

CLIMATE INVESTMENT FUNDS: ACCOMPLISHMENTS, TRANSFORMATIONAL IMPACT, AND ADDITIONALITY IN THE CLIMATE FINANCE ARCHITECTURE



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PLACE Washington, D.C.
VENUE Joint Meeting of the CTF and SCF Trust Fund Committees



Strategic Objectives of the CIF in 2008



The CIF was designed to fill specific gaps in the climate finance architecture in 2008:

- Lack of funding for mitigation and adaptation activities at scale
 - Emphasis on results-based payments (CDM) but unmet need for upfront capital at concessional terms
 - Urgency to unlock private investment, especially for mitigation
 - Linking policy and planning with investment on the ground
 - Certainty: steady flow of climate finance to ride out political, economic turbulence
 - Urgency to establish track record and learning on new approaches and technologies at national and global levels
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Expected Co-financing for the CIF Portfolio

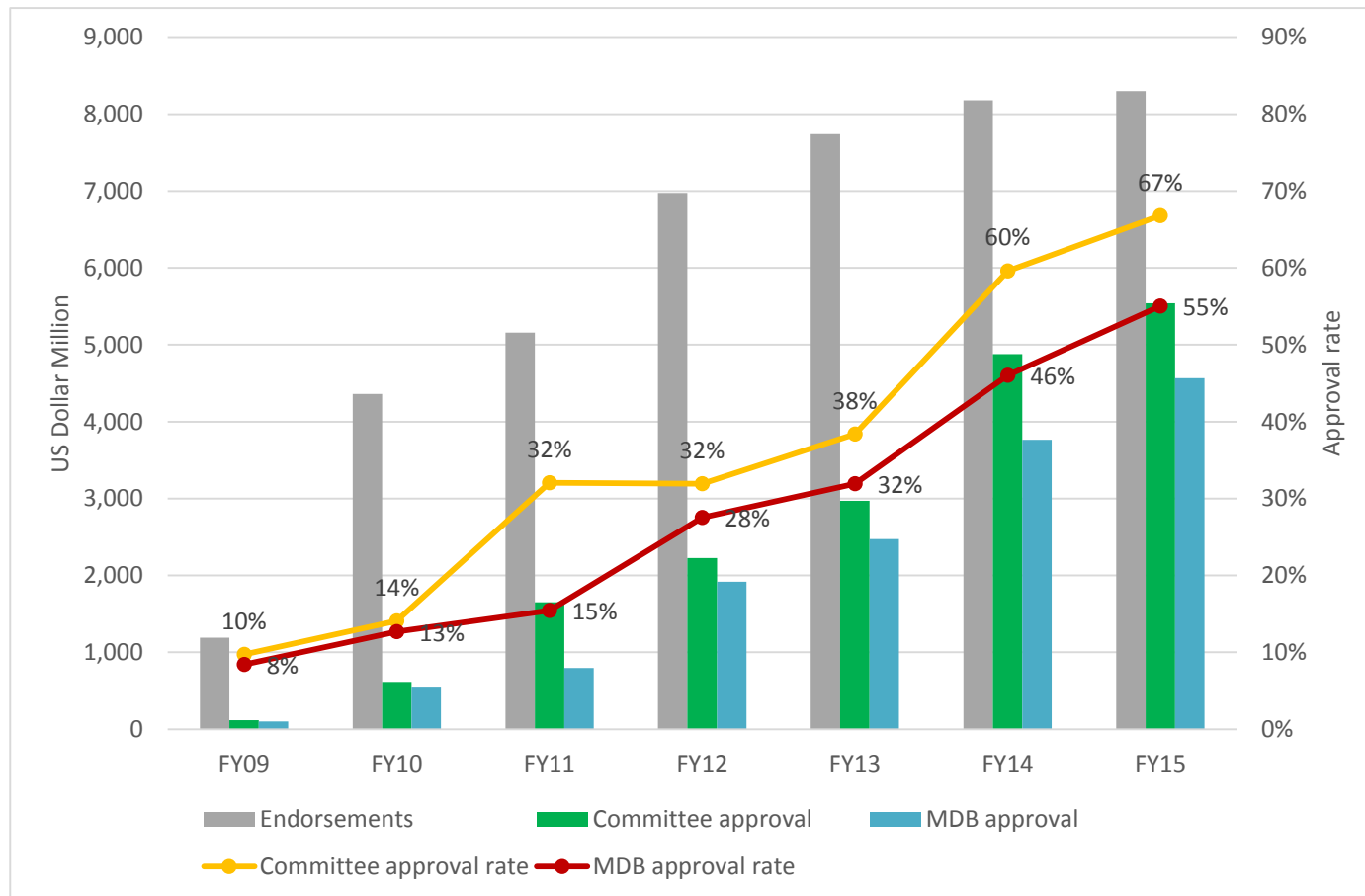
(USD millions, as of June 30, 2015)



	Source				
Program	Private Sector	MDBs	Government	Bilaterals/ Other	TOTAL
CTF	17,180	15,351.3	5,601.8	13,714	51,847.1
PPCR	61.3	967.1	227.7	285.4	1,541.6
FIP	66.2	447.4	364.9	63	941.5
SREP	981.1	1,403.4	464.5	1,114.3	3,963.3
CIF TOTAL	18,289	18,169.2	6,658.9	15,177	58,293.4

Note: Expected co-financing is based on committee and board documents (including Annex Gs) for approved projects/programs and on investment plans for projects/programs still subject to approval. al Development Banks' Climate Finance

CIF Portfolio: where are we?



Transformational impact



- **Transformation** as systemic or wider impact spurred by CIF investments and activities.
 - Five pathways through which the CIF has initiated or achieved such impact in recipient countries and at the global level:
 - Institutions
 - Policies
 - Markets
 - Technologies
 - Behavior change
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Institutions



- CIF strengthening institutions through coordination and capacity development
 - Coordination
 - CIF support to high-level coordination can have transformational impact when strong ministry at helm (e.g., mainstreaming resilience into Zambia's national development plan)
 - Yields dividends beyond the CIF (e.g., in enabling access to other climate finance)
 - Builds bridges with stakeholders for greater transparency and accountability (e.g., PPCR secretariat in Tajikistan)
 - Capacity development
 - Strengthening evidence-based understanding of climate risks and vulnerabilities to inform decision-making (e.g., downscaled climate models in Tajikistan)
 - Programmatic M&E for climate change (tracking **program**-level outcomes through participatory process)
 - Building capacity of non-state actors (e.g., USD 80 million one-of-a-kind FIP DGM)
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- CIF linking investment to policy, regulatory reform supported by the CIF or through complementary interventions by MDBs
 - Kazakhstan: EBRD worked with government to create 2013 RE law; CTF road testing new law with first two large-scale RE investments; CTF to support 200 MW RE (20% of the country's 2020 RE target)
 - Tanzania: SREP supporting enabling environment for geothermal development (laws, institutional structures) for private investment; SREP \$25 m expected to spur first 100 MW of geothermal power
 - Mozambique: PPCR supporting national design standards for climate-proofing roads; more resilient roads = reduced economic loss from extreme weather events
 - Burkina Faso: FIP supporting development and implementation of national REDD+ strategy linking mitigation and adaptation
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Markets



- CIF-financed interventions target barriers inhibiting the development of viable markets, in particular for renewable energy and energy efficiency.
- CIF deploying resources at scale to move markets for specific technologies
 - CSP in Morocco: \$435 million CTF for 500+MW Noor complex

“CIF funds have been able to mobilize a bigger pool of liquidity and, thus, make available larger amounts of funds permitting a higher leverage for a longer tenor and at a lower risk premium. The proof of the value created can be seen in the tariff we have been able to deliver.” - Paddy Padmanathan, Chairman and CEO, ACWA Power
 - CSP in S. Africa: \$333 million CTF across public and private sectors. IFC-CTF 100 MW KaXu project the first utility-scale CSP plant to operate in the developing world, demonstrates that private financing can be successfully mobilized for emerging market CSP projects



Markets: CTF Support to Turkey RE/EE Financial Intermediation



- Market barriers to RE/EE: lack of investor understanding, bank familiarity & capacity, and long-term financing in the Turkish market
- CTF USD 170 million leveraged USD 1.8 billion through 430 sub-projects in Phase I alone → saving 902,000 tCO₂e and USD 568 million avoided oil imports/year
- EE market progressed to financing on purely commercial terms from 2009 to 2014

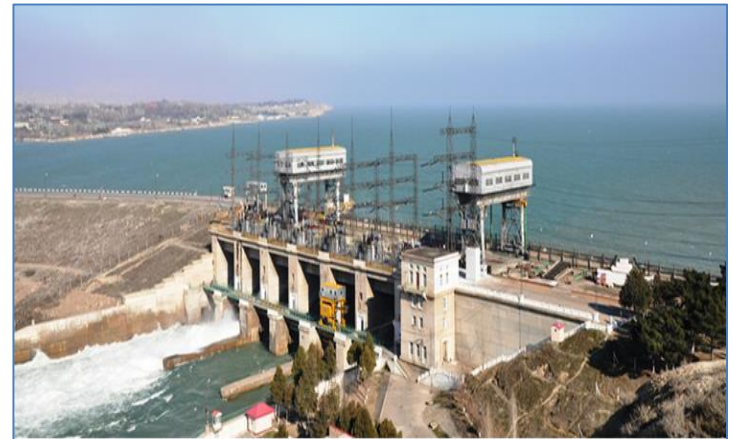
“Partnering with the multilateral development banks through the CTF has helped Turkey to scale up investments in energy efficiency, renewable energy, and smart grids by empowering its own national private and banking sector. The fact that Turkey has been a first mover in achieving results on the ground has inspired investors and emboldened us to be even more ambitious not only in the scale of investments we seek to achieve but also in the types of renewable technologies we are considering.”

- Turkish Minister of Energy and Natural Resources Taner Yildiz

Technologies



- CIF the only climate fund to provide large-scale funding to specific technologies
- CIF supporting technology deployment through:
 - i. gap-filling finance at a critical juncture to move markets
 - E.g., Mexico wind
 - ii. the first use of key technologies in a country
 - E.g., climate resilient hydropower in Tajikistan
 - iii. MDBs joining together to support the deployment of technologies at scale
 - E.g., CSP, geothermal, climate services



Technologies: Driving Global Development of CSP and Geothermal



- CIF investment at scale in CSP and geothermal is shaping global technology development.
 - **CSP:** CTF USD 945 million for 1.2 GW capacity, \$8.4 billion co-financing
 - CTF helping drive down cost of CSP: Low-cost debt reduced Noor I (Morocco) project costs by 25%, Noor II and III by an additional 10%
 - CTF supporting multiple CSP technologies through investment (parabolic trough, power tower with storage) and TA (new CSP applications)
 - **Geothermal:** CIF USD 810 million for 3.5 GW in 15 countries, \$10 billion co-financing
 - CIF leads all funders in supporting earliest, riskier stages of geothermal providing USD 400 million (~55%) of total public finance for exploration and test drilling



Behavior Change



- Evidence that CIF is influencing behavior change among a range of stakeholders at both the fund and national levels:
 - CIF pioneering a model of equitable governance for climate funds
 - AusAID: the CIF is “being used by many as a model for development in part because of its equitable and efficient governance arrangements
 - Strong country ownership of IPs
 - Independent Evaluation of the CIF: “strong government leadership and good integration with national policies in most CIF recipient countries.”
 - Stakeholder participation in IP preparation and implementation
 - Independent Evaluation: evidence of broad-based stakeholder consultation in the preparation of investment plans, particularly in SCF countries
 - Participatory FIP and PPCR M&R processes
 - Increasing private sector awareness of climate change risks and responses
 - PPCR supporting some of the first private sector adaptation measures in highly vulnerable LDCs (Bangladesh, Nepal, Niger, and Tajikistan)
 - Increased attention to gender



Impact within MDBs



Two dimensions of CIF impact on MDBs:

- i. Unprecedented collaboration and the value add for recipient countries through programmatic approach
- i. Supporting Core Business of Climate Smart Development
 - Buy down costs for strategically important technologies (e.g., CSP)
 - Enables innovation, higher risk projects (e.g., CTF contingent grant for early stage geothermal through Mexico geothermal financing and risk transfer facility; CTF performance guarantee for Mexico green bond securitization)
 - Creation of new business lines (e.g., EBRD adaptation products)
 - Expands pool of funding for both low income countries (and those at high risk of debt distress) and middle income countries



Key Features of the CIF Business Model

- MDBs as implementing agencies
- Programmatic approach linking strategic planning with investment
- Scale: large CIF envelope + substantial co-financing (USD 58 billion)
- Learning by doing



Additionality of the CIF



Examined through the principles agreed at the joint meeting in November 2014:

- i. Supporting the continuity of climate finance flows and action on the ground and reducing funding gaps in the CIF operations;
 - ii. Progressively taking measures to strengthen complementarity, coordination and cooperation within the climate finance architecture; and
 - iii. Enhancing the programmatic approach and leverage of funds.
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Key Messages



- i. Importance of retaining sense of urgency and realism
 - Deploying climate finance takes time, CIF has gone through learning curve...
 - CIF is a tested mechanism with track record...
 - CIF has an existing and planned pipeline of projects that require funding and can be implemented in the next 18 to 24 months
 - ii. MDB support will remain critical to developing countries and CIF has been critical to MDBs delivery
 - MDBs ramping up climate commitments, will need additional concessional resources to deliver on these
 - iii. Unique position of the CIF can be further explored
 - Exploring new financing modalities for the CTF
 - Flexibility of CIF can be explored to fill in gaps or address priority areas
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Thank You!

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