

# CLIMATE INVESTMENT FUNDS

## **RECOMMENDATIONS FROM THE FIP PRIVATE SECTOR SET-ASIDE EXPERT GROUP REVIEW**

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# Duties assigned to the Expert Group (EG)

- Review the received concepts in accordance with agreed criteria.
- Prepare a list of priority concepts recommended for the allocation of FIP resources available in the set aside (USD 56 million);
- Include an additional list of concepts, for up to USD 28 million (50% of the level of funding available in the set aside), for consideration by the Sub-Committee ;
- Prepare a report for consideration by the FIP Sub-Committee.

# Methodology: Timeline and steps

- 23<sup>rd</sup> August- 5<sup>th</sup> September: Reviewed draft criteria and scoring system sent by CIF Admin Unit, in light of FIP Objectives, Principles, Design criteria, Investment criteria and PS Set Aside criteria.
- 6th September- 15th September: Agreed definitions and scoring system for 10 criteria within 4 categories: Climate Change Mitigation, Development Co-benefits, Economic Viability and FIP Alignment.
- 16th September – 20th September: Each reviewer first reviewed the proposals individually, then discussed as a team and ranked by consensus during Washington meeting.

# Methodology: Agreed scoring system

FIP CRITERIA		SCORING				
		1	2	3	4	5
<b>CLIMATE CHANGE MITIGATION</b>						
1	Potential to avoid deforestation & degradation, and increase carbon stocks (Ton CO2)	9, 10 & 11th rank proposals	7th & 8th ranked	5th & 6th ranked	3rd & 4th ranked	1st & 2nd ranked
2	Innovativeness in addressing drivers of D & D and/or increasing C stocks	Not innovative	Weakly innovative	Fairly innovative	Highly innovative	Very highly innovative
<b>DEVELOPMENT CO-BENEFITS</b>						
3	Governance co-benefits	Very weak	Weak	Adequate	Strong	Very Strong
4	Poverty reduction/ livelihoods co-benefits	Very weak	Weak	Adequate	Strong	Very Strong
5	Ecosystem & biodiversity conservation co-benefits	Very weak	Weak	Adequate	Strong	Very Strong
<b>ECONOMIC VIABILITY</b>						
6	Implementation feasibility and probability of Project success	Very unlikely	Unlikely	Moderately likely	Likely	Very likely
7	Potential to leverage other funds	Below 1:1	1:1 to 1:3	1:3 to 1:5	1:5 to 1:8	Above 1:8
8	Cost-effectiveness (US\$/TonCO2)	9, 10 & 11th rank proposals	7th & 8th ranked	5th & 6th ranked	3rd & 4th ranked	1st & 2nd ranked
<b>FIP ALIGNMENT</b>						
9	Alignment with objectives & level of progress of country IP	Very weak	Weak	Adequate	Strong	Very Strong
10	Transformation potential	Very weak	Weak	Adequate	Strong	Very Strong

<b>Total maximum scores</b>	<b>10</b>	<b>20</b>	<b>30</b>	<b>40</b>	<b>50</b>
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# Results and Recommendations

The EG recommends that:

- Four concepts, totaling funding requests for USD 20.3 million in loans, be funded once comments made in the report are adequately addressed;
- Four concepts, totaling funding request for USD 31.02 million in loans, be funded if detailed due diligence by the proposing MDB proves feasibility;
- Three concepts not be funded as they do not meet the FIP criteria.

# Results and Recommendations

Project	Total Score	Key points from Qualitative Assessment	Recommendation
Macauba Palm Oil in Silvicultural System, Brazil	37.7	Innovative, cost effective, with livelihood and ecosystem co-benefits. Transformational for silvicultural sector.	Fund
Cashew Plantations with Farmer Assoc., Burkina Faso	33.7	Proven job creation and local governance benefits. Transformational for communities and cashew sector.	Fund
FSC & VCS Certified Teak Plantations, Ghana	33.3	Robust economics, clear scalability and regulatory aspects, grounded in local context. Transformational for forestry plantation sector.	Fund
Guarantee Fund for Forestry Investments, Mexico	33.3	Innovative, strong livelihood benefits and transaction cost reduction potential. Transformational for scaling forestry finance.	Fund

# Results and Recommendations

Project	Total Score	Key points from Qualitative Assessment	Recommendation
Acacia and Palm Oil Plantations in Bandundu, DRC	31.7	Significant livelihood co-benefits. Executing agency may lack technical and human resources for adequate implementation.	Detailed Due Diligence
Climate-smart Rural Development, Burkina Faso	28.7	Innovative, integrated business serving local markets, with significant livelihood benefits. Commercial viability of jatropha to be checked.	Detailed Due Diligence
Teak on Modified Cerrado Lands, Brazil	28.0	Considerable climate change mitigation, leveraging additional financial resources. Technical sophistication may limit scalability.	Detailed Due Diligence
Acacia Plantations in Sud Kwamouth, DRC	23.7	Innovative reforestation with livelihood and community co-benefits. Project has failed to meet targets in past, complex donor relations.	Detailed Due Diligence

# Results and Recommendations

Project	Total Score	Key points from Qualitative Assessment	Recommendation
Forest Plantations, Africa Regional	22.6	Project needs to be reassessed once there is more detailed forestry information and concrete interest from financial intermediary institutions.	Do not fund
Eucalyptus plantations in Maranhao & Tocantins, Brazil	20.3	No quantitative explanation of climate change mitigation and livelihood co-benefits. Unclear as to whether government can follow up project.	Do not fund
LEAF Improved Cookstoves in Kinshasa, DRC	16.0	Business model not sustainable, demand not adequately presented. No cookstove track record in country, no analysis of competition.	Do not fund



# Recommendations

## **Template for Concept Proposals**

- 1 - Summary of Financial statement of last 2 years.
- 2 - Cash flow projection for 10 years, including break-even point and Internal Rate of Return.
- 3 - Estimate of climate change mitigation potential at 10 years or other fixed time horizon.

## **Private Sector Set Aside Opportunity**

- 1 – Advertise broadly via in-country private sector representative organizations.
- 2 – Seek to support Private Sector governance innovations, as well as commercial/production innovations.

## FIP Objectives & Principles



## FIP Design, Investment & PS Set Aside Criteria



## FIP Private Sector Set Aside Scorecard Criteria

### FIP OBJECTIVES

A - To initiate and facilitate steps towards transformational change in developing countries forest related policies and practices.  
B - To pilot replicable models to generate understanding and learning.  
C - To facilitate the leveraging of additional financial resources for REDD.  
D - To provide valuable experience and feedback in the context of the UNFCCC deliberations on REDD.

### FIP PRINCIPLES

(A) - National ownership and national strategies.  
(B) - Contribution to sustainable development.  
(C) - Promotion of measurable outcomes and results-based support.  
(D) - Coordination with other REDD efforts.  
(E) - Cooperation with other actors and processes.  
(F) - Early, integrated and consistent learning efforts.

### FIP DESIGN CRITERIA

- 1- Potential for climate change mitigation.
- 2 – Consistency with FIP objectives & principles.
- 3 – Address drivers of degradation & deforestation.
- 4 – Inclusive & participative processes.
- 5 – Demonstrable impact.
- 6 – Strengthen Forestry governance.
- 7 – Safeguard integrity of natural Forests.
- 8 – Partnerships with private sector
- 9 – Economic and financial viability.
- 10 – Strengthen capacity.

### FIP INVESTMENT CRITERIA

- (a) Climate change mitigation potential.
- (b) Demonstration potential at scale.
- (c) Cost-effectiveness.
- (d) Implementation potential.
- (e) Integrating sustainable development (co-benefits).
- (f) Safeguards.

### ADDITIONAL FIP PRIVATE SECTOR SET ASIDE CRITERIA

- (1) Alignment with the objective of the country investment plans.
- (2) Level of innovation proposed.
- (3) Implementation feasibility within 9-18 months after funding approval by the FIP-SC.
- (4) Level of progress achieved in implementing other projects under the endorsed IP.

### CLIMATE CHANGE MITIGATION

- 1) Climate change mitigation potential – avoided deforestation & degradation, and increased carbon stocks (Ton CO<sub>2</sub>)
- 2) Innovativeness in addressing drivers of degradation and deforestation

### DEVELOPMENT CO-BENEFITS

- 3) Governance co-benefits
- 4) Poverty reduction/ livelihoods co-benefits
- 5) Ecosystem & biodiversity conservation co-benefits

### ECONOMIC VIABILITY

- (6) Implementation feasibility / probability of success
- (7) Potential to leverage other funds.
- (8) Cost-effectiveness (US\$/TonCO<sub>2</sub>)

### FIP ALIGNMENT

- (9) Alignment with objectives and level of progress of country IP
- (10) Transformation potential for forestry sector