Climate Investment Funds Monitor 10

November 2014

Summary

- Four options for the future operations of the **Climate Investment Funds (CIF)** under its 'sunset clause' will be discussed in the November meetings. The CIF evaluation was published, including a critique of the trade-offs between climate and broader development benefits, and the CIF's use of the term 'leverage'. The CIFs continue to expand with fourteen new pilot countries and one addition to a regional programme, despite funding shortfalls.
- **Clean Technology Fund (CTF)** funding approvals continue to rise including private sector projects for geothermal. Revisions for investment plans were approved for Nigeria and the Middle East and North Africa (MENA) region, with Libya added as a new country. Questioned were raised by donors on poverty reduction in a wind power project in Egypt, jobs for women in an energy efficiency project in India and on the suitability of CTF finance for a biodiversity conservation initiative in Vietnam.
- Funding shortfalls are predicted for the **Pilot Program for Climate Resilience (PPCR)**, as ideas for potential new funding are due to be discussed. An SPCR review highlighted the importance of the preparatory phase and a case study of Samoa the importance of government leadership. Adaptation benefits of a project in Mozambique were questioned. The importance of safeguards was highlighted for projects in Cambodia.
- Disbursement of funds continues to be slow in the **Forest Investment Program (FIP)**. The World Bank has responded to civil society groups' criticism over the lack of consultation for FIP plans in Indonesia. Preparations for the Dedicated Grant Mechanism (DGM) continue as funding was approved for the global component and to implement the DGM in Brazil.
- Fourteen new countries were accepted to the **Scaling up Renewable Energy Program in Low Income Countries (SREP)**. Programme implementation continues to be slow, with expected co-financing often dropped. Investment plans for Armenia and the Solomon Islands were approved, with risks of geothermal energy and high project preparation costs highlighted. Questions on diesel support were raised on a project in the Maldives.

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Key acronyms

ADB	Asian Development Bank
AfDB	African Development Bank
CIF	Climate Investment Funds
CSP	Concentrated solar power
CTF	Clean Technology Fund
DGM	Dedicated Grant Mechanism for Indigenous Peoples and Local Communities (FIP)
DPSP	Dedicated Private Sector Program (CTF)
EBRD	European Bank for Reconstruction and Development
FCPF	Forest Carbon Partnership Facility
FIP	Forest Investment Program
GCF	Green Climate Fund
IBRD	International Bank for Reconstruction and Development (World Bank)
IDA	International Development Association (World Bank)
IDB	Inter-American Development Bank
IFC	International Finance Corporation (World Bank)
kW	Kilowatt
MDB	Multilateral development bank
MW	Megawatt
PPCR	Pilot Program for Climate Resilience
PV	photovoltaic (solar)
RE	renewable energy
REDD	Reducing emissions from deforestation and forest degradation
SCF	Strategic Climate Fund
SPCR	Strategic Program for Climate Resilience
SREP	Scaling up Renewable Energy Program in Low Income Countries
TA	Technical assistance
UNFCCC	United Nations Framework Convention on Climate Change

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This edition of the *CIFs Monitor* outlines recent developments at the CIFs and collates on-going concerns over their operation. It builds on *CIFs Monitor* 9, published in June 2014. This edition covers key CIF developments based on CTF trust fund committee and SCF programme sub-committee meetings and communications from June to early November 2014. These committees serve as the governing bodies of the funds. Information on the CIFs, including meeting notes and submissions, can be accessed at www.climateinvestmentfunds.org.

For a fully referenced edition of *CIFs Monitor* 9 and past issues of the *CIFs Monitor*, see http://www.brettonwoodsproject.org/publication-type/cifs-monitor/

1 Climate Investment Funds

1.1 CIFs sunset clause: models for future operations

Following the CIF evaluation's recommendation that the CIFs consider the CIF 'sunset clause',(see below) the November joint CTF-SCF committee meeting will discuss the document *Models for the future operations of the CIF*. Under the sunset clause the CIFs are due to end once a new climate finance architecture is effective under the United Nations Framework Convention on Climate Change (UNFCCC) through a mechanism, such as the Green Climate Fund (GCF).

In the June joint sub-committee meeting, committee members and pilot countries were asked to submit "their views and comments to guide the preparation of the paper." In general there was agreement that clear criteria were needed to determine when a new financial architecture is effective, and when financing already approved should be available for implementation. Brazil's submission stressed that new conditions should not be imposed on countries receiving CIF funds, that there should be increasing climate finance for developing countries and "the decision-making autonomy of different Funds should be acknowledged, and modalities for future operations should not prejudge decisions that are fully outside the governability of the CIF governing bodies." Civil society observer World Resources Institute covered many of the areas already mentioned by government submissions, and queried: "What set of safeguards will approved and under implementation projects use going forward?" and "Will there be another evaluation of the CIFs, including a summative evaluation? Who will conduct any future evaluation?"

The document proposes four non-mutually exclusive potential models for the future operations of the CIF. Furthermore, it clarifies that the models "have not been discussed with the GCF and do not, in any form, prejudge any discussion or decision by the GCF board on any of these models":

- Winding down of CIF operations;
- CIFs operating as a sub-fund or a funding mechanism of the GCF;
- Complete integration of the CIF into the GCF;
- CIFs continuing as they are or with modifications, as appropriate.

Climate Investment Funds (CIFs) explained

The World Bank-housed Climate Investment Funds (CIFs) are financing instruments designed to pilot low-carbon and climate-resilient development through the multilateral development banks (MDBs). They are comprised of two trust funds – the **Clean Technology Fund (CTF)** and the **Strategic Climate Fund (SCF)**. The SCF is an overarching fund aimed at piloting new development approaches. It consists of three targeted programmes: **Pilot Program for Climate Resilience (PPCR)**, **Forest Investment Program (FIP)** and **Scaling up Renewable Energy Program in Low Income Countries (SREP).**

The CIFs operate in 63 countries worldwide. As of end 2013 donors had pledged \$5.5 billion to the CTF and nearly \$2.5 billion to the SCF (\$1.3 billion for PPCR, \$639 million for FIP and \$551 million for SREP). As of end September a total of \$5.3 billion had been approved for funding of 167 programmes and projects from the endorsed investment plans. Projects are executed by multilateral development banks (MDBs): the African Development Bank (AfDB), the Asian Development Bank (ADB), the European Bank for Reconstruction and Development (EBRD), the Inter-American Development Bank (IDB), the World Bank's middle income arm, the International Bank for Reconstruction and Development (IBRD), and its private sector arm, the International Finance Corporation (IFC). Under the 'sunset clause' the CIFs are due to end once a new climate finance architecture is effective under the United Nations Framework Convention on Climate Change (UNFCCC) through a mechanism, such as the Green Climate Fund (GCF).

The document also discusses several approaches to determining when "the new financial architecture is effective", and thus the point at which CIF operations would sunset, including:

- Receipt of contributions for the purpose of meeting the objectives of GCF;
- Approval or allocation of resources by the GCF;
- Delivery of resources by the GCF.

The document proposes to "continue monitoring the progress of the GCF to make a decision as to when the trustee should stop receiving new contributions, at a future joint meeting, but no later than in two years", and for the CIF administrative unit to work with the trustee and MDBs to "prepare a paper to set forth further details of the necessary steps and the indicative timeline for implementing" the selected option(s) and for the proposed transitional strategy to be considered by a future joint committee in 2015 or 2016.

A strong recurrent theme in the document is the need to ensure that lessons are learned from the CIFs: "The knowledge, expertise, and experience of the CIF should be preserved, documented, and actively shared by the CIF administrative unit and MDBs with the GCF and other relevant entities." Moreover, the document notes: "Presently, all CIF resources have been allocated to the existing four programmes. However, there is a funding gap to meet the existing commitments made to date. In addition, over 82 countries have expressed interest in participating in the CIF. To meet this demand and fulfil all commitments made, the CIF will require an allocation of additional resources of around $1.7 billion to meet the demand in the near term."

1.2 CIF evaluation published

The final version of the CIF evaluation was published shortly before the CIF committee meetings in June, nearly two years after the launch of the process. The evaluation aimed to assess the development and organisational effectiveness of the CIFs and to document lessons learned for "the benefit of the Green Climate Fund" (see *CIFs Monitor* 9, 8, 7). The evaluation noted that "the CIFs have not yet clarified their interpretation of how and when to exercise the sunset clause, introducing uncertainty in their operations". Instead: "Amidst this uncertainty, SREP has moved forward with new pilot countries and some contributors have made known their intent to pledge funds, while PPCR, FIP, and CTF have held dialogue regarding expansion, but have elected not to expand to new countries at this time." The evaluation also raised governance issues, including "tension between trusting MDB systems and ensuring accountability at the CIF-level", with "no formal process for applying quality control, safeguards, or evaluation at the level of the country investment plan."

The evaluation found that the CIFs "have not devised a way to explicitly manage the trade-offs between climate and broader development benefits", highlighting the removal of development benefit indicators from the core national and programme performance indicators for CTF and SREP in an effort to "simplify" the results framework. Moreover, according to the evaluation "only 43 per cent of CTF projects reviewed identified an explicit poverty-related impact." While confirming that "the SCF consultation process has been more inclusive than that of the CTF", it raised concerns "about the quality and depth of stakeholder engagement and inclusiveness, particularly with regard to women and indigenous people." The evaluation also criticised the CIFs' alleged ability to "leverage" other funds, calling the term misleading. It asked the CIFs for a more "realistic understanding" of what additional funds it has actually mobilised as a consequence of its investment and asked the CIFs "to discontinue the use of the term".

The CIF draft management response to the evaluation agreed with some findings, but did "not feel that the evaluation adequately recognised some of the key characteristics of accomplishments of the CIF". On the trade-off between climate and development benefits it "disagree[d] that this is necessary", arguing that the CIFs are "built on the premise that climate change is a development issue", and that therefore "all CIF projects deliver development impact." It expressed particular concerns over the findings on FIP, arguing that "they are not well balanced and do not fully reflect the achievements and challenges of the FIP to date", including the evaluation conclusion that "FIP investment plans have not addressed the main drivers of deforestation". On the CIF's ability to leverage funds, the management disagreed with the findings and confirmed that it will continue to use the term, while ensuring that the "reporting is accurate and clear, and that no claims of causality of leverage are made." On stakeholder engagement, it noted "expectations should be set adequately in terms of how much can be expected … to ensure effective stakeholder engagement in decision making."

An action plan was agreed in the joint CTF and SCF committee meeting in June. Out of the 11 actions outlined some referred to activities already in progress, such as to "implement the gender action plan" and a paper on how to enhance national level stakeholder engagement. New actions included the preparation of a paper for the November meeting "exploring issues, options and possible models for the future operations of the CIF", including consideration of the CIF 'sunset clause'(see above), and to "retire requirements for independent technical reviews of CTF projects". In the meeting, the latter was opposed by Canada and the US, which instead proposed improvements.

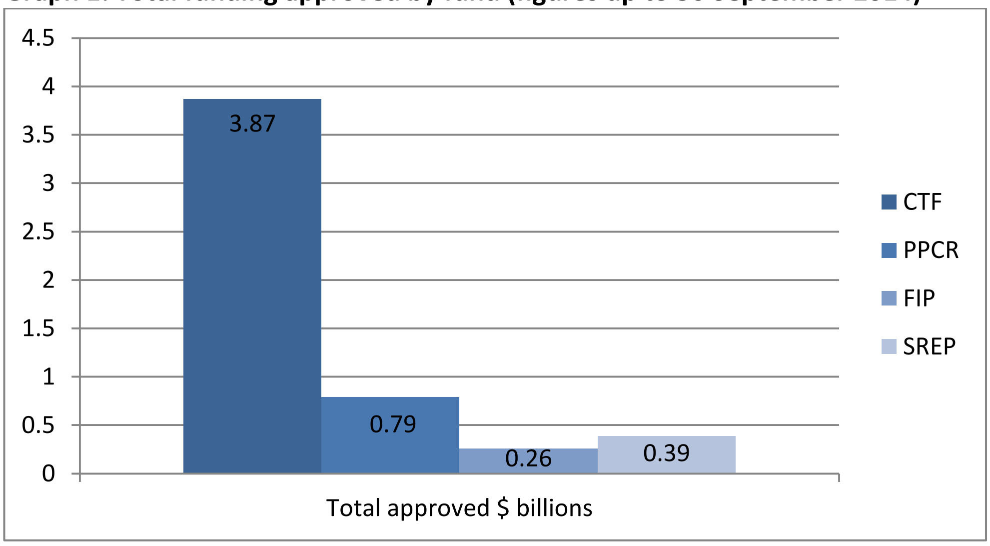
1.3 CIFs expanding

In the June CIFs meetings, 15 new countries were invited to join the CIFs. Out of these, 14 were invited to join SREP: Bangladesh, Benin, Cambodia, Ghana, Haiti, Kiribati, Lesotho, Madagascar, Malawi, Nicaragua, Rwanda, Sierra Leone, Uganda, and Zambia (see page 27). This more than doubles the number of pilot countries under SREP. One country, Libya, was invited to join the CTF Middle East and North Africa region's revised investment plan. However, according to the MDBs, joining the regional plan does not make Libya a pilot country (see page 11). An additional 42 countries have expressed interest to join FIP, of which 23 are participating in REDD+ readiness programmes supported by the Forest Carbon Partnership Facility (FCPF) and the UN-REDD Programme (see page 23). Proposals to expand PPCR will be discussed in the November sub-committee meeting, however, a projected funding shortfall has also been noted for projects in current pilot countries (see page 16).

1.4 Private sector set-asides review

The November meeting will consider a review of the private sector set-asides of the Strategic Climate Fund prepared by consultancy Vivid Economics. The review noted that projects worth $200 million of concessional financing have been endorsed since the private sector set-asides were created in 2012-2013. However, it noted that "many pilot countries, have been reluctant to allocate SCF resources to private sector projects" mainly because the "demand for public sector climate investments outweighs the available SCF resources." This has meant that by end September "less than five per cent of the funding approved by MDBs in each of the three programmes has been for private sector projects."

Graph 1: Total funding approved by fund (figures up to 30 September 2014)



Source: CTF, PPCR, FIP and SREP semi-annual operational reports.

According to the review, key challenges for taking forward the private sector set-asides include integrating the set asides into MDB processes due to "uncertainty over whether project concepts would be approved and the limited time available to develop the concepts has been a constraint on quantity, quality and innovation". The review also concluded that "geographic restrictions on the countries eligible to apply for set-aside resources have limited the number of high quality project concepts submitted and accepted."

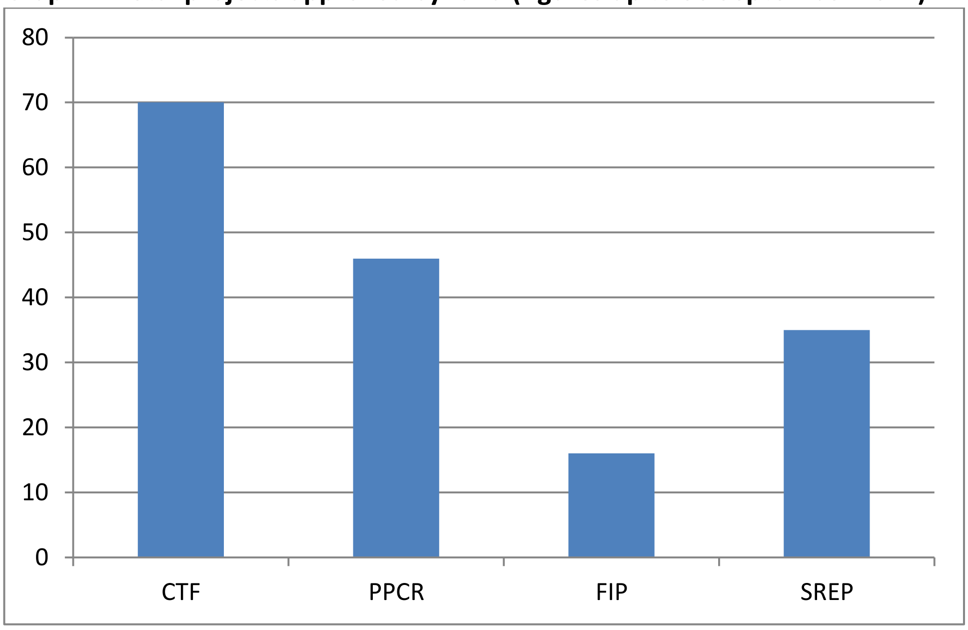
The review presented a number of strategic options for addressing the challenges, including: allowing a "broader range of organisations to submit project concepts"; removing the objective for competitive allocation; and promoting "a less direct form of competition through an open window with annual funding envelopes and quarterly or semi-annual calls for proposals." The review recommended providing "tiered grant funding for MDBs to develop proposals", placing "less emphasis on MDB co-finance in evaluating and selecting concepts" and allowing "expansion to other SCF and/or CIF countries on a programme-by-programme basis".

1.5 CIFs risk report

The June joint meeting of the CTF and SCF trust fund committees reviewed the document *Risk report on CTF and SCF trust funds*. The most common risks identified were on financial management portfolio, credit, market interest rate and foreign exchange, pledge, misuse of funds, impact, operational portfolio, pipeline management, and financing terms. These risks will be discussed again at the November CIFs meetings.

With regard to mitigating risk under the SCF, the meeting requested the CIF administrative unit, MDBs and the trustee to closely manage and monitor the PPCR pipeline, portfolio and contribution schedule. On the CTF the committees requested the CIF administrative unit, the MDBs and the trustee to closely manage the pipeline, portfolio and contribution schedule to manage the declining margin between projected CTF net income and loan losses. The trustee was asked to work with the MDBs to refine loss rates and private sector returns assumptions in the CTF cash flow model; and to manage the potential funding shortage for the CTF.

Graph 2. Total projects approved by fund (figures up to 30 September 2014)



Source: CTF, PPCR, FIP and SREP semi-annual operational reports.

Update on the Green Climate Fund (GCF)

At the October GCF meetings in Barbados decisions were taken on several issues, including policies on funding contributions, country ownership, eligibility to receive funds from the GCF (accreditation), trustee arrangements, readiness programme, terms and conditions for grants and concessional loans, and direct access. The board also decided that funding proposals will only be considered when they are accompanied by a formal letter from developing countries indicating that they have “no objection” to the investment.

A proposal by developed countries, including the US, UK, Japan and the Netherlands, for GCF board votes to be linked to contributions, rather than consensus decisions, was not approved. Developing countries strongly criticised the proposal, with China stating that the GCF is not a company or bank and therefore as a public good it “should not link the decision-making process with contributions”. South Africa said, “all countries must be valued equally and be treated equally whether they pay or not. We don’t want a headline in the media saying: GCF votes for sale”. The representative for Barbados criticised the proposal saying: “I cannot go home to my wife and say that I contribute the most and hence I have a certain share in decision-making. I will be thrown out. Similarly, it cannot be that as developed countries contribute more, they have more say in the process.” The GCF secretariat will look at other options for decision making in the absence of consensus.

In a significant decision, the board decided that the World Bank will continue in its controversial role as interim trustee (particularly due to its continuing investments in fossil fuels) until a permanent trustee is appointed. In practice this means the World Bank could remain interim trustee until early 2018. Decisions are still outstanding on the investment framework, gender policy and the role of the private sector facility.

In October civil society re-sent a letter to the GCF board, previously sent in May by nearly 300 groups, calling for fossil fuel projects to be excluded from GCF funding. The organisations noted “grave concern and alarm how other international financial institutions include these types of projects in their climate and energy financing, under the logic of ‘lower carbon’ energy and switching to ‘lower emissions’ fuels.” The letter stressed that financing any fossil fuels and harmful energy through the Green Climate Fund is “unacceptable” and is “fundamentally in conflict” with its mandate.

The next GCF board meeting is scheduled for the end of February 2015 in Songdo, South Korea.

2 Clean Technology Fund

2.1 Project acceleration and risk report

The June CTF trust fund committee meeting reviewed the CTF semi-annual operational report and noted the recent acceleration of project preparation and approvals: Fiscal year 2014 "has seen an accelerated development of CTF projects and programmes. The total amount of CTF funding approval during FY14 will reach close to $1.4 billion, exceeding the level of funding approval during any of the previous fiscal years." Libya was added as a new country in the Middle East and North Africa region revised investment plan (see below).

The October CTF semi-annual operational report indicates that a further $1 billion is expected to be approved in FY15. By September $3.8 billion in CTF funding had been approved for 70 projects and programmes (including four from the dedicated private sector programme). As of June 2014 a total of 2,255 MW of renewable energy had been installed under CTF projects. This comprises wind (38 per cent), geothermal (28 per cent), hydro (26 per cent) and solar (8 per cent).

The June meeting also discussed a risk report on CTF income levels, potential funding shortage and ways to increase investment income. It requested the trustees to work with the MDBs to share an updated cash flow model by August. The sub-committee also requested the CIF administrative unit and MDBs to outline a specific target for net income and projected loan losses for consideration at the November meetings. Germany requested the trustees to explore ways to increase investment income and to inform the sub-committee of possible options to that end at its next meeting.

2.2 Private sector programme

Two geothermal projects were approved in June worth $20 million in Mexico and $20 million in Chile as part of the first phase of the dedicated private sector programme. In October a further $25 million was approved for a project to develop geothermal energy in Turkey. Funding proposals for projects worth $10 million in Colombia and $65 million in Turkey are expected by October 2014.

Clean Technology Fund (CTF) explained

The objective of the CTF is to use minimum levels of concessional financing to catalyse investment opportunities that will reduce emissions in the long term. The CTF focuses on financing projects in middle-income and fast-growing developing countries.

The trust fund committee endorsed 13 investment plans in Phase I (2008-2010): Colombia, Egypt, Indonesia, Kazakhstan, Mexico, Morocco, South Africa, Thailand, Turkey, Ukraine, Vietnam, Philippines; and the Middle East and North Africa (MENA), covering Algeria, Egypt, Jordan, Morocco, Tunisia and Libya. A further three plans have been endorsed in Phase II (after 2010): Nigeria, India and Chile. Furthermore, expressions of interest to join CTF have been received from Costa Rica, Jordan, Pakistan, Peru and Uruguay.

As of September 2014, $5.5 billion had been pledged to the CTF, out of which $835 million had been disbursed for projects and programmes. A total of 16 investment plans had been approved for a total of $5.6 billion in proposed funding. $3.8 billion in CTF funding had been approved for 70 projects and programmes.

Donors: Australia, Canada, France, Germany, Japan, Spain, Sweden, UK, US

The June trust fund committee meeting reviewed progress in phase two of the dedicated private sector programme (see *CIF Monitor* 9). It approved several programme concepts, while also requesting that MDBs develop sub-programmes and projects under each programme within CTF countries:

- Scaling up of the two utility-scale renewable energy programmes ($120 million for utility-scale geothermal energy and $53.5 million for renewable energy mini grids and distributed power generation). Phase 1 and 2 countries include Chile, Colombia, India, Indonesia, Kenya, Mexico, Philippines and Turkey. All MDBs are interested in participating.
- The addition of two new sub-programmes under the utility scale renewable energy programme with a focus on private and early stage renewable energy power for an indicative amount of no more than $35 million and solar photovoltaic power for an indicative amount of no more than $95 million. These programmes could take place in: Burkina Faso, Ghana, Kenya, Mali, Niger, Nigeria, Chad, Senegal, Brazil and Mexico. To date the AfDB, IDB and IFC have expressed interest in participating.
- $35 million for the mezzanine finance for a climate change programme which could operate in India, Indonesia, Philippines, Thailand, Vietnam, Bangladesh, Cambodia, Lao PDR, Maldives, Mongolia, Nepal, Pacific Region and Tajikistan. To date the ADB has expressed interest in participating.
- The addition of one new programme, the energy efficiency and self-supply renewable energy programme, for an indicative amount of no more than $20 million. This could take place in Brazil, Bolivia, Chile, Peru, Mexico and Colombia. The IDB has expressed interest in participating.

The CIF administrative unit and the MDBs have prepared an outline of how the additional $330 million of UK-provided funding received in December 2013 will be used, which will be reviewed at the November trust fund committee meeting.

The climate finance equity investments programme presented to the trust fund committee in October 2013 was not endorsed (see *CIFs Monitor* 9). The trust fund committee requested “further information regarding how risks would be managed under an equity programme, and how different funding instruments (grants, capital and loans) would be considered”. A revised proposal was presented for a $30 million mezzanine co-investment facility for the ADB's climate public-private partnership fund. These funds would be used to "catalyse investments in climate change projects which otherwise would not be viable with traditional senior debt and equity financing".

2.3 Updates on investment plans

2.3.1 Nigeria revised investment plan

The June trust fund committee meeting endorsed revisions to Nigeria’s investment plan. Two projects have been removed: the bus rapid transit Lagos project ($50 million) and the bus-based mass transport support project ($50 million). $100 million in funds will be re-allocated to the utility-scale solar PV project supervised by the World Bank. Funding for the financial intermediation for clean energy/energy efficiency programme has been reduced from $50 million to $25 million. The remaining $25 million has been re-allocated to the utility-scale solar PV project supervised by the AfDB.

Prior to approval the UK asked for clarification on financing, costs and tonnes of carbon dioxide reduction calculations. It also asked whether “these projects address the regulatory bias towards fossil fuels in any way?” and whether “there is any reason why components of the solar plants could not be manufactured in Nigeria? This would create jobs and improve the developmental impact.” The IBRD responded: “The proposed World Bank and AfDB projects will not address the regulatory bias towards fossil fuels” and the “projects will be led by the private sector and procurement of equipment will be done based on the internationally accepted commercial principles of highest economy and efficiency.”

2.3.2 Middle East and North Africa Region (MENA) revised investment plan

The June trust fund committee meeting endorsed revisions to the investment plan for the MENA region, covering Algeria, Egypt, Jordan, Libya, Morocco and Tunisia. The indicative allocation of CTF funding will increase from $660 million to $750 million. Libya has been added to the investment plan.

The revised investment plan explains that Libya is "highly dependent on the hydrocarbon sector, which represents four-fifths of GDP, with gas used for the majority of its electricity generating installations. As part of its policy to meet a mix of 10 per cent renewables by 2020, Libya has expressed its interest in participating in the CTF MENA CSP programme … an indicative envelope of US$20million has been added to the investment plan …. The next steps will be the preparation of technical and environmental/social feasibility studies and preparation of adequate legal and institutional framework."

Several donors, including the US and Canada, queried whether Libya had been included as a new pilot country, and raised concerns about political stability. The MDBs replied that Libya was added to the plan since it expressed interest, and as it belongs to the MENA region it should be covered by a regional investment plan. The MDBs said this is not the same as adding Libya as a new pilot country.

2.4 Selected project updates

2.4.1 Vietnam: CTF funding rejected

The $950,000 project, *Core environment program and biodiversity conservation corridors initiative in the greater Mekong sub-region*, was not approved. The project aimed to support the implementation and development of climate-resilient and low-carbon strategies by assisting the government of Vietnam to build its capacity to implement mitigation response measures and support increased regional exchange on mitigation actions. The concept was submitted in May with expected approval in June. According to the CTF schedule of project approvals the "project concept is being reviewed and prepared for resubmission."

The UK raised concerns on the project: "Given that a number of the CTF investment criteria in the proposal are provided as 'not applicable' (particularly cost-effectiveness) can the ADB please explain further on the rationale behind the decision to use CTF funds to contribute to this existing technical assistance (TA) programme?" Furthermore, the US added: "We would like to see a robust response from ADB as to why CTF is the best vehicle for the activities".

The ADB responded: "We would like to clarify that the CTF funds are not contributing to an existing TA programme. Rather, in the interest of efficient implementation and reducing transaction costs, the TA for monitoring and evaluation endorsed in the CIF update of 2013 is being clubbed together with an existing TA programme." However, the UK and US remained concerned: "we are unable to approve this project as it does not appear to relate directly to the priority sectors (energy efficiency and urban transport) and objectives contained in Vietnam's Investment Plan, nor does it meet the CTF investment criteria."

2.4.2 Middle East and North Africa Region: CTF funding questioned

Project name	Amount and date approved	MDB services	Key project documents
Noor II and III concentrated solar power project in Morocco	$238 million ($119 AfDB; $119 IBRD) 27 June 2014	AfDB / IBRD	Decision Project document

Project details

The Noor II & III concentrated solar power project will contribute to the Moroccan solar energy agency plan to develop 2,000 MW of solar power by 2020.

Key donor questions and concerns prior to approval
Canada: "Morocco appears to be currently subsidising fossil fuels. We note that there is a complementary technical assistance component to the investment package; it could be beneficial to explore if TA could include a policy dialogue component on complementary (to feed in tariff) carbon pricing mechanisms, worldwide experiences etc."

The US said it objected "to the decision to allocate funding but does not wish to block such a decision. We are unable to support this project due to longstanding concerns about the inclusion of local content requirements in the project procurement."

AfDB and IBRD responded that the government "announced in May 2014 a revision to its fossil fuel policy that phases out subsidies to fuel oil that is currently the only subsidised fuel used in the power sector". They clarified that some content would be locally sourced and constructed but currently "there are no specific estimates for possible local expenditures on good, materials, or labour." Furthermore, the case of Noor I "would suggest that the local content clause had no impact on the pricing of the plant, since it was 30 per cent lower than the cost estimate."

Project name	Amount and date approved	MDB services	Key project documents
MENA CSP technical assistance program	$9.5 million (grant) ($2.9 million AfDB; $6.6 million IBRD) 21 October 2014	($238,000 IBRD; $238,000 AfDB)	Decision Project document

Project details
"The proposed MENA technical assistance (TA) programme is part of the revised CTF MENA investment plan, which was endorsed by the trust fund committee in May 2013. The programme supports large-scale deployment of technology by enhancing the developmental and economic impacts through increased local manufacturing and service provision, and informed policies and programmes in participating countries".

Key donor questions and concerns prior to approval
The US: "The objective to the CTF is to focus on deployment of low-emission technology. While such deployment could and should spur local investment in the sector to support the technology, CTF does not have an explicit objective of supporting local manufacturing capacity, particularly when such support is separated from project investments." The US also commented: "The Global Environment Facility has funded hybrid concentrated solar power/gas plants in Morocco and we believe that it may have also supported similar plants elsewhere in the region. There is no clear justification for why further hybrid plants are needed at a scale that justifies CTF support rather than other funding sources."

IBRD responded: "The revised TA proposal does not encourage the use of local content requirements in any country, which would be contrary to World Bank procurement rules". On the hybrid concentrated solar power/gas plant the IBRD said: "retrofitting existing power plants with a solar field can be a highly cost effective way of building CSP power plants, as it could mean that no new power block is needed. This would then in turn reduce the incremental costs that the countries would have to bear themselves."

Project name	Amount and date approved	MDB services	Key project documents
Private sector set-aside: *SEMed private renewable energy framework*	$35 million 5 November 2014 (TBC)	EBRD $850,000	Decision Project document

Project details
"This proposal is a sub programme under the endorsed dedicated private sector programme: utility scale renewable energy programme with a focus on private and early stage renewable energy power." The goal is to "break down barriers preventing the development of the private renewable energy markets in south east Mediterranean and the exploitation of the region's outstanding renewable resources."

Key donor questions and concerns prior to approval
The UK approved the project but noted, "it would be helpful for us in endorsing future proposals if activities that will help reduce poverty could be made more apparent".

Canada queried the financing instruments to be used and asked for the project to be funded via grants "until such time that the risk sharing amendment is finalised, given this project proposal requests CTF financing in the form of one of the financial products CTF contributors have defined to be a 'higher risk' financial product."

Germany: "We would like to seek confirmation that if and when EBRD would like to apply equity or quasi equity instruments that such financing would be as per the new risk sharing mechanism coming from grant funds."

The EBRD responded: "This is not for us to decide, but we can prior to each investment being made revert to the trustee for such a decision, with a suggestion from us based on the criteria to be developed."

2.4.3 Egypt: questions on poverty impacts

Project name	Amount and date approved	MDB services	Key project documents
Egypt wind power development – restructuring paper	Reallocation of $10 million 11 June 2014	IBRD	Decision Project document

Project details
The objective of the project is "to develop infrastructure and business models for scaling-up wind power in Egypt" and to "connect the future wind parks at the Gulf of Suez and Gabel El-Zait to the national network." The outcomes expected include "implementation of the first private sector investments in wind power generation" and "reducing greenhouse gas emissions through facilitating the development of clean energy resources (wind power) which result in displacing thermal (fossil fuel-based) generation."

Key donor questions and concerns prior to approval
The UK asked why the development impact section did not mention poverty and "how the project/savings from the original project will benefit the poorest". It also asked for more information on gender: "the reference to 49 per cent of recipients being women is not the strongest case for an approach of targeted measures that would specifically focus on gender benefits for women and girls."

IBRD responded: "For existing consumers, the connection of additional power generation could mean increasing their consumption for better quality of life, expanding business activity (e.g. SMEs), modernising industry, improving school buildings, or installing healthcare equipment", and "for rural consumers, such source of electricity supply could alleviate poverty by increasing electrification of villages, illuminating roads to support economic and social activities, the development of education and health care and meeting the basic needs for low-income families." On gender, "the percentage of female beneficiaries is used as an indicator but not targeted".

2.4.4 Turkey: funding approved for private sector geothermal

Project name	Amount and date approved	MDB services	Key project documents
Geothermal development lending facility	$25 million 5 November 2014 (TBC)	EBRD	Proposed decision Project document

Project details
"The project will provide loans to private sector investors aimed at bridging the funding gap existing at early stage of development of Geothermal Power Plants (GPPs). The facility will also provide technical assistance to promote best practices in the development of geothermal resources for power and heat generation, particularly at early stage. This will include supporting developers during their exploration and production drilling campaigns to minimise technical and financial risks."

Key donor questions and concerns prior to approval
The UK: "We are concerned that the special dividend proposed on the CTF loan could act as a disincentive on project developers to seek out commercial loan resources from other lenders" and "if you expect a continuing role for public finance to address the high risks associated with drilling, then please be clear about this".

Germany asked about the interest rate and length of senior loans, noting that "the interest rate should reflect the high risk of the investment".

Canada: "due to the high risk level associated with this proposed investment, we do not see it as being consistent with the CTF matched funding principle. Accordingly, we cannot support the proposed project in its current form, unless it is sourced from grant and/or capital contributions."

EBRD responded that loans would be up for to 10 years and in response to UK questions said: "The special dividend will be charged in order to reimburse CTF for the risk taken if CTF does not participate further" and "the operation has to be seen in the context of the overall dedicated private sector programme, where substantially larger funds will be made available by IBRD in a separate transaction".

2.4.5 India: gender and energy efficiency

Project name	Amount and date approved	MDB services	Key project documents
Partial risk sharing facility for energy efficiency	$25 million 17 July 2014	IBRD	Decision Project document

Project details
"The project development objective is to assist India in achieving energy savings by: (a) mobilising commercial financing using risk sharing mechanisms; and (b) catalysing an energy efficiency project." This is sought to be accomplished by, "(1) leveraging project funds to encourage private sector investment in energy efficiency projects and (2) providing complementary technical assistance and capacity building to stakeholders in India's energy efficiency market."

Key donor questions and concerns prior to approval
The UK suggested that the number of gender disaggregated jobs be included in the results framework.

The IBRD responded: **"**we will not be able to collect the requested information on an annual basis as part of the results framework but we will include this in the operational manual for the project for reporting on these in annual business and implementation plan. The numbers will be collected as they become available and will be included in the implementation completion report of the project."

2.4.6 Ukraine: CTF rationale questioned

Project name	Amount and date approved	MDB services	Key project documents
Residential energy efficient financing facility	$24 million 24 September 2014	EBRD $108,000	Decision Project document

Project details
"Funds made available to participating financial institutions in Ukraine for on-lending to eligible private sector sub-borrowers for sustainable energy investments in the residential sector. The project aims to demonstrate the benefits of rational energy utilisation in the light of the rising energy costs and unreliability of the energy supply in Ukraine."

Project name	Amount and date approved	MDB services	Key project documents
Second transmission power project	$48.4 million 4 November 2014	IBRD	Decision Project document

Project details
"Improve the reliability of the power transmission system and support implementation of the wholesale electricity market in Ukraine, as well as strengthen system capacity for integrating renewable energy power into the grid. The proposed project will support rehabilitation of transmission substations, installation of reactive power compensation devices, and deployment of new smart grid technologies."

Key donor questions and concerns prior to approval
The UK asked: "Why would this entire project not happen without CTF funds?"

IBRD responded: "The use of CTF funding will be crucial for introducing smart grid technologies in Ukraine, which would not have happened in the absence of CTF support".

3 Pilot Program for Climate Resilience

3.1 Funding options and constraints

The June sub-committee meeting discussed options for the use of potential new funds for the PPCR. It was agreed to further develop option three, to "demonstrat[e] and further incentivis[e] innovative private sector investments in climate resilience and adaptation by expanding activities to all CIF countries". However, the sub-committee noted that "this decision should not prejudice a decision on the CIF sunset clause" (see page 4). It was therefore agreed that options one and two, on selecting new pilot countries and on expansion to multi-country or regional programmes, may be discussed in the November meetings, following the CTF and SCF joint committee meeting on the sunset clause.

An October paper explored option three in further detail. Based on lessons learned from phase one and two of the private sector set-aside, the paper concluded that while "new approaches are required to support additional private sector investments in adaptation under the PPCR … there are promising examples available … in non-PPCR countries which might stimulate interest and replication opportunities in the PPCR." It described the purpose of the expanded facility as "to explore market opportunities for the private sector to engage in climate resilience and adaptation activities by including a wider range of countries", and thereby also "enhance the competitive scope of the set-aside".

The paper clarified that the facility "would continue to function as a competitive allocation of available PPCR resources and concepts continue to be reviewed based on assessment criteria agreed by the PPCR Sub-Committee." It outlined a proposed process, including funding drawing on an annual envelope for the expanded facility. The paper gave two alternatives for expansion, either to "eligible low and lower middle income CIF countries" or to "all SCF countries and low and lower middle income CTF countries", to be decided in the November sub-committee meeting.

Pilot Program for Climate Resilience (PPCR) explained

The PPCR aspires to demonstrate how climate risk and resilience can be integrated into core development planning and implementation. PPCR funding is disbursed in two phases, to support two types of investment: first, technical assistance to allow developing countries to integrate climate resilience into national and sectoral development plans, resulting in a Strategic Program for Climate Resilience (SPCR); and second, funding for the implementation of this programme.

In 2009, nine countries (Bangladesh, Bolivia, Cambodia, Mozambique, Nepal, Niger, Tajikistan, Yemen and Zambia) and two regional groupings (six Caribbean island countries and three Pacific island countries) were invited to participate in the PPCR. All SPCRs of the original pilot countries have been endorsed. In addition, Papua New Guinea's SPCR was approved in 2012 and Haiti's in 2013.

As of end 2013, $1.3 billion had been pledged to the PPCR. Cumulative funding disbursements totalled $46.8 million. As of end September, 46 projects and programmes had been approved for a total of $791 million.

Donors: Australia, Canada, Denmark, Germany, Japan, Norway, Spain, UK, US

Options one and two were also explored in an October paper, with a proposal to combine them, where "the MDBs work with relevant country governments to express interest in a PPCR regional programme for new PPCR countries to benefit from the experiences current PPCR pilot countries have made". It recommended that the November meeting decides that eligible countries be invited to apply to become a PPCR pilot country. The paper listed 121 eligible countries, and proposed that the eligibility criteria remain largely the same as those used in the original selection of pilots, with some amendments.

Meanwhile, the October semi-annual PPCR report projected a shortfall of $21 million for projects scheduled for approval between April and May 2015, adding that "projects submitted from August 2015 will not be able to receive PPCR funding approval." The report warned that "the uncertainty about when PPCR resources become available could potentially result in delays in the design and implementation of PPCR projects and programmes and jeopardise the programmatic approach which is the core part of the PPCR." Additionally it noted that "in the case of the private sector, given the reputational risks associated with lack of funding certainty, projects anticipated for sub-committee submission after March 2015 might not be pursued any further."

3.2 Learning lessons from the PPCR

A review of the effectiveness of phase one financing for the Strategic Program for Climate Resilience (SPCR) was submitted but not discussed at the June sub-committee meeting. The review found that "a preparatory phase can greatly assist in setting the stage for implementation of large-scale and diverse investments through a well-planned programmatic approach." In terms of challenges for operational efficiency, it noted that "lack of familiarity with MDB safeguards and procurement processes, the need to meet multiple MDB and national requirements, and limited administrative capacity were probably one of the greatest challenges for phase one implementation." On positive aspects of phase one, the review added that "many countries cited the availability of experts and good teamwork between experts, stakeholders, MDBs and government agencies as a key strength of phase one. This created a cohesive programme, enabled challenges to be overcome, and expedited the preparation of SPCR."

On developing readiness to implement a programmatic approach to resilience it was noted that countries needed different levels of support: "The limited readiness, not only technical but also administrative, of many countries meant that a substantial investment of time was needed to hire consultants, carry out studies, establish institutions, build stakeholder consensus, and create enabling conditions for private sector investments. For the regional programmes, which had to coordinate across a number of governments, this was especially true." Furthermore: "Countries' readiness also correlated with the level of country ownership of the Phase 1 process and, in some cases, the extent to which the SPCR aligned with national priorities." Shortcomings identified by the review included "the need for more extensive and accessible data and analysis, particularly for diagnostic purposes, the need for greater attention to M&E [monitoring and evaluation] from the outset of the process, and the need to further increase stakeholder capacity, most particularly in civil society and the private sector. Continued investments in these areas will be essential for a successful implementation phase."

A case study identifying key lessons from Samoa, conducted by the CIF administrative unit, was also submitted. On country ownership it concluded "that for successfully absorbing large-scale climate finance an enabling environment needs to be put into place by the government" and that "strong and sustained leadership" by the government is essential. On the programmatic approach it noted: "Mainstreaming climate finance into core development planning requires the leadership of a ministry with a cross-sectoral mandate" and that "conduct[ing] a thorough review of policies and plans combined with consultations during Phase 1, proved critical in identifying priorities of investments for the PPCR." On building partnerships, lessons included that "by having the Ministry of Finance coordinate the PPCR, it was possible to collect, organise and discuss the priority needs of each stakeholder group in the country" and that "communicating solutions to key stakeholders can shift the dynamics of collaboration and strengthen long-term outcomes".

3.3 Private sector projects

A report by the private sector set-aside expert group on the second round of the selection process (see *CIFs Monitor* 9, 8) was discussed in the June sub-committee meeting, including challenges and lessons learned from the first round. The report found that the proposals for the second round were "definitely better presented" than in the first round, however, they "seemed to have weak links into the national SPCRs [Strategic Program for Climate Resilience]." It recommended that the CIF administrative unit scans concepts for minimum requirements before accepting them as submissions. It also noted the low amount of submissions, which only included three countries, adding that this needs to be examined, and included recommendations for making the set-aside more appealing to the private sector.

Furthermore, according to the report: "Most of the proposals at this point are lacking replication or scale-up strategies, and pay little explicit attention to needed changes in markets and enabling environments." It also concluded that most (if not all) proposals would require "serious and effective technical assistance and training" and recommended that grant funding for this should be a component of the funding. Finally, it found that few of the recommendations from round one had been taken up, including on sustainability plans.

Out of eight proposals submitted for the second round, four project concepts were endorsed for further development:

- Bolivia: *Financial risk management for climate resilience in the agriculture sector,* and *Microfinance and climate resilience for smallholder farmers* (IDB)
- Cambodia: *Integrated climate-resilient rice value chain community project,* and *Rainwater harvesting and drip irrigation for high-value crop production* (ADB)

The MDBs were asked to revise and resubmit the concepts, taking into account comments from the expert group and sub-committee members, for approval by mail in September.

3.4 Selected project updates

3.4.1 Mozambique: adaptation benefits questioned

Project name	Date approved	MDB services	Key project documents
Private sector set-aside: *Lurio sustainable forestry project*	10 July 2014	AfDB $200,000 (first tranche of $400,000)	Decision Revised concept note

Project details

"The project consists in the plantation and maintenance, during a first phase (2014-2018), of a sustainable 24.000 ha forest plantation in an area 126.000 ha through a land lease agreement entered between the government of Mozambique (GoM) and the sponsor in the Nampula region. Further to the plantation, the project will encompass the design, construction and operation of: (i) a wood chip mill, and (ii) a medium density fiberboard (MDF) Mill."

Key donor questions and concerns prior to approval

The US (seconded by the UK): "We understand that monoculture plantations and processing plants are often financed on a purely commercial basis; what are the unusual adaptation benefits of this project that justify PPCR funds? … Is there any land being planted that is not degraded or agricultural land? … With respect to the wood chip mill and the MDF mill, where will raw materials come from until the plantation can supply raw material? Will these mills possibly draw from natural forests?"

AfDB responded: "AfDB disagrees with the comment that often these types of projects are financed on a purely commercial basis … It is important to note that plantations require a significant amount of time … to mature and provide the required yields in wood that lead to the generation of sufficient cash flows to cover debt repayment, operational costs and equity distributions." On land the AfDB stated that: "Given the total estimated planted area (44.000 ha), AfDB is in no conditions of ensuring that trees will be planted entirely in abandoned agricultural and/or degraded land", but outlined reason for why they believe this to be the case, including that "any concession given to the development of forests needs to be preceded by public consultations in and around the selected areas". It also confirmed: "None of the mills will draw raw materials from natural forests."

The US responded that they would not object to the project's approval, but reiterated concerns that "the adaptation benefits of the project do not appear central to the project" and also raised concerns "that monoculture plantations provide a model that should be significantly scaled up to confer adaptation benefits in Mozambique." It also sought "clarification on how this project fulfills PPCR requirements for the use of concessional funds by the private sector". Finally, the US noted that: "we would like to see a detailed discussion of the application of environmental and social safeguards, including with respect to safeguarding any native forest areas within the concession area and enforcing other actions required to mitigate possible negative environmental impacts. We would also appreciate clarification of whether any resettlement will be required, and further information on community consultations regarding the use of land for plantations."

The UK also reiterated "some major concerns about the underlying rationale for use of PPCR funds for this concept as there is not sufficient evidence that the main component of the project (the forestry plantation) will itself confer climate resilience or adaptation benefits." It also agreed to approve the proposal, subject to the concerns being satisfactorily addressed.

3.4.2 Cambodia: questions on safeguards

Project name	Amount and date approved	MDB services	Key project documents
Promoting climate-resilient agriculture in Koh Kong and Mondulkiri provinces	$7.4 million (grant) 19 September 2014	$390,000 (final tranche) ADB	Decision Project document

Project details

This project forms part of the Greater Mekong subregion biodiversity conservation corridors project. It aims to strengthen adaptive capacity and reduce climate vulnerability of ecosystems and communities in the Koh Kong and Mondulkri provinces through interventions, such as rainwater harvesting and irrigation, and bioengineered sea barriers to avoid salt water intrusion.

Key donor questions and concerns prior to approval

The UK: "It will be important to ensure that … ADB's safeguard procedures are employed to ensure the most appropriate design and to mitigate the risk of potential negative impacts arising from sea defences."

Germany: "we recommend outlining if and how the proposed project is aligned to the Cambodia climate change strategic plan … and to one or more of the sectoral climate change strategic plans."
The ADB confirmed that "technical, social and environmental due diligence requirements were applied at the prefeasibility stage to determine technical and economic feasibility, and potential social and environmental impacts" and that the project "will contribute to two of the three goals" of the plan.

Project name	Amount and date approved	MDB services	Key project documents
Flood-resilient infrastructure development in Pursat and Kampong Chhnang towns	$10 million ($5 million grant, $5 million loan) 22 October 2014	ADB	Decision Cover note

Project details

This project is part of the integrated urban environmental management in the Tonle Sap Basin project. It aims to "improve urban services and enhance climate change resilience in Kampong Chhnang and Pursat municipalities through urban area environmental improvements; community mobilisation and environmental improvements; strengthened sector coordination and operations; and strengthened capacity for project implementation, and operations and maintenance."

Key donor questions and concerns prior to approval

The US approved the project, but "with the understanding that the limited resettlement activities in the context of this project will be implemented according to the Asian Development Bank's safeguards policy statement … There should be no deviation from this policy."

3.4.3 Niger: call for gender mainstreaming

Project name	Amount and date approved	MDB services	Key project documents
Niger irrigation program	$1.5 million (grant) 6 June 2014	IFC	Decision Project document

Project details

The programme responds to the advisory services/technical assistance component of *The sustainable management and control of water resources* project, and will test and implement recommendations from a 2012 market study on opportunities for private sector investment in improved irrigation systems and climate resilient seeds in Niger.

Key donor questions and concerns prior to approval

The US questioned how identified market barriers of costs and access to finance would be overcome by the project. It urged that "gender issues be mainstreamed into the programme as it is developed" and questioned "how the target of 20 per cent for women's participation was selected. What percentage of farmers in these areas do women make up?"

The IFC pointed out that this is an advisory programme and that the research showed that the technologies are "viable business opportunities for Nigerian farmers". Farmers are expected to pay back capital investments in three years and "suppliers will be able to assess the risks and be able to take investment decisions as to whether they should expand their operations in Niger." On gender it referred to a 2004 study concluding that men headed 85 per cent of farming households.

3.4.4 Jamaica: questions on mainstreaming

Project name	Amount and date approved	MDB services	Key project documents
Adaptation program and financing mechanism for the PPCR	$17.9 million ($10 million loan, $7.9 million grant) 29 September 2014	$200,000 (final tranche) IDB	Decision Project document

Project details
"The general objective of the project is to generate information on approaches to address climate challenges, help mainstream climate change into development planning and processes and disseminate results across sectors."

Key donor questions and concerns prior to approval
The UK: "We would be keen to know more about what the team thinks 'mainstreaming' will actually look like – what will the result be? Having climate change integrated into plans should not be a measure of success - we need to know whether the decision making process has actually changed."

The US: "How will stakeholder engagement be sustained throughout the pilot program? … How will the project operationalise the gender considerations listed"?

The IDB responded: "On the issue of mainstreaming, the team has been careful not to over-reach on this issue because of the limited nature of this pilot programme … there is the issue of how much or how far mainstreaming can be achieved". On stakeholder engagement it noted that a project steering committee (PSC) will be set up and "As long as the PSC is functioning properly, it is expected that stakeholder engagement will be sustained during the operation." On gender: "as measures are implemented, the team has to ensure that some portion of the intervention involves women or vulnerable groups in order to achieve the target".

4 Forest Investment Program

4.1 Controversy in Indonesia, World Bank responds to civil society

Indonesia and international civil society groups have repeatedly protested about the FIP in Indonesia with complaints focused on the lack of consultation, particularly the lack of fulfilment of free, prior and informed consultation with indigenous peoples, fears of militarisation of forest projects leading to human rights abuses, and concern about a planned industrial logging project (see *CIFs Monitor* 9).

In September the World Bank published a detailed response to a June letter sent by 50 Indonesian groups and international organisations. The Bank responded that “all consultations are in line with the FIP design document” and that “financing will only be provided where free, prior, and informed consultation results in broad community support to the project by the affected indigenous people” while noting “there is no universal definition of consent”.

In its response to the same June civil society letter the IFC said: “where indigenous peoples are among affected communities, IFC performance standard on indigenous peoples will apply, which is consistent with the FIP consultation guidelines”. It also noted that it had not yet selected any companies for FIP projects and when it did this would “include consultation with affected communities, including indigenous peoples in prospective project locations.”

On a potential 700,000 hectares industrial logging project in natural forests, which civil society criticised as a “violation of FIP safeguards which forbid FIP support for industrial logging”, the IFC said, “there is no IFC proposal to support industrial harvesting of natural forest”, adding that “sustainable forest management is a recognised element of REDD+ and does not violate FIP requirements.” It said: “to date, IFC has not invested in natural forestry in East Asia” and that “IFC’s focus has been to promote planted forests on degraded lands.”

On whether there would be any military involvement in FIP project areas (for example to resolve land use conflicts or disputes with communities), the World Bank said it would not fund or support any military involvement, while the IFC said it “performs a rigorous due diligence analysis of prospective enterprises for both investment and advisory services.”

Forest Investment Program (FIP) explained

The FIP is a financing instrument aimed at assisting countries to reach their goals under reducing emissions from deforestation and degradation (REDD+). It aspires to provide scaled up financing to developing countries to initiate reforms identified in national REDD+ strategies, which detail the policies, activities and other strategic options for achieving REDD+ objectives. It anticipates additional benefits in areas such as biodiversity conservation and protection of the rights of indigenous people.

The FIP covers eight pilot countries with investment plans endorsed for Brazil, Democratic Republic of Congo (DRC), Laos, Mexico, Burkina Faso, Ghana, Indonesia and Peru.

As of September 2014, $639 million had been pledged to FIP, and $8.5 million have been disbursed. Cumulative funding decisions by the FIP sub-committee total $197 million. Funding for a total of 16 projects and programmes had been approved, totalling $267 million.

Donors: Australia, Denmark, Japan, Norway, Spain, Sweden, UK, US

With regards to civil society groups concern about the World Bank and IFC commitment to doing no harm, within the context of FIP, the World Bank replied that its "safeguards are set up for this purpose; to prevent communities from being harmed by investments provided from World Bank projects", while the IFC said its performance standards "will be followed to ensure environmental and social sustainability in IFC projects."

According to the FIP schedule of project approvals the IFC-supervised *Strengthening forest enterprises to mitigate carbon emissions* project worth $34.7 million, that was due to be approved in July, has been delayed until December: "given significant concerns raised by some stakeholders about the support of FIP for private enterprises in the context of Indonesia, IFC is taking additional steps to develop a consultation plan with relevant stakeholders as it identifies project concepts to be pursued with the support of FIP."

4.2 Slow disbursement of funds

The June sub-committee meeting noted "its concerns about slow disbursements" of funds and urged the MDBs, recipient countries and the CIF administrative unit to "explore additional ways to expedite project implementation." The June FIP semi-annual operational report, covering September 2013 to March 2014, presented at the meeting, revealed that by December 2013 "about two per cent of FIP resources has been disbursed, indicating that to meet current disbursement targets, the FIP would have to disburse 98 per cent of its funds in the next six years."

According to the October FIP semi-annual operational report, covering April to September, by end September FIP funding for a total of 16 projects and programmes has been approved by the FIP sub-committee, totalling $267 million ($191 million in grants and $75 million in near-zero interest credits). These resources are expected to leverage a total of $843 million in co-financing. The report noted that, "Currently, there are 12 projects which have been in the FIP pipeline for more than 18 months. In addition, for five projects, MDBs did not provide an estimated date FIP funding approval would be requested. Reasons for the delays include finalising project implementation arrangements at both national and provincial levels, uncertainties and delays in counterpart staff and budget allocations, prolonged stakeholder consultations, changes in FIP focal points, national elections and delays in consultant recruitment."

The sub-committee meeting requested the CIF administrative unit to assess private sector set-asides at the next sub-committee meeting in November. Out of the 24 projects planned under FIP five are private set-aside projects. The June FIP semi-annual operational report revealed that as of March the only project to receive funding was the $15 million *Brazil: commercial reforestation of modified lands in the Cerrado* (IFC) for $15 million (see *CIFs Monitor* 9).

4.3 Use of potential new funds

It was decided in the June meeting that further discussions on options for the use of potential new funds take place at the November meetings, but that it "should not prejudice a decision on the CIF sunset clause and recognising that the sub-committee will consider an assessment of the FIP set-aside at its next meeting". An October report presented three options for the use of potential new funds based on a figure of $100 million. The first option is to increase the number of FIP countries. To date 42 countries have expressed interest, of which twenty three are participating in REDD+ readiness programmes supported by the Forest Carbon Partnership Facility and the UN-REDD Programme. Eligible countries must receive overseas development assistance (ODA) and have an active MDB country programme. Under this option, selected countries would have to submit their expressions of interest by February 2015 and the FIP sub-committee would take a decision in June 2015.The criteria for the inclusion of new countries are: 1) potential to contribute to mitigation of climate change through REDD+; 2) country readiness; 3) potential for private sector engagement, and 4) potential implementation capacity. The second option is to finance dedicated set-aside funds to address emerging issues related to REDD+ and/or innovative private sector investments. Funding could be provided to either private sector clients working through MDB private sector arms or public sector entities working through the MDB public or private sector arms. The third option is to increase funding to existing FIP countries.

4.4 Results monitoring and reporting

In March the CIF administrative unit finalised a first draft of a *FIP monitoring and reporting tool kit*. The CIF administrative unit held a workshop in May, with representatives from Brazil, DRC, Ghana, Indonesia, Mexico and Peru, to discuss the draft toolkit and common reporting format. It was decided to modify the toolkit to reflect the various country circumstances, including technical and human resources capacities for monitoring and reporting. The new version will be shared in November with the FIP pilot country representatives for a final no-objection approval. As a first step the FIP pilot countries agreed to develop a work plan for FIP monitoring and reporting which will capture next steps, deadlines, roles and responsibilities and needs for technical and financial assistance. Countries reported on the reporting themes relevant to their FIP investment plans in August. The CIF administrative unit is developing a synthesis report to be reviewed and discussed during the November sub-committee meeting. The first results report will be shared with the FIP sub-committee in June 2015.

4.5 FIP and REDD+

The June FIP semi-annual operational report noted that the FIP is "often referred to as the link between REDD+ readiness and performance-based payments. However, even though FIP's objectives overlap with the three phases of REDD+, practical experience shows that providing investments sequentially as suggested by the phased approach to REDD+ does not match the reality in countries. FIP investments are supportive of REDD+ but should be justified on their own merits as a contribution to scaling up actions addressing the drivers of deforestation and forest degradation, manage forests sustainably and enhance forest carbon stocks. The sustainability of FIP results can be but should not necessarily depend on performance-based payments."

The report concluded that "linking FIP investments to performance-based payment mechanisms raises several key concerns and questions: (a) to what extent the sustainability of FIP results should depend on future carbon payments that may or may not materialise; (b) the challenge of ascribing GHG emission reductions achieved with FIP finance to be included in payments for performance through other REDD+ programmes – the issue of 'double funding'; and (c) contributor concerns around financing the same results in the FIP that would be reported in a performance-based mechanism as their results – the issue of double results reporting." The November FIP meeting will review reports on the linkages between the FIP and REDD+ performance-based mechanisms.

A presentation at the June CIF meetings by the consultancy firm Climate Focus stressed the importance of funding for the bridge between "REDD+ readiness and results-based payments." This funding is needed to "provide a pull mechanism for REDD+ countries by incentivising them to progress under their grants from REDD+ readiness funds" and to "provide a push mechanism, by developing relevant capacity and experience for countries aiming to progress to receive results-based payments."

4.6 Dedicated grant mechanism for indigenous peoples and local communities

The aim of the dedicated grant mechanism for indigenous peoples and local communities (DGM) is to "provide grants to indigenous peoples and local communities in country or regional pilots to support their participation in the development of the FIP investment strategies, programmes and projects" (see *CIF Monitor* 9). In June, the sub-committee endorsed the programme framework for the DGM as a basis for the development of the DGM global component and DGM projects in each FIP pilot country. It noted the total requested funding of $50 million in grant funding. The sub-committee approved $4.72 million of the global component DGM project for the DGM to be implemented by the World Bank and approved a further $695,000 for preparation and supervision services by the World Bank. Another $6.5 million was approved for the DGM project in Brazil, with a further $640,000 approved for preparation and supervision services by the World Bank.

The UK raised questions about the global component, including on the risks of "elite capture", stating that "since a 'democratic' process is to be pursued in selecting members for the national steering committees (NSC), this might not help to get traditionally marginalised groups represented. Will affirmative action or other approaches be employed to ensure that particularly marginalised/voiceless groups get representation?"

The IBRD responded that "affirmative action is not mandated in the DGM guidelines". Furthermore, "lack of access to information is often a key reason some communities may be excluded from such processes" and proposed that outreach before and during the process of NSC formation be used to address the concern. In Indonesia the IBRD shared information via meetings, websites and YouTube whilst acknowledging that "access to the internet is not uniform in all the pilot countries and the internet will not be the only mode of information dissemination for the programme".

The UK said that NSC membership should be driven by representatives of indigenous peoples and local communities, and in the case of Brazil it "may not always be 'appropriate' for government representatives to have full decision making powers." The IBRD justified the prominent role for the Brazilian government saying it would facilitate positive outcomes. Furthermore, the UK asked: "How will the participation of the most marginalised groups on the NSC be assured?" The IBRD replied that, "The NSC agreed composition assures the participation of self-selected representatives of indigenous peoples and traditional communities as requested by the DGM framework operating guidelines" and explained that "component 2 will support activities to outreach, build capacity and engage the most marginalised groups increasing their skills and qualification to be part in broader dialogues on the issues at hand and component 1 will prioritise through one of its windows grants to the most vulnerable and marginalised groups. In other words, the whole DGM process might contribute to levelling the playing field and to increase engagement of the most vulnerable and marginalised."

In August funding of $348,500 was approved to take forward the DGM project in Mexico. The UK approved the funds and commented that the Mexican government should work on the project design to establish, "how project beneficiaries will be included in the design and implementation phases". Since the last CIF meetings in June there have been two DGM consultations in Indonesia, at the end of June and start of July. Records of meetings between World Bank and indigenous peoples in Peru in September show that Peruvian indigenous people's organisations AIDESEP and CONAP are jointly preparing the DGM project in Peru.

4.7 Selected project updates

4.7.1 Brazil: impact of land titling queried

Project name	Amount and date approved	MDB services	Key project documents
Environmental regularisation of rural lands in the Cerrado of Brazil	$32.48 million (loan) 12 June 2014	IBRD $750,000	Decision Project document

Project details
"The proposed project scales up the actions to reduce deforestation, forest degradation and greenhouse gas emissions. The implementation of environmental regularisation of rural landholdings through the rural environmental register enables a more effective supervision and monitoring of deforestation and degradation of natural vegetation."

Key donor questions and concerns prior to approval
The UK: “It is important that the social and environmental safeguards the project documents make reference to have the correct measures in place to ensure the socio-economic benefits arising from the registry reach the project’s direct and indirect beneficiaries. In particular we would have liked to see more detail on the potential negative impacts, and how the project will set out to mitigate these. Even though the scope for activities targeted specifically at women is limited in the project, it is good to see that, where possible, efforts will be made to encourage their participation and ensure their capacity development.”

The IBRD and Brazilian government responded: “Based on the assessment of small landholders who are direct beneficiaries, it was estimated that 10 per cent of small landholders are female. It is worth noting that women overall hold a critical role in family agriculture.”

5 Scaling up Renewable Energy Program in Low Income Countries

5.1 SREP expanding

Following the October 2013 agreement to invite countries eligible for SREP funding to submit expressions of interest to join the programme (see *CIFs Monitor* 9), fourteen new countries were accepted in the June sub-committee meetings: Bangladesh, Benin, Cambodia, Ghana, Haiti, Kiribati, Lesotho, Madagascar, Malawi, Nicaragua, Rwanda, Sierra Leone, Uganda and Zambia.

Prior to the meetings, the UK raised concerns regarding funding for the new countries "given the costs associated, the creation of expectations, and the expected shift to the GCF etc. We would appreciate discussion in the meeting on how any such investment would be future proofed against potential changes in the climate finance architecture." It also expressed "some concerns regarding the inclusion of very small states with narrow projects, and would welcome discussion on whether such countries could be bundled with others in a regional programme".

In response and following the meeting discussion, the sub-committee stated that the decision "does not prejudice the discussion of the CIF sunset clause". It was further agreed that up to $300,000 would be provided to each country for them to work with the MDBs to develop their full investment plans. However, availability of further funds is unclear. The sub-committee recognised "that at present there is not sufficient funding under SREP to finance the projects and programmes that may be proposed in the investment plans but notes its expectation that there will be climate finance available to fund high-quality projects and programmes." Furthermore, it was agreed that the CIF administrative unit will prepare an independent technical review of each investment plan, including steps for how to make them more effective "in light of the findings of the independent evaluation" (see page 5).

Scaling up Renewable Energy Program in Low Income Countries (SREP) explained

SREP was launched in 2009. It aims to catalyse scaled up investment in renewable energy markets in low-income countries by enabling government support for market creation and private sector implementation.

Six countries were selected for SREP pilot programmes in 2010: Ethiopia, Honduras, Kenya, the Maldives, Mali and Nepal. All the investment plans of the original pilot countries have been approved, as well as plans from four countries on the reserve list: Tanzania and Liberia in 2013, and Armenia and Solomon Island (Pacific region) in June 2014, making the total number of pilot countries ten. The Vanuatu (Pacific region) investment plan will be discussed in the November sub-committee meeting. Two countries remain on the reserve list: Mongolia and Yemen. In June 2014 a further fourteen countries were invited to join SREP: Bangladesh, Benin, Cambodia, Ghana, Haiti, Kiribati, Lesotho, Madagascar, Malawi, Nicaragua, Rwanda, Sierra Leone, Uganda and Zambia.

As of end 2013, $551 million had been pledged to SREP. Cumulative funding disbursements totalled $4.2 million. As of end September ten country investment plans had been endorsed for a total indicative allocation of $394 million for 35 projects and programmes. Funding for 14 projects and programmes totalling $136 million had been approved.

Donors: Australia, Denmark, Japan, Korea, Netherlands, Norway, Spain, Sweden, Switzerland, UK, US

5.2 Allocation of funds

A June update to the March semi-annual operational report noted that the largest share of SREP funding continues to go to geothermal energy, but with an increased share for solar. Over half of the projects are in Africa, just over a third in Asia and the remainder in Latin America. It further noted that expected co-financing had dropped for four out of five investment plans, and that programme implementation on the ground is steady but slower than anticipated. Furthermore, the political situation in some countries has caused delays. The October semi-annual report elaborated further on the delays. On Kenya it noted that some delays referred to "the apparent lack of financing gap based on confirmed resources." An updated investment plan will be discussed at the November sub-committee meetings.

Furthermore, a proposal for reporting on the enabling environment for promoting energy investment has been launched as a pilot in 17 countries, including 13 SREP countries and four other countries for comparison (Chile, Denmark, India and the US). It has been renamed Readiness for Investment in Sustainable Energy (RISE), with "significant resources … mobilised for global scale-up". Following a presentation in the June sub-committee meeting the World Bank was invited to present further details on the outcomes, followed by a discussion on next steps, in the November meeting.

5.3 Private sector funding

Prior to the June sub-committee meeting three projects were approved for the second round of the SREP private sector set-aside (see *CIFs Monitor* 9):

- Kenya: *Olkaria VI geothermal power plant* (AfDB), requested funding $20.5 million
- Kenya: *Climate venture facility project* (IBRD), requested funding $6.8 million
- Honduras: *Self-supply renewable energy guarantee programme* (IDB), requested funding $5.5 million

In the meeting it was agreed that the MDBs and the project proponents will prepare a detailed document to be submitted to the sub-committee for funding approval. There was no decision regarding future private sector set aside rounds.

5.4 Updates on investment plans

5.4.1 Armenia investment plan

Investment plan	Amount and date approved	MDB services	Key project documents
Armenia *Geothermal development* *Development of utility-scale solar PV*	$40 million request noted $300,000 (preparation grant) $2 million (preparation grant) 27 June 2014	 IBRD $100,000, first tranche (total of $300,000) ADB and IBRD $200,000, first tranche (total of $640,000)	Decision Investment plan

Armenia's investment plan was originally scheduled for approval in May, however, due to the short notice period and questions raised from donor countries, approval was postponed to the sub-committee meetings in June (see *CIFs Monitor* 9). In advance of the meeting, the government of Armenia responded to the questions raised, the majority referring to geothermal energy: "Geothermal energy has always been and will continue to be risky. This is precisely the reason why globally, successful geothermal development has systematically required some form of risk sharing with public support at the exploration stages."

5.4.2 Solomon Islands investment plan

Investment plan	Amount and date approved	MDB services	Key project documents
Solomon Islands *Regional energy access* *Solar power development*	$14 million request noted $500,000 (preparation grant) $1 million (preparation grant) 27 June 2014	 IBRD 170,000, first tranche (total of $428,000) ADB 170,000, first tranche (total of $428,000)	Decision Investment plan

Key donor questions and concerns prior to approval
Switzerland: "As noticed also by the independent expert, the project preparation costs for the solar power development project seem high (1'000'000 USD). At the stage of the project application, such costs will have to be detailed and justified."

The ADB responded: "The proposed budget ($1 million) is consistent with standard budgets for similar project preparation budgets for similar projects in the Pacific."

5.5 Selected project updates

5.5.1 Maldives: questions on diesel support

Project name	Amount and date approved	MDB services	Key project documents
Preparing outer islands for sustainable energy development project	$12 million $400,000 technical assistance (grants) 7 July 2014	ADB $430,000	Decision Project cover note TA memo

Project details
The project will "replace inefficient fossil fuel based power generation grids on the islands" and "transform the existing mini grids through physical investments in renewable energy, energy management and control systems, storage and improvements in distribution networks." The technical assistance grant is an extension of an earlier grant to "develop the capacity of the Maldives Energy Authority" and "to support development of key regulations, private sector investment and meet key sector objectives."

Key donor questions and concerns prior to approval
The UK: "Given that the SREP funds are to be on-lent, why is it necessary that SREP provide grant resources to the ADB and why would loan resources not be applicable here?" Furthermore, the document "implies that 20MW of diesel will be replaced, however it is not clear if this is with more diesel."

Switzerland also asked for clarification on diesel, adding: "How many people will gain access to renewable energy through the programme? In the objectives, only the 4,600 inhabitants of the pilot islands are included. Why?"

On the issue of loans the ADB responded: "To meet co-financing and leverage goals of SREP as well as ADB, the availability of ADF [Asian Development Fund] and SREP grants became instrumental in facilitating cofinancing from European Investment Bank (EIB) and Islamic Development Bank (IsDB). … The government determined that a package of loans (overall concessional in nature) would generate re-flows back to the government that could be utilised for investing in future RE [renewable energy] projects".

The ADB confirmed that "SREP funds will be used only for the RE investments", but "financing from ADB's own ADF funds, EIB and IsDB will be used for supply side efficiency investments including upgrading inefficient diesel generator sets … as well as for distribution grid upgrades to reduce losses." On the number of beneficiaries: "This number will grow as additional islands are supported under a sector wide programme … in 2015 and 2016 to cover a larger number of islands (up to 160+ outer islands)."

ANNEX CIF CSO and indigenous peoples observers[1]

	Africa	Asia/Pacific	Latin America	Developed countries	Indigenous peoples
CTF	Joseph Adelegan, Global Network for Environment and Economic Development Research, Nigeria	Elpidio Peria, Biodiversity, Innovation, and Trade Society Policy Centre, Philippines	Sergio Sanchez, Clean Air Institute, Mexico	Clifford Polycarp, World Resources Institute, USA	
SCF	Judy Ndichu, Transparency International, Kenya	Archana Godbole, Applied Environmental Research Foundation, India	Carolina Thibes, Fundação Getulio Vargas, Brazil	Adrian Rimmer, The Gold Standard Foundation, Switzerland	Grace Balawag, TEBTEBBA Foundation, Philippines Legborsi Saro Pyagbara, The movement for the survival of the Ogoni People, Nigeria
FIP	Gertrude Kabusimbi Kenyangi, Support for Women in Agriculture and Environment, Uganda	Archana Godbole, Applied Environmental Research Foundation, India	Carolina Thibes, Fundação Getulio Vargas, Brazil	Rick Jacobsen, Global Witness, UK	Juan Carlos Jintiach, COICA, Ecuador Khamla Soubandith, CKSA, Laos *Alternates:* Saoudata Aboubacrine, Tinhinane, Burkina Faso

[1] For contact details, see https://www.climateinvestmentfunds.org/cif/directory

					Marcial Arias, CICA, Panama
PPCR	Camilo Nhancale, Kuwuka JDA, Mozambique Ayouba Abdou Sani, Jeunes Volontaires Pour L'Environmen, Niger	Marion Verles, Nexus, Carbon for Development, Cambodia	David Luther, Instituto Dominicano de Desarallo Integral, Dominican Republic	Bridget Burns, Global Gender and Climate Alliance, USA	Mrinal KantiTripura, Maleya Foundation, Bangladesh Fiu Mataese Elisara, OLSSI, Samoa
SREP	Judy Ndichu, Transparency International, Kenya	Padam Hamal, Neighbour Organisation, Nepal	Juan Diego Osorio de Armero, Asociación Hondureña de Pequeños Productores de Energía Renovable, Honduras	Adrian Rimmer, The Gold Standard Foundation, Switzerland	Legborsi Saro Pyagbara, The movement for the survival of the Ogoni People, Nigeria Hortencia Hidalgo, Network of Indigenous Women on Biodiversity of Latin America, Chile