

CLIMATE INVESTMENT FUNDS

SCF/TFC.2/7/Rev.1

May 1, 2009

Joint Meeting of the CTF and SCF Trust Fund Committee

Washington, D.C.

May 12, 2009

SHARING LESSONS WITH UNFCCC

(Submitted by the Trust Fund Committee Member from the United Kingdom)

Lesson learning from the Climate Investment Funds

UK Discussion paper

SCF Trust Fund Committee meeting, May 2009

A. Introduction

The Climate Investment Funds have been established to pilot new and different approaches to scaling up finance to help developing countries respond to the challenges of climate change. The Funds will demonstrate new approaches and generate experience on the delivery and governance of climate finance, identifying best practice on how to make such finance more effective, equitable and efficient.

The Funds and their programmes all share certain design features, many of which have not been previously implemented in practice; there is therefore particular interest in assessing these features. The UK has prepared this paper to prompt discussion in the SCF TFC on the key areas where the Funds could generate experience and how that lesson learning might be communicated to wider audiences.

Key questions for the SCF Committee:

- **What is your view of the learning objectives identified for the Funds?**
- **What is your view of the recommended actions below on developing and communicating this learning?**

B. Learning Objectives

The list below identifies the potential areas of learning that are common to all Funds and programmes. There will be other areas of learning particular to each programme / Fund. These specific areas can be explored within the context of those programmes and are not covered here.

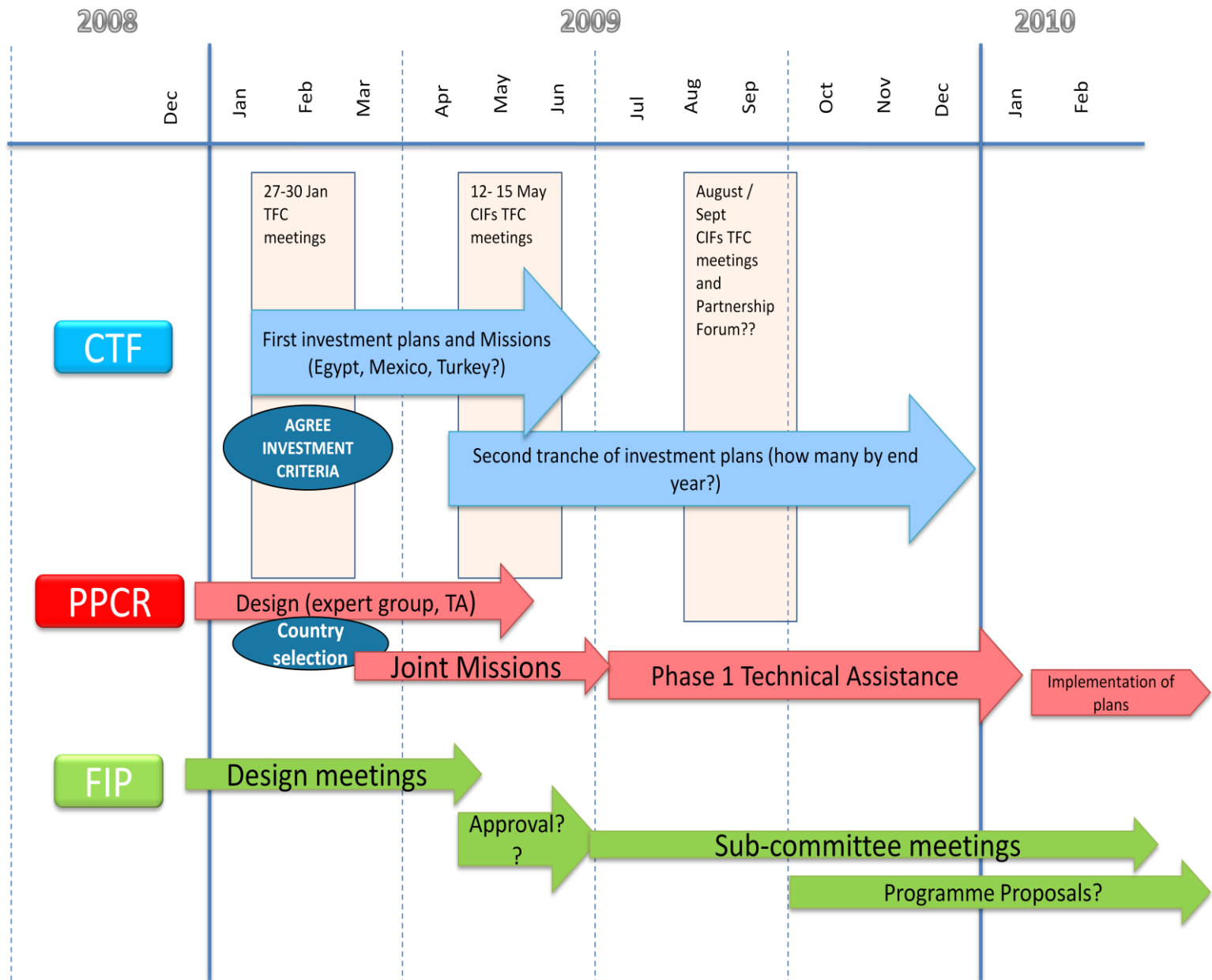
- i. The Climate Investment Funds will pilot new **governance structures and decision making processes:** decisions by consensus with equal representation. By piloting these new approaches to governance through the CIFs we hope to be able to answer questions about how to design effective and inclusive decision making processes.
- ii. **Monitoring and evaluation.** Robust M&E frameworks will be very important in establishing the impact of the CIFs on the ground. Some of the processes and procedures developed as part of these frameworks may provide experience that would be relevant for future Monitoring, Reporting and Verification.
- iii. **Funding country led investment plans.** The CIFs fund country owned national plans which take a programmatic approach. This compact / investment plan approach is based on a

relationship between contributors and recipients which involves mutual commitment and responsibilities. Programmatic approaches emphasise budget support, sector wide approaches and co-ordinated investments across key sectors. The rationale for testing this approach when the Funds were being designed was that investment plans were a way to scale up climate investment and integrate climate financing into each country's existing development plans, in support of nationally defined objectives. There are a number of questions that piloting the investment plans for climate finance through the CIFs might help answer:

- Do investment plans meet the basic principles: are they programmatic? Are they country led? Do they allow climate investments to be scaled up successfully?
 - What technical assistance is most helpful in preparing national plans?
 - How are stakeholders best engaged in the investment planning process?
 - What criteria are best applied in reviewing national plans?
 - Investment plans under the Funds will be assessed for implementation potential, consistent with standard MDB criteria. These assessments should help establish what environment facilitates effective adaptation and mitigation investments and encourages private sector investment.
 - How can the investment planning process ensure **environmental and social co-benefits** are integrated into climate change programmes and vice versa?
- iv. **The role of MDBs.** The MDBs have a role to play in helping their clients to respond to the challenges of climate change. Working on the Funds should help MDBs to develop more transformational approaches to lending through the use of different financing products. This should provide valuable experience about what types of finance are most effective in different situations.
- v. One of the Funds' aims is to leverage finance from the **private sector**. They will pilot different approaches to engaging the private sector in adaptation and mitigation investments. We hope the Funds will answer questions on the best mechanisms to engage the private sector and which incentives they respond best to.
- vi. **Additionality.** The Funds aim to provide finance that is additional to both current MDB projects and CDM funding. This experience should help better quantify 'additionality' and explore the role for this type of public finance in relation to climate change. The procedures should be simple so as not to create undue process and cost and should respond to changing circumstances, such as new technology being covered by the CDM.
- vii. Lastly, there will be **lessons which emerge** as we continue to work on the CIFs that we cannot anticipate yet. It will be important to document and communicate such emerging learning, both positive and negative.

C. Milestones

The chart below outlines the major milestones for the implementation of the CIFs over the next year. All the lessons highlighted above will begin to emerge as the year goes on, but the first areas we expect to learn lessons in around governance and the development of country led investment plans.



D. Key audiences and partners

This section gives an indication of the key audiences that the SCF might want to consider in the dissemination of lessons learned from the CIFs

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| <ul style="list-style-type: none"> Committee members of the CTF and sub programmes – how can they best be involved in this learning process? |
| <ul style="list-style-type: none"> Finance ministries, Development ministries, Environment ministries |
| <ul style="list-style-type: none"> The Multilateral Development Banks |

<ul style="list-style-type: none"> • Private sector
<ul style="list-style-type: none"> • Partner Institutions: UNDP, UNEP, GEF, Adaptation Fund
<ul style="list-style-type: none"> • UNFCCC
<ul style="list-style-type: none"> • NGOs and civil society • Press

E. Possible delivery actions: roles and responsibilities

Role of the SCF TFC

The SCF TFC has a unique perspective across the different programmes and Funds and is responsible for bringing together experience from different areas. It could:

- Develop objectives and make proposals to guide the activities of the World Bank and MDBs in relation to lesson learning – particularly on monitoring and evaluation and knowledge management (see below).
- Compare and share learning across the Funds.
- Lead work on the Partnership Forum to make sure it is an effective event to communicate experience on the Funds.
- Consider whether it would be useful to have an event on lesson learning and generating experience from the Funds before the Partnership Forum
- Develop the role of delivery partners and civil society (as suggested below)
- Consider whether further analytical work could usefully be commissioned on M & E and KM to inform ideas going forward
- Recommend that the CIF secretariat and relevant actors provide an update on the actions below at the next SCF meeting.
- Consider asking an independent body or delivery partner (an NGO or think tank) to do a high level evaluation of the programmes as they develop in order to document emerging learning and include stakeholders in M and E.

Role of the World Bank and RDBs

Monitoring and evaluation (M & E)

The World Bank and the other MDBs already have detailed monitoring and evaluation processes and the Funds should seek to build on these processes. Effective monitoring and evaluation underlies successful lesson learning from the Funds. In order to have the emerging evidence needed to communicate experience gained through the Funds, the SCF could recommend:

- Reporting is done on a regular ongoing basis so evidence is shared as it emerges from the first stages rather than waiting until the end of a programme – for example, MDBs produce interim reports at six monthly intervals.
- Indicators cover the learning areas above, in particular: assessment of the investment planning process (is it programmatic? Is it country led?), the governance framework, involvement of private sector, additionality, poverty reduction and environmental co-benefits and emerging lessons, negative as well as positive. Specifically, the M and E find a way to assess emissions reductions without double counting.
- The Partnership Forum is built into the M and E process - it is a valuable opportunity to review progress on funds against the learning objectives. A report on progress with the Funds should be made by the MDBs at each Partnership Forum. The Forum is an opportunity for parties to share experience. In order to maximise effectiveness, the MDBs should start working with the SCF to plan for the Forum now.
- In order to design the best M&E frameworks for the Funds, the CIF Secretariat establishes a small group of experts to advise them on M&E and KM issues. This group should be small, time limited and consist of at least one donor, one recipient and one MDB representative.
- Programmes establish M & E sub groups to work on good quality M & E frameworks, similar to the PPCR.

Knowledge management (KM)

This is about identifying, documenting and then communicating experience so that others make use of it. It is again an ongoing process. The SCF could recommend:

- The CIF Secretariat, working with the MDBs, develops a work programme on knowledge management and shares this programme with the SCF TFC at the next meeting.
- The PPCR is developing a technical sourcebook to share lesson learning. Other programmes should consider whether to develop products that provide guidance beyond the Funds; for example, on developing investment plans.
- The MDBs develop processes for sharing learning with delivery partners and civil society and consider whether these partners can play a further role in communication, for example in countries.
- The CIF Secretariat and MDBs consider with the UNFCCC secretariat how best to communicate learning to the UNFCCC, especially at relevant meetings of the parties. The UNFCCC could be used as a forum for consultation and presentations to update parties on learning.

Role of delivery partners

The SCF could recommend:

- Delivery partners consider exploring how to incorporate learning from the Funds into their activities.
- Partners consider whether they have a further role on learning, in terms of communicating lessons within countries or relevant networks.

Role of NGOs and civil society

The SCF could recommend:

- NGOs consider setting up a network to engage with the Funds so that there is broad representation of different institutions at Committee meetings, perhaps with rotating attendance at committees.
- NGOs consider developing ideas on communicating learning more broadly, for example in countries.

Role of donors and recipients**The SCF could recommend:**

- Donors and recipients communicate their experience with and assessment of the CIFs at events such as the Partnership Forum
- Donors and recipients consider how they might incorporate learning from the CIFs into other activities.