii) livelihood and skills development/ entrepreneurship training and credit access targeted to women; (iii) gender-specific financial products, especially for productive-use applications; (iv) gender-specific design measures in energy-related services or outreach; (v) institutional measures such as gender policy, gender planning and budgeting support, gender-positive human resources policies, or other policies targeted at reducing inequality, including in procurement practices, actions against gender-based violence, and measures such as subsidies to reduce burden of connection fees for vulnerable groups such as female-headed households; (vi) other measures designed to reduce gender and inequality gaps in the sector/sub-sector in which the program/project proposed for CIF funding is taking place.

ANNEX 2: Investment Criteria for the Climate-Smart Urbanization Program

111. The *Climate-Smart Urbanization Program* aims to support cities in developing and emerging countries to accelerate the implementation of ambitious and transformative policy actions and investments that significantly contribute to transitioning to low-emission and climate-resilient urbanization pathways.[59]

112. With a view to maximizing the impact of CIF's resources, each program/project proposed for CIF financing shall demonstrate how it will meet the following criteria:

   a) Potential for transformational change
      i. Relevance (strategic alignment)
      ii. Systemic change
      iii. Scale
      iv. Sustainability
   b) Potential to significantly contribute to the transition towards lower-emission urban development
   c) Potential to building long-term resilience in targeted urban areas
   d) Financial effectiveness
   e) Implementation potential
   f) Gender equality and social inclusion impact
   g) Development impact potential

a) Potential for transformational change

i. Relevance

113. Each program/project proposed for CIF financing shall demonstrate:

- Cities' ownership and political commitment to the proposed interventions both at the municipal and at the national level, including the demonstration of support of relevant key stakeholders.
- How they are expected to:
  - Increase the capacities of supported cities to realize the opportunities and manage the physical and transition risks associated with climate change
  - Contribute to national long-term low-emission and/or climate-resilient development goals, plans, and strategies (including a country's Nationally Determined Contributions and National Adaptation Programs)
- Relevance to the strategic objectives and most feasible opportunities of the *Climate-Smart Urbanization Program* in the targeted context.

ii. Systemic change

114. Each program/project proposed for CIF financing shall demonstrate how it will lead to fundamental shifts in urban development by targeting the root causes determining the need for concessional financing (e.g., institutional, regulatory and policy failures; market failures and financial barriers; knowledge and technical capacity barriers).

[59] NCE (2018), *Unlocking the Inclusive Growth Story of the 21st Century – Accelerating Climate Action in Urgent Times. Note: estimates on the economic benefits include those associated to land-use-related measures.*

115. More specifically, each program/project proposed for CIF financing shall demonstrate its expected contribution to fundamental shifts in urban systems and infrastructure, local and national policy and regulatory frameworks, and consumer behaviors, for example by:

- Raising priority and synergy of urban climate action within the overall urban development agenda leading to the improved capacity of cities to transition out of (or leapfrog) their conventional urbanization patterns
- Successfully incorporating climate change considerations into policies, regulations, and national/local budgeting processes facilitating access to finance and supporting mobilization of private sector finance
- Creating favorable conditions to the accelerated deployment of the low-or zero-emission technologies and stimulating behavior change.

iii. Scale

116. Each program/project proposed for CIF financing shall demonstrate how it will seek to deliver contextually large-scale impacts including for instance explicit strategies for enabling subsequent scale-up or replication of the CIF-funded intervention.

117. Each program/project proposed for CIF financing shall demonstrate the contribution of city-level interventions to inform and spur climate-informed changes in policies and regulations at the national level, including through replication in other cities, by:

- Demonstrating socio-economic benefits of a strategic, longer-term vision of climate-informed strategic planning and implementation of investments aligned with such vision
- Demonstrating the feasibility of crowding in private sector investment and enabling transformation changes in key sectors that include transport, energy, buildings, water, and solid waste management
- Creating business models and demonstration projects that can serve as the basis for future scaling-up and expand private sector developer's/partner's interest into lower-emission and resilient investment.

iv. Sustainability

118. Each program/project proposed for CIF financing shall demonstrate how it will seek to deliver its intended benefits over the long-term, after concessional finance support is terminated. To this end, each program/project would need to articulate how it incorporates the key factors that have been proven necessary to increase the likelihood of sustainability, how concessional support will be phased out, and how potential barriers to achieving its intended long-term objectives would be addressed. Key factors that have been proven necessary to increase the likelihood of sustainability include, for example, the following:

- Incorporate appropriate level of funding sources to cover the long-term operational and maintenance costs to ensure sustainability of the supported urban infrastructure and systems, as well as the necessary supporting institutional structures and frameworks
- Help create the long-term institutional management capacity and city/government ownership of innovative approaches and catalytic investment supported by CIF (e.g., through establishing the long-term relationship with program beneficiaries—from rapid diagnostic to investment and implementation—and strategic partnerships).

b) Potential to significantly contribute to the transition towards lower-emission urban development

119. Each program/project proposed for CIF financing shall include an assessment of its potential to contribute to at least one of the following:

- Avoid lock-in into traditional more carbon-intensive pathways
- Accelerate reduction of carbon footprint of human settlements and built infrastructure/systems
- Contribute to decoupling energy consumption growth from the urban socio-economic development.

c) Potential to building long-term resilience in targeted urban areas

120. Each program/project proposed for CIF financing shall:

- Include an assessment of its potential to reduce the exposure of the urban areas to the climate change impacts, i.e., using the established vulnerability indicators and indices used by the participating MDBs, or other relevant sources of data on the vulnerability of cities to the impacts of climate change
- Demonstrate to have appropriately incorporated mitigation measures of climate risks into its design.

121. To this end, MDBs will be asked to measure, track, and report on climate resilience results in accordance with the joint approach of the MDB Climate Finance Group on climate resilience metrics.[60]

d) Financial effectiveness

i. Value for money

122. Each program/project proposed for CIF financing will include

- A detailed assessment of the need for concessionality and how the program/project meet the principles for using concessional resources (with evidence and calculations as appropriate),
- An assessment of the cost-benefit ratio or other relevant indicators of cost-effectiveness.

ii. Mobilization potential

123. CIF aims to mobilize additional resources at scale for rapidly and efficiently achieving the objectives of the *Climate-Smart Urbanization Program*. To this end, each investment program/project proposed for CIF financing is expected to mobilize co-financing by MDBs and other public and/or private entities (e.g., governments, project sponsors, other development partners of bilateral and/or multilateral nature, or philanthropic organizations).

e) Implementation potential

124. Successful implementation potential will be assessed in line with standard MDB appraisal criteria. Institutions responsible for implementation of proposed interventions must be identified, with indication of sufficient capacity to support and a clear mandate to implement strategic planning and capabilities to prioritize investments that are consistent with the strategically-aligned capital investments plans in a specific sector or across sectors in an incuse and consultative manner, to

[60] See Joint-MDBs (2019), *A Framework for Climate Resilience Metrics in Financing Operations - Joint MDB IDFC technical paper.*

help ensure the development of investable pipelines, and to establish partnerships and mobilize necessary financial resources, including from the private sector. The proposed interventions should also support sustainable multi-sectoral institutional coordination to help effectively address the needs for a strategically-aligned climate-informed urban development. In addition, the ability of the beneficiary municipalities and relevant national authorities to effectively absorb additional funds must be considered by assessing their ability to receive, manage, and coordinate effective deployment of climate and other development finance.

f) Gender equality and social inclusion impact

125. CIF is committed to gender mainstreaming and enhancement of gender equality outcomes across its programming and operations, in line with its Gender Policy (2018). It is also committed to enhancing the representation and voice of indigenous people, local communities and youth organizations in decision-making processes. To ensure CIF delivers on its gender and social inclusion commitments, each program/project proposed for CIF funding shall articulate the process used to identify, evaluate and address existing context-specific barriers and gaps in gender equality and social inclusion with the aim of reducing these gaps and improving gender outcomes on the ground. CIF projects should also ensure equitable outcomes with particular attention to a just transition[61] for potentially negatively impacted or vulnerable groups.

g) Development impact potential

126. Each program/project proposed for CIF financing shall demonstrate its development impact potential in consistency with standard MDB appraisal criteria.

127. Each project/program proposed for CIF financing shall contribute to the achievement of the SDGs, particularly, but not limited to the following:

- *SDG 11: Sustainable cities and communities – make cities and human settlements inclusive, safe, resilient and sustainable*. [62]
  SDG 5: Gender equality – Achieve gender equality and empower all women and girls.

For example, with regard to their potential to support transition to the lower-emission and climate-resilient urban development, the proposed interventions in the eligible sector and across sectors, could contribute to one of several specific 2030 objectives of the SDG11:

[61] International Labor Organization: "*From a functional point of view just transition has two main dimensions: in terms of "outcomes" (the new employment and social landscape in a decarbonized economy) and of "process" (how we get there). The "outcome" should be decent work for all in an inclusive society with the eradication of poverty. The "process", how we get there, should be based on a managed transition with meaningful social dialogue at all levels to make sure that burden sharing is just and nobody is left behind.*" ILO Actrav (2018), *Just Transition Towards Environmentally Sustainable Economies and Societies for All*.

[62] SDG 11: Cities are hubs for ideas, commerce, culture, science, productivity, social development and much more. At their best, cities have enabled people to advance socially and economically. With the number of people living within cities projected to rise to 5 billion people by 2030, it's important that efficient urban planning and management practices are in place to deal with the challenges brought by urbanization. Many challenges exist to maintaining cities in a way that continues to create jobs and prosperity without straining land and resources. Common urban challenges include congestion, lack of funds to provide basic services, a shortage of adequate housing, declining infrastructure and rising air pollution within cities. Rapid urbanization challenges, such as the safe removal and management of solid waste within cities, can be overcome in ways that allow them to continue to thrive and grow, while improving resource use and reducing pollution and poverty. One such example is an increase in municipal waste collection. There needs to be a future in which cities provide opportunities for all, with access to basic services, energy, housing, transportation, and more.

- Ensure access for all to adequate, safe and affordable housing and basic services and upgrade slums
- Provide access to safe, affordable, accessible and sustainable transport systems for all, improving road safety, notably by expanding inclusive public transport, with special attention to the needs of those in vulnerable situations, women, children, persons with disabilities and older persons
- Enhance inclusive and sustainable urbanization and capacity for participatory, integrated and sustainable human settlement planning and management in beneficiary cities
- Contribute to reducing the number of deaths and the number of people affected and substantially decrease the direct economic losses caused by disasters, including water-related disasters, with a focus on including the poor and women in participatory planning and resilience processes, as well as other people in vulnerable situations such as in-migrants
- Reduce the adverse per capita environmental impact of cities, including by paying special attention to air quality and municipal and other waste management
- Provide enhanced access to safe, inclusive and accessible, green and public spaces, in particular for women and children, older persons and persons with disabilities
- Support positive economic, social and environmental links between urban, peri-urban, and rural areas by strengthening national and regional development planning
- Support cities in adopting and implementing integrated policies and plans towards inclusion, resource efficiency, mitigation and adaptation to climate change, resilience to disasters, and develop and implement, in line with the Sendai Framework for Disaster Risk Reduction 2015- 2030, holistic disaster risk management at all levels
- Support building sustainable and resilient buildings utilizing local materials, including through financial and technical assistance, in particular in least developed countries' cities.

ANNEX 3: Investment Criteria for the Accelerating Low-Carbon, Climate-Resilient Transition in Industry Program

128. The *Accelerating Low-Carbon, Climate-Resilient Transition in Industry Program* aims to catalyze deep behavioral changes and sustainable impact in priority high-emitting industries.

129. To this end, and cognizant of the specificities of this program, the allocation of CIF's resources would follow a sector-level diagnostic and investment planning approach for the development of a coherent package of strategically-aligned interventions. Such an approach would envisage the following main steps, which will be undertaken in a sequenced, simultaneous, or on an as-needed basis, depending on context-specific circumstances:

a) The participatory development of sectoral science-based "roadmaps" through the engagement and collaboration of relevant stakeholders including representatives from multiple government ministries, corporations, and civil society.[63] Where applicable, sectoral "roadmaps" will build on exiting efforts such as Nationally Appropriate Mitigation Actions (NAMAs) and/or National Adaptation Plans and seek to go beyond to deliver systemic changes. Where relevant to achieve the strategic objective of the *Accelerating Low-Carbon, Climate-Resilient Transition in Industry Program*, sectoral roadmaps would involve corporates operating in more than one country.

   Each roadmap shall recommend a pathway for the sector over a long-term time frame (e.g., to 2050), detailing how to mitigate as far as possible the impact of the sector on GHG emissions. It would do so by outlining, for instance, the most suitable technological levers that can help a given high-emitting industry to improve its energy efficiency and reduce GHG emissions, and policy or regulatory actions a government should undertake to provide effective incentives or enabling frameworks for the industry to implement low-emissions and/or climate-resilient measures (e.g., energy efficiency standards, production standards, phase out of fossil fuel-related subsidies, etc.).

b) The development and implementation of corporate-level roadmaps and business models aligned with the sectoral roadmap. Such corporate roadmaps will demonstrate the technical, commercial, and operational feasibility of shifting business operations onto a low-emission pathway, with a particular focus on the prioritization of low-emission technologies in corporate investment planning.

   In contexts where the corporate roadmap would be developed as a stand-alone (i.e. without the development of a sectoral counterpart), it shall be developed based on a science-based approach informed by scenarios analysis [64]and consultations with relevant sectoral stakeholders. A science-based approach would define sectoral decarbonization pathways consistent with internationally agreed climate targets which, based on the relative share of a corporate's GHG emissions within a given sector, would be used to determine a corporate-specific emission reduction target and to recommend the most suitable technological levers that would allow a given corporate to meet the target within a given time frame.

c) In conjunction with a) and/or b), CIF concessional investment resources would be used to

[63] An example of such a roadmap is the EBRD *Low Carbon Egyptian Cement Industry Roadmap*, which was developed in collaboration with the Government of Egypt to highlight the way towards a low-emission, climate-resilient sector that is aligned with international climate goals.
[64] Corporate roadmaps could be designed through Science-Based Target methods and the use of well-established transition scenarios such as the International Energy Agency's 2°C Scenario and/or the International Energy Agency's Beyond 2°C Scenario. Where applicable, physical scenarios such as the Coupled Model Inter-comparison Project Phase 5 (CMIP5) could be used as a complement.

support first-mover corporates in the target sectors to invest in transformational, high impact low emissions, and/or climate resilient technologies, with the goal of addressing the barriers to investment that the sector faces, transferring advanced technologies into the local market, and improving the investment environment for replication investments in the sector locally or regionally.

130. With a view to maximizing the impact of CIF's resources, each program/project proposed for CIF financing shall demonstrate how it will meet the following criteria:

(a) Potential for transformational change
    i. Relevance (strategic alignment)
    ii. Systemic change
    iii. Scale
    iv. Sustainability
(b) Potential for GHG emissions reduction/avoidance
(c) Potential for improved energy and resource efficiency
(d) Potential for enhanced resilience to climate risks
(e) Financial-effectiveness
(f) Implementation potential
(g) Development impact

(a) Potential for transformational change

i. Relevance

131. Each program/project proposed for CIF financing shall demonstrate alignment with most feasible opportunities of the *Accelerating Low-Carbon and Climate-Resilient Transition in Industry* area of action in the target context.

ii. Systemic change

132. Each program/project proposed for CIF financing shall take a system-level approach, demonstrating how it will lead to fundamental shifts in hard-to-abate sectors by targeting the root causes determining the need for concessional financing (e.g., institutional, regulatory, and policy failures; market failures and financial barriers; knowledge and technical capacity barriers) and hindering the low-carbon industrial transition. Similarly, program/projects shall take a systems-level approach to identifying sectors which are exposed to climate change impacts and where targeted climate resilience investments can have maximum impact.

133. Each program/project intervention proposed for CIF funding should articulate, as determined on a case-by-case basis, potential in demonstrating innovative financing structures and/or business models to do the following:

- Tackle barriers to private climate investments that have not yet been addressed and/or that could be addressed more effectively and efficiently than approaches deployed to date
- Mobilize capital toward areas that have not yet been able to attract public and/or commercial capital at all or at scale

iii. Scale

134. Each program/project proposed for CIF financing shall demonstrate how it will seek to deliver contextually large-scale impacts within the target industry including explicit strategies for enabling subsequent scale-up or replication and/or of the CIF-funded intervention. This includes program/project potential in generating a demonstration effect that would lead to a sizeable reduction

in GHG emissions growth, deployment and/or transfer of low-emissions or climate- resilient technologies, or commercial replicability.

iv. Sustainability

135. Each program/project proposed for CIF financing shall demonstrate how it will deliver their intended benefits over the long-term, after concessional finance support is terminated. To this end, each program/project must to articulate how it incorporates the key factors that have been proven necessary to increase the likelihood of sustainability (including, for example, broad ownership and inclusivity or institutional capacity), how concessional support will be phased out, and how potential barriers to achieving its intended long-term objectives would be addressed.

(b) Potential for GHG emission reductions/avoidance in hard-to-abate sectors

136. Each program/project proposed for CIF financing shall demonstrate:

- The direct and indirect CO_2-equivalent emissions abatement/avoidance potential over its lifetime. Targeted interventions should seek to (i) provide a sizeable contribution towards the achievement of countries' climate-relevant goals, plans and strategies and/or in rising their ambitions; (ii) contribute to the deployment, diffusion, and transfer of best available technologies and/or the pilot testing of new technologies with high potential for delivering deep cuts in industrial GHG emissions and with high potential for wider scale- up / replication.
- The extent to which it will contribute to improve disclosure of material physical and/or transition risk in line with international principles and standards and with a view of supporting informed and efficient capital-allocation decisions.

(c) Potential for improved energy and resource efficiency

137. Each program/project proposed for CIF financing shall demonstrate its potential to contribute to:

- Sizeable increase in energy and/or resource-use efficiency by enhancing the adoption of clean and environmentally sound technologies and improved industrial processes
- Sizeable reduction in waste generation through prevention, reduction, recycling, and reuse and sound management of materials and all wastes throughout products life cycle and supply chain

138. To this end, MDBs will be asked to track and report on climate resilience results in accordance with the joint approach of the MDB Climate Finance Group on climate resilience metrics.[65]

(d) Potential for enhanced resilience to climate risks

139. Each program/project proposed for CIF financing shall demonstrate how it will contribute to the integration of climate-related risks (transition and/or physical) considerations in project stakeholders' decision-making processes, including through enhanced climate-related financial

[65] See Joint-MDBs (2019), *A Framework for Climate Resilience Metrics in Financing Operations - Joint MDB IDFC technical paper.*

disclosure of material transition and/or physical climate risks, in line with international principles and standards.

(e) Financial-effectiveness

i. Value for money

140. Each program/project proposed for CIF financing shall include an

- A detailed assessment of the need for concessionality and how the program/project meets the principles for using concessional resources (with evidence and calculations as appropriate).
- An assessment of the cost-benefit ratio and/or other relevant indicators of cost-effectiveness. This may include an assessment of direct and indirect CO_2-equivalent emissions abated/avoided over the program/project's lifetime including, as applicable, an assessment of the expected decline in energy intensity (quantity of energy required per unit output or activity) as a proxy for energy efficiency improvements and/or water use and embodied energy in materials.

ii. Mobilization potential

141. CIF aims to mobilize additional resources at scale for rapidly and efficiently achieving the objectives of the *Accelerating Low-Carbon and Climate-Resilient Transition in Industry Program*. To this end, each investment program/project proposed for CIF financing must be co-financed by MDBs and other public and/or private entities (e.g., governments, project sponsors, other development partners of bilateral and/or multilateral nature, or philanthropic organizations).

(f) Implementation potential

142. Consistent with standard MDBs appraisal procedures, programs/projects proposed for CIF funding shall articulate how they will ensure successful implementation, including arrangements for long-term operations. Successful implementation implies: (i) identification of the institution(s) with the capacity and the responsibility for implementation; (ii) coordination and collaboration with relevant stakeholders or initiatives; (iii) addressing those institutional, policy or regulatory failures, market failures, financial barriers, or knowledge and technical capacity barriers hindering hard-to-abate industries' incentives and ability to invest in low-emission, climate-resilient industry business model; (iii) stakeholders' buy-in, including governments leadership and commitment, buy-in from corporates' board/senior executives, and alignment of incentives with key players across the entire industry value chain to work toward a shared low-emission and climate-resilient vision.

(g) Gender equality and social inclusion impact

143. CIF is committed to gender mainstreaming and enhancement of gender equality outcomes across its programming and operations, in line with its CIF Gender Policy (2018). It is also committed to enhance the representation and voice of indigenous people, local communities and youth organizations in decision-making processes. To ensure CIF delivers on its gender and social inclusion commitments, each program/project proposed for CIF funding shall articulate the process used to identify, evaluate and address existing sector-specific barriers and gaps in gender equality and social inclusion as they impact the planned program/ project with the aim of reducing these gaps and improving gender outcomes on the ground. CIF projects should also ensure equitable outcomes with attention to a just

transition[66] for potentially negatively impacted or vulnerable groups.

(h) Development impact potential

144. CIF aims to contribute achieving the SDGs, particularly but not limited to the following:

- *SDG 9: Industry, Innovation and Infrastructure – Build resilient infrastructure, promote inclusive and sustainable industrialization and foster innovation*
- *SDG 12: Responsible consumption and production – Ensure sustainable consumption and production patterns*
- *SDG 5: Gender equality – Achieve gender equality and empower all women and girls.*
- *SDG 13: Climate Action - Take urgent action to combat climate change and its impacts.*

145. Each program/project proposed for CIF financing shall demonstrate its development impacts potential in consistency with standard MDB appraisal criteria and with emphasis on the following:

- Socio-economic benefits potential for achieving:
  - Higher levels of economic productivity through diversification, technological upgrading and innovation, including through a focus on high-value added and labor – intensive sectors
  - Gender and social inclusion impact through e.g. enhanced gender-diversity in corporates' Boards, energy utilities, enhanced gender-diversity in workforce; reduced risk of discrimination in supply chains, enhanced productivity through proactive engagement on gender and improved services and outreach to female and male users of energy-efficient technologies, services, and appliances.[67]
- Environmental benefits potential for achieving:
  - Increased energy, material, and resource-use efficiency
  - Enhanced adoption of clean and environmentally sound technologies and industrial processes
  - Reduced waste generation and air, water, and soil pollution in order to minimize their adverse impacts on human health and the environment.

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[66] International Labor Organization: "*From a functional point of view just transition has two main dimensions: in terms of "outcomes"* (the new *employment and social landscape in a decarbonized economy) and of "process" (how we get there). The "outcome" should be decent work for all in an inclusive society with the eradication of poverty. The "process", how we get there, should be based on a managed transition with meaningful social dialogue at all levels to make sure that burden sharing is just and nobody is left behind."* ILO Actrav (2018), *Just Transition Towards Environmentally Sustainable Economies and Societies for All*.

[67] At a minimum, it is expected that companies benefitting from CIF financing must comply with local regulations and should include within their employment and human resources policies, commitments to gender equality, as required within the ILO Core Conventions, particularly Convention 111 concerning Discrimination (Employment and Occupation) Convention concerning Discrimination in Respect of Employment and Occupation.

ANNEX 4: Investment Criteria for the Nature, People and Climate Investments Program

146. The *Nature, People and Climate Investments Program* seeks to support the deployment of integrated Nature-based Solutions for the sustainable use of land and other ecosystems with a view to improve livelihoods, address climate change and progress towards sustainable development.

147. With a view to maximizing the impact of CIF's resources, each program/project proposed for CIF financing shall demonstrate how it will meet the following criteria:

a) Potential for transformational change
   i. Relevance (strategic alignment)
   ii. Systemic change
   iii. Scale
   iv. Sustainability
b) Potential for GHG emission reductions/avoidance/removal
c) Potential to enhance resilience to climate risks
d) Financial-effectiveness
e) Implementation potential
f) Gender equality and social inclusion
g) Development impact

(a) Potential for transformational change

i. Relevance

148. Each programs/project proposed for CIF financing shall demonstrate:

- Country-ownership in terms of alignment with governments' low-emission and/or climate resilience development goals, commitments, strategies and plans, as stated in country-driven climate change-relevant action plans and strategies (e.g. country's Nationally Determined Contributions and National Adaptation Programs) – including CIF's supported investment action plans.

- Relevance to the strategic objectives and expected development impact of the *Nature, People and Climate Investments Program.*

ii. Systemic change

149. Each program/project proposed for CIF financing shall take a system-level approach to the design of and investment in integrated Nature-based Solution, explaining how target activities will lead to fundamental shifts in the use of land and other natural systems' structures and functions by addressing the root causes determining the need for concessional financing (e.g., institutional, regulatory and policy failures; market failures and financial barriers; knowledge and technical capacity barriers) and hindering the achievement of the program's objectives.

iii. Scale

150. Each program/project proposed for CIF financing shall demonstrate how it will seek to deliver contextually large-scale impacts within the target area, [68]including explicit strategies for enabling subsequent scale-up or replication.

[68] It refers to "*an area, as perceived by people, whose character is the result of the action and interaction of natural and/or human factors*" (European Landscape Convention, 2000).

iv. Sustainability

151. Each program/project proposed for CIF financing shall demonstrate how it will deliver their intended benefits over the long-term, after concessional finance support is terminated. To this end, each program/project would need to articulate how it incorporates the key factors that have been proven necessary to increase the likelihood of sustainability (including, for example, broad ownership and inclusivity), how concessional support will be phased out, and how potential barriers to achieving its intended long-term objectives would be addressed.

(b) Potential to enhance resilience to climate risks

152. Each program/project proposed for CIF financing shall demonstrate its potential to contribute towards the following and/or other relevant climate-resilience metric:

- Enhanced awareness, knowledge, and capacity for addressing specific climate vulnerabilities through innovative approaches or solutions (technology, financing instruments, institutional arrangements, etc.)
- Enhanced integration of climate-related risks (transition and/or physical) considerations in project beneficiaries' decision-making processes, including through enhanced mainstreaming of climate-related risks in relevant policies, regulations, strategies and plans; enhanced access and use of climate information; enhanced uptake of climate- resilient technologies/approaches; enhanced climate-related financial disclosure of material transition and/or physical climate risks
- Enhanced resilience of rural communities, indigenous people, women forest producers and farmers, ecosystem and ecosystem services and/or of the private actors targeted by the project/program

153. To this end, MDBs will be asked to track and report on climate resilience results in accordance with the joint approach of the MDB Climate Finance Group on climate resilience metrics. [69]

(c) Potential for GHG emission reductions/avoidance/removal

154. Each program/project proposed for CIF financing shall demonstrate:

- The direct CO_2-equivalent emissions savings/avoidance/removal potential over its lifetime. Targeted interventions should seek to (i) provide a sizeable contribution toward the achievement of countries' climate goals and commitments, and in raising their ambitions; (ii) contribute to the deployment, diffusion, and transfer of best available technologies and/or the pilot testing of new technologies with high potential for scale-up and replication
- The extent to which the program/project contributes to a long-term transition pathway consistent with climate goals internationally agreed

(d) Financial-effectiveness

i. Value for money

155. Each program/project proposed for CIF financing shall include

- A detailed assessment of the need for concessionality and how the program/project meet the

[69] See Joint-MDBs (2019), *A Framework for Climate Resilience Metrics in Financing Operations - Joint MDB IDFC technical paper.*

- principles for using concessional resources (with evidence and calculations as apropriate)
- An assessment of the cost-benefit ratio and/or other relevant indicators of cost-effectiveness.

ii. Mobilization potential

156. CIF aims to mobilize additional resources at scale for rapidly and efficiently achieving the objectives of the *Nature, People and Climate Investments Program*. To this end, each investment program/project proposed for CIF financing must be co-financed by MDBs and other public and/or private entities (e.g., governments, project sponsors, other development partners of bilateral and/or multilateral nature, or philanthropic organizations).

(e) Implementation potential

157. Consistent with standard MDBs appraisal procedures, each program/project proposed for CIF funding shall articulate how it will ensure successful implementation, including arrangements for long-term operations. Successful implementation implies: (i) identification of the institution(s) with the capacity and the responsibility for implementation; (ii) coordination and collaboration with relevant stakeholders or initiatives; (iii) addressing those institutional, policy or regulatory failures, market failures, financial barriers, or knowledge and technical capacity barriers hindering the ability/willingness of governments, rural communities, or the private sector to address climate risks, protect the natural capital, including by ensuring alignment of incentives across relevant stakeholders to work toward a shared sustainable vision for sustainably using and managing land and natural resources; (iii) evidence of formal governments leadership and commitment and/or formal commitment and buy-in from private sector actors.

(f) Gender equality and social inclusion impact

158. CIF is committed to gender mainstreaming and enhancement of gender equality outcomes across its programming and operations, in line with its CIF Gender Policy (2018). It is also committed to enhance the representation and voice of indigenous people, local communities and youth organizations in decision-making processes. To ensure CIF delivers on its gender and social inclusion commitments, each program/project proposed for CIF funding shall articulate the process used to identify, evaluate and address existing context-specific barriers and gaps to gender equality and social inclusion as they impact the planned program/project with the aim of reducing these gaps and improving gender outcomes on the ground. CIF projects should also ensure equitable outcomes with particular attention to a just transition[70] for potentially negatively impacted or vulnerable groups.

(g) Development impact potential

159. CIF aims to contribute achieving the SDGs, particularly but not limited to the following:

- *SDG 13: Climate action – Take urgent action to combat climate change and its impacts*
- *SDG 14: Life below water – Conserve and sustainably use the oceans, seas and marine resources for sustainable development.*

[70] International Labor Organization: "*From a functional point of view just transition has two main dimensions: in terms of "outcomes" (the new employment and social landscape in a decarbonized economy) and of "process" (how we get there). The "outcome" should be decent work for all in an inclusive society with the eradication of poverty. The "process", how we get there, should be based on a managed transition with meaningful social dialogue at all levels to make sure that burden sharing is just and nobody is left behind."* ILO Actrav (2018), *Just Transition Towards Environmentally Sustainable Economies and Societies for All*.

- SDG 15: Life on land – Protect, restore and promote sustainable use of terrestrial ecosystems, sustainably manage forests, combat desertification, and halt and reverse land degradation and halt biodiversity loss
- SDG 5: Gender equality – Achieve gender equality and empower all women and girls

160. Each program/project proposed for CIF financing shall demonstrate its development impacts potential in consistency with standard MDB appraisal criteria and with particular emphasis on the following:

- Socio-economic potential for achieving:
    - Build the resilience of the poor, including women, and those in vulnerable situations and reduce their exposure and vulnerability to climate-related shocks and stressors, and other economic, social, and environmental shocks and disasters
    - Improved agricultural productivity and incomes of small-scale food producers and collectors, with particular attention to women, indigenous peoples, and local communities, including through secure and equal access to land, other productive resources and inputs, including non-timber forestry products resources, knowledge, financial services, markets, and opportunities for value addition and non-farm employment
    - Enhancing the adoption of climate-smart agricultural practices that increase productivity and production and that help maintain ecosystems and sources of livelihood
    - Enhancing the sustainable use of marine resources to build resilience, improve economic growth, and promote sustainable livelihoods and marine ecosystems health
    - Empowerment and enhanced participation of women, indigenous people and local communities at all levels of decision-making on sustainable land-use in political, economic and public life.
- Environmental potential for achieving:
    - Improved conservation, restoration, and sustainable use of terrestrial and inland freshwater ecosystems and their services
    - Enhanced adoption of sustainable management of all types of forests, halting deforestation, restoring degraded forests, and substantially increasing afforestation and reforestation

ANNEX 5: IDA-eligible countries, lending category, and income group[71]

COUNTRY	REGION	INCOME GROUP[74]	OTHER	IDA LENDING CATEGORY	
Afghanistan	South Asia	Low income	HIPC		
Bangladesh	South Asia	Lower middle income			Borrowing on blend credit terms
Benin	Sub-Saharan Africa	Low income	HIPC		
Bhutan	South Asia	Lower middle income			Borrowing on small economy terms
Burkina Faso	Sub-Saharan Africa	Low income	HIPC		
Burundi	Sub-Saharan Africa	Low income	HIPC		
Cabo Verde	Sub-Saharan Africa	Lower middle income		Blend country	Borrowing on small economy terms
Cambodia	East Asia & Pacific	Lower middle income			
Cameroon	Sub-Saharan Africa	Lower middle income	HIPC	Blend country	Borrowing on blend credit terms
Central African Republic	Sub-Saharan Africa	Low income	HIPC		
Chad	Sub-Saharan Africa	Low income	HIPC		
Comoros	Sub-Saharan Africa	Lower middle income	HIPC		Borrowing on small economy terms
Congo, Dem. Rep.	Sub-Saharan Africa	Low income	HIPC		

71 CIF Admin Unit will update this list on an annual basis in the month of July. Source: IDA country classification retrieved on IDA's web site on August 2019 – available at: http://ida.worldbank.org/about/borrowing-countries; Income-level and classification as Heavily Indebted Poor Countries (HIPC) based on World Bank country classification as of June 2019 available at https://datahelpdesk.worldbank.org/knowledgebase/articles/906519-world-bank-country-and-lending-groups.

COUNTRY	REGION	INCOME GROUP[72]	OTHER	IDA LENDING CATEGORY	
Congo, Rep.	Sub-Saharan Africa	Lower middle income	HIPC	Blend country	Borrowing on blend credit terms
Côte d'Ivoire	Sub-Saharan Africa	Lower middle income	HIPC		Borrowing on blend credit terms
Djibouti	Middle East & North Africa	Lower middle income			Borrowing on small economy terms
Dominica	Latin America & Caribbean	Upper middle income		Blend country	Borrowing on small economy terms
Eritrea	Sub-Saharan Africa	Low income	HIPC		Inactive countries: no active IDA financing due to protracted non-accrual status
Ethiopia	Sub-Saharan Africa	Low income	HIPC		
Fiji	East Asia & Pacific	Upper middle income		Blend country	Borrowing on small economy terms
Gambia, The	Sub-Saharan Africa	Low income	HIPC		
Ghana	Sub-Saharan Africa	Lower middle income	HIPC		Borrowing on blend credit terms
Grenada	Latin America & Caribbean	Upper middle income		Blend country	Borrowing on small economy terms
Guinea	Sub-Saharan Africa	Low income	HIPC		
Guinea-Bissau	Sub-Saharan Africa	Low income	HIPC		

[72] The World Bank country classification for the 2020 fiscal year indicates that low-income economies are defined as those with a GNI per capita, calculated using the World Bank Atlas method, of USD 1,025 or less in 2018; lower middle-income economies are those with a GNI per capita between USD 1,026–3,995; upper middle-income economies are those with a GNI per capita between USD 3,996–12,375; high-income economies are those with a GNI per capita of USD 12,376 or more.

Guyana	Latin America & Caribbean	Upper middle income	HIPC		Borrowing on small economy terms
Haiti	Latin America & Caribbean	Low income	HIPC		
Honduras	Latin America & Caribbean	Lower middle income	HIPC		Borrowing on blend credit terms
Kenya	Sub-Saharan Africa	Lower middle income		Blend country	Borrowing on blend credit terms
Kiribati	East Asia & Pacific	Lower middle income			Borrowing on small economy terms
Kosovo	Europe & Central Asia	Upper middle income			Borrowing on blend credit terms
Kyrgyz Republic	Europe & Central Asia	Lower middle income			
Lao PDR	East Asia & Pacific	Lower middle income			Borrowing on blend credit terms
Lesotho	Sub-Saharan Africa	Lower middle income			Borrowing on blend credit terms
Liberia	Sub-Saharan Africa	Low income	HIPC		
Madagascar	Sub-Saharan Africa	Low income	HIPC		
Malawi	Sub-Saharan Africa	Low income	HIPC		

Maldives	South Asia	Upper middle income			Borrowing on small economy terms
Mali	Sub-Saharan Africa	Low income	HIPC		
Marshall Islands	East Asia & Pacific	Upper middle income			Borrowing on small economy terms
Mauritania	Sub-Saharan Africa	Lower middle income	HIPC		
Micronesia, Fed. Sts.	East Asia & Pacific	Lower middle income			Borrowing on small economy terms
Moldova	Europe & Central Asia	Lower middle income		Blend country	Borrowing on blend credit terms
Mongolia	East Asia & Pacific	Lower middle income		Blend country	Borrowing on blend credit terms
Mozambique	Sub-Saharan Africa	Low income	HIPC		
Myanmar	East Asia & Pacific	Lower middle income			Borrowing on blend credit terms
Nepal	South Asia	Low income			
Nicaragua	Latin America & Caribbean	Lower middle income	HIPC		Borrowing on blend credit terms
Niger	Sub-Saharan Africa	Low income	HIPC		

Nigeria	Sub-Saharan Africa	Lower middle income		Blend country	Borrowing on blend credit terms
Pakistan	South Asia	Lower middle income		Blend country	Borrowing on blend credit terms
Papua New Guinea	East Asia & Pacific	Lower middle income		Blend country	Borrowing on blend credit terms
Rwanda	Sub-Saharan Africa	Low income	HIPC		
Samoa	East Asia & Pacific	Upper middle income			Borrowing on small economy terms
São Tomé and Principe	Sub-Saharan Africa	Lower middle income	HIPC		Borrowing on small economy terms
Senegal	Sub-Saharan Africa	Lower middle income	HIPC		
Sierra Leone	Sub-Saharan Africa	Low income	HIPC		
Solomon Islands	East Asia & Pacific	Lower middle income			Borrowing on small economy terms
Somalia	Sub-Saharan Africa	Low income	HIPC		Inactive countries: no active IDA financing due to protracted non- accrual status
South Sudan	Sub-Saharan Africa	Low income			

St. Lucia	Latin America & Caribbean	Upper middle income		Blend country	Borrowing on small economy terms
St. Vincent and the Grenadines	Latin America & Caribbean	Upper middle income		Blend country	Borrowing on small economy terms
Sudan	Sub-Saharan Africa	Lower middle income	HIPC		Inactive countries: no active IDA financing due to protracted non- accrual status
Syrian Arab Republic	Middle East & North Africa	Low income			Inactive countries: no active IDA financing due to protracted non- accrual status
Tajikistan	Europe & Central Asia	Low income			
Tanzania	Sub-Saharan Africa	Low income	HIPC		
Timor-Leste	East Asia & Pacific	Lower middle income		Blend country	Borrowing on small economy terms
Togo	Sub-Saharan Africa	Low income	HIPC		
Tonga	East Asia & Pacific	Upper middle income			Borrowing on small economy terms
Tuvalu	East Asia & Pacific	Upper middle income			Borrowing on small economy terms
Uganda	Sub-Saharan Africa	Low income	HIPC		

Uzbekistan	Europe & Central Asia	Lower middle income		Blend country	Borrowing on blend credit terms
Vanuatu	East Asia & Pacific	Lower middle income			Borrowing on small economy terms
Yemen, Rep.	Middle East & North Africa	Low income			
Zambia	Sub-Saharan Africa	Lower middle income	HIPC		Borrowing on blend credit terms
Zimbabwe	Sub-Saharan Africa	Lower middle income		Blend country	Inactive countries: no active IDA financing due to protracted non- accrual status