Climate Investment Funds Monitor 12

November 2015

Summary

- A paper arguing for a continued role for the **Climate Investment Funds (CIF)** in the international climate financing architecture, despite its 'sunset clause', will be discussed in the November meeting. Measures have been proposed to increase the CIFs' efficiency, including on national-level stakeholder consultations. An update on the CIFs' gender action plan noted some progress, but concerns remain with the Clean Technology Fund.
- A shortfall in available resources for the **Clean Technology Fund (CTF)** is expected by the end of 2015, despite cancellation of projects and other efforts to slow down the project pipeline. India and Indonesia's investment plans were revised, with questions raised about development impact and the reliance on geothermal energy. Questions were raised about impacts on the debt sustainability of Saint Kitts and Nevis under a Caribbean project promoting public-private partnerships.
- Ten new countries were invited to join the **Pilot Program for Climate Resilience (PPCR)**, despite the lack of funds to finance their projects and programmes, relying instead on other funding sources to fill the gaps. Criteria have been agreed for assessing proposals from any of the CIFs countries to the PPCR private sector set-aside. The US raised concerns about dam safety in a Bolivia project and questioned the approval of the project. Resettlement issues were raised on two Cambodia projects.
- Six new countries were invited to join the **Forest Investment Program (FIP)**, but were asked to also seek funding from other sources. A further nine countries were provided funding to develop investment plans, but without a commitment to provide funding for implementation. Concerns were raised about a proposed project in the Democratic Republic of Congo promoting large-scale palm oil plantations. The broad definition of forests in a Burkina Faso project and possible support for industrial logging in projects in Indonesia and Peru were also questioned.
- Concerns were raised about the slow progress with the **Scaling up Renewable Energy Program in Low Income Countries (SREP)** investment plans, projects and programmes. Nepal's investment plan was revised and investment plans were approved for three countries. Questions were raised about the split between grant and loans in Ghana's investment plan, as a country under debt distress. The promotion of public-private partnerships was questioned in Haiti's investment plan and reliance on funds from the Green Climate Fund in Nicaragua's plan.

Key acronyms

ADB	Asian Development Bank
AfDB	African Development Bank
CIF	Climate Investment Funds
CTF	Clean Technology Fund
EBRD	European Bank for Reconstruction and Development
EE	energy efficiency
FIP	Forest Investment Program
FY	financial year
GCF	Green Climate Fund
GHG	greenhouse gas
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)
IP	investment plan
kW	kilowatt
KfW	Kreditanstalt für Wiederaufbau (Germany)
MDB	multilateral development bank
MW	megawatt
PPCR	Pilot Program for Climate Resilience
PPP	public-private partnership
PV	photovoltaics (solar)
RE	renewable energy
REDD	reducing emissions from deforestation and forest degradation
SCF	Strategic Climate Fund
SME	small and medium-sized enterprises
SPCR	Strategic Program for Climate Resilience
SREP	Scaling up Renewable Energy Program in Low Income Countries
UNDP	United Nations Development Programme
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* 11, published in November 2014. This edition covers key CIF developments based on CTF trust fund committee and SCF sub-committee meetings, and other communications from April 2015 to mid-October 2015. 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 the online version of *CIFs Monitor* 12 and past issues of the *CIFs Monitor*, see http://www.brettonwoodsproject.org/publication-type/cifs-monitor/

Content

1 Climate Investment Funds

1.1 The future of the CIFs

The November joint CTF – SCF meeting will discuss a late October paper, titled *Climate Investment Funds: an assessment of its accomplishments, transformational impact, and additionality in the climate finance architecture*. The paper was written by the CIF administrative unit in response to a request by the joint committee in the May meeting. It follows the recommendation of the 2014 independent evaluation of the CIFs to consider the CIFs' 'sunset clause', requiring the CIFs to close once a new climate finance architecture is effective (see *CIFs Monitor* 10), and builds on the discussion in the November 2014 CTF-SCF joint committee meeting on models for the future operations of the CIFs (see *CIFs Monitor* 11).

Without referring to possible constraints imposed by the 'sunset clause', the paper outlines several arguments for the "continuation of the CIF in the climate finance architecture." While it recognises that the climate finance landscape "has evolved since the CIF was created, notably with the operationalisation of the Green Climate Fund [GCF]", it raises concerns over a possible time lag "which could result in a loss of momentum". It calls the CIFs "the only climate finance instrument … with the infrastructure and experience needed to continue the momentum while other funds ramp up." According to the paper one of the CIFs' strengths is that it works "exclusively with MDBs as implementing agencies", arguing that "it is clear that the MDBs will pay a pivotal role in reaching the $100 billion climate finance mobilisation target by 2020". This includes their ability to "leverage significant resources from their own balance sheets", as well as through other financial actors. The paper also concedes that the CIFs are important to the MDBs since they "need concessional climate finance to blend with their resources if they are to meet their new climate investment targets." Another key feature of the CIFs mentioned in the paper includes the use of "reimbursable (non-grant) resources", i.e. financing instruments, such as loans, guarantees and equity. This includes resources for climate change adaptation, with the paper noting that the PPCR is "the first fund to extend reimbursable resources for adaptation", despite long-standing civil society calls for adaptation efforts to primarily be funded by grants.

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 multilateral development banks (MDBs). They comprise 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 72 countries worldwide. As of end June 2015, donors had pledged a total of $8.1 billion to the CIFs: $5.3 billion to the CTF and nearly $2.8 billion to the SCF ($1.2 billion for PPCR, $785 million for FIP and $796 million for SREP). Projects are executed by 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 the World Bank's 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).

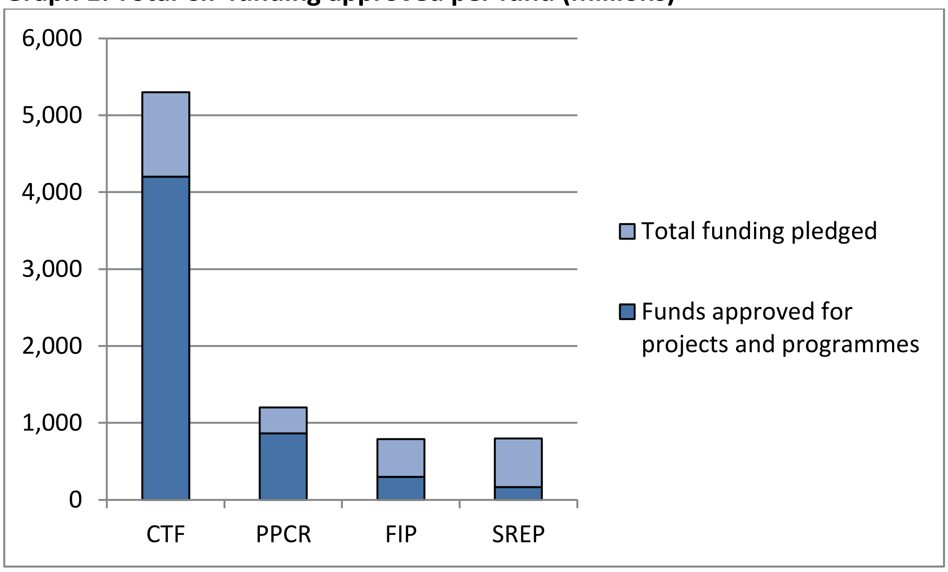
The paper outlines "five key pathways" for how the CIFs can be "instrumental to achieving the $100 billion annual goal by empowering wider systematic transformation": it's work on "institutional changes"; by "linking investments to policy and regulatory reforms"; by "targeting barriers inhibiting the development of viable markets"; by providing "large-scale funding to specific technologies"; and by "influencing behaviour change among a range of stakeholders at both the fund and national levels." The paper also emphasises the flexibility of the CIFs, which it argues "can be further explored going forward to fill in gaps or address priority areas through, for example, thematic programmes … or a pipeline development facility that could support the preparation of projects." It concludes that "a thorough gap analysis of the climate finance landscape including an elaboration of potential options for modifying CIF programmes to effectively address priority areas could be prepared for the consideration of the joint meeting in mid-2016."

In the light of the current resource constraints in the CIFs, including a hiatus at the CTF due to lack of funds, the paper makes an implicit call for further funds to be channelled through the CIFs. With the number of CIF pilot countries having grown by a third in the past year and a half, the paper argues that the CIFs' growing pipeline of projects requires funding. It notes that recipient countries "have expressed strong concerns about the lack of available funding for investments and highlighted that unless new funds are mobilised quickly there is an imminent risk of potential disruption to implementation on the ground".

1.2 Measures to improve efficiency

Different measures to improve the CIFs' governance were discussed during the May joint CTF-SCF committee meeting, including on "the decision making process during and in-between meetings". The CIF administrative unit was tasked with developing a "a web-based, secure collaboration platform for approving decisions", as well as proposing "a standard process for assigning which decisions should be discussed during the trust fund committee and sub-committee meetings, and which decisions should be processed through the 'decision-by-mail' or 'online decision' process." It was also asked to "to track and inform the trust fund committee and sub-committee members of adopted decisions and their implementation." Moreover, following the invitation of three new countries (Honduras, Rwanda and Uganda) to join both the FIP and the PPCR in the May sub-committee meetings, a joint process for developing investment plans across different CIFs has been proposed in order to create synergies and reduce transaction costs. According to the respective funds' October semi-annual reports, advantages of the proposal include stronger ties between national adaptation and mitigation programmes. However, the reports also noted a risk that investment plans become "too broad and unfocused or dilute the principles of the PPCR or the FIP."

Graph 1: Total CIF funding approved per fund (millions)



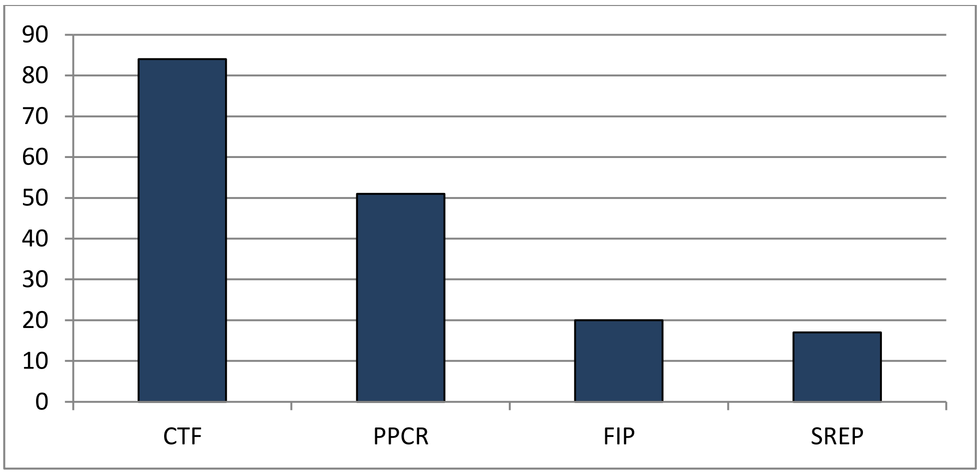
Source: CTF, PPCR, FIP and SREP semi-annual reports, October 2015

Moreover, the May joint committee meeting endorsed a proposal to enhance the generation of knowledge from evaluation for learning in the CIFs, complementing the current annual monitoring and reporting on core indicators or common and co-benefits indicators. Its recommendations included for the CIF administrative unit to create a "special initiatives budget" through the SCF, "for work on evidence based learning", as well as a "CIF-wide advisory group on knowledge from evaluation for learning". It should be chaired by a member from the CIF administrative unit and also include "one member from an MDB, one member from a donor country, one member from the CIF observers, two members from recipient countries and two external experts in the fields of climate change, evaluation and learning who are not affiliated with the CIF or the MDB independent evaluation offices." Furthermore, it requested the CIF administrative unit to hire a senior evaluation and learning specialist to lead the implementation of the proposed actions.

The May joint CTF-SCF committee meeting also decided that a proposal for a new SCF private sector facility (see *CIFs Monitor* 11) will not be moved forward at this time, and that efforts should instead be directed to improving the existing set-asides. Furthermore, in order to boost "stakeholder integrity and accountability", the May meeting asked the CIF administrative unit to develop consolidated documents on roles and responsibilities and a code of conduct for co-chairs, trust fund committee and sub-committee members and observers "to better address issues of integrity, accountability and conflict of interest". The CIF administrative unit was also asked to develop a proposal for a stakeholder advisory network "to provide an avenue for knowledge and experience sharing between current and past observers (CSO communities, indigenous peoples and private sector) that supports and enhances observers' contributions to directions, strategies, projects, and learning efforts of CIF."

The long delayed paper on *Proposed measures to strengthen national-level stakeholder engagement in the Climate Investment Funds*, released in April (see *CIFs Monitor* 11), was also discussed during the May meeting. The joint committee agreed to the measures proposed, including to "foster the use of existing country systems for stakeholder engagement by considering in each country the existing regulations, policies, practices, and institutions for participation … and how these can be used, adapted, or strengthened for CIF purposes"; "plan and adhere to an effective process of stakeholder engagement"; "address capacity needs and foster stakeholder engagement by creating opportunities for substantive exchange between pilot countries" and "harmonise the principles for stakeholder engagement across CIF programmes … acknowledging the unique features of the four programmes". The CIF administrative unit was asked to work with the pilot countries and observers to agree on a work programme and budget for financial year 2016 and 2017 to implement the measures.

Graph 2: Total number of projects and programmes approved per fund



Source: CTF, PPCR, FIP and SREP semi-annual reports, October 2015

The November meeting will include a discussion on the future of the CIF partnership forum, with two options. The first option is to keep the two-day large conference format with some modifications, including flexibility in terms of timing. The second option is to build on and consolidate existing pilot country meetings into “three sets of thematic meetings focusing on energy (CTF and SREP countries), resilience (PPCR countries), and forests (FIP countries)”. These meetings would be part of a process, rather than one-off events, with an option to explore the possibility of linking the meetings to high-level international events and include a ministerial session in the agenda. Both options include a focus on “lessons, solutions and results”.

1.3 Gender update

A progress report on the implementation of the CIFs’ gender action plan was provided for the May joint CTF-SCF committee meetings. The gender action plan, approved in June 2014 with implementation from July 2014, addresses five key elements: policy development; programme support; analytical work; monitoring and reporting; and knowledge and learning. The report outlined findings from two gender reviews undertaken in the first year of implementation: a policy review and a portfolio review. It also reported on other ongoing activities, including analytical work on gender and renewable energy, initiated in 2015 for completion in 2016. Short guidance sheets on gender and agribusiness and gender and forest governance will also be prepared, and a CIF gender website is being developed.

The CIFs policy review was set up to assess “existing policies and required CIF procedures for gender mainstreaming in investment plans and projects, by programme, and identify and fill gaps in these in order to assure ‘throughput’ on gender mainstreaming processes and outcomes in the CIF.” It found “varied levels of gender requirements present across CIF programmes”, and highlighted “the question of how gender issues can be better addressed in the CIF at a more upstream stage of IP [investment plan] and project processes.” It noted that “formal criteria in programme design documents, such as the SREP gender equity criteria, were found to help ensure that resulting IP and project documents mainstream gender considerations more fully and in a manner that responds to country and sector contexts.” The next phase of the review, taking place during the remainder of 2015, will focus on findings and recommendations. The report noted that the review runs in parallel to a process to develop “practical, working norms” around the ways the CIF administrative unit and the MDBs support gender, where currently the CIF administrative unit “provides gender technical support to investment plans and projects only in response to direct requests from MDBs.”

The CIFs portfolio review was undertaken “across all four CIF programmes at the investment plan and project levels in order to establish baselines for the CIF gender action plan results framework indicators.” The review found that 45 per cent of investment plans since inception until end of 2014 contained sector specific gender analysis, 36 per cent “had gender-disaggregated indicators in their results frameworks, and 40 per cent had designed for activities specifically targeting women”, however, it cautioned “that many gender-disaggregated indicators … came from the non-CIF category … because CIF programme results frameworks … are generally not very gender-disaggregated in their composition.” Another finding was that “while a good share of IPs … address gender issues … once individual projects are developed under the IPs, specific attention to gender drops somewhat … This should be of concern as projects are the means for actual implementation of IPs on the ground, in contrast to programme intentions alone.”

The report noted a large difference between the CTF and the other programmes. While some improvement was noted for projects approved from July 2014, the CTF’s performance continues to be the weakest, both at investment plan and project level. At the investment plan level, since inception of the fund, only six per cent of plans had gender specific analysis, 13 per cent have women-specific activities, and 13 per cent have gender-disaggregated indicators. At the project and programme level, 16 per cent have gender-disaggregated indicators, 18 per cent host women-specific activities, and 22 per cent feature sector-specific gender analysis. It further noted that the CTF does not require gender-disaggregated reporting through its core indicators, which results in most countries refraining from doing so.

Update on the Green Climate Fund (GCF)

The tenth GCF board meeting took place at the fund's headquarters in Songdo, South Korea, in July. During the meeting it was confirmed that the fund was able to disburse money, hence becoming effective, as of May, with signed contributions reaching $5.5 billion. This figure reached $5.8 billion by early October. The fund expects to be able to make funding decisions of up to $1.4 billion in 2015.

In the meeting, 13 new entities were accredited, acting as channels through which the Fund will deploy its resources to developing countries, however, concerns were raised in particular by developing country board members. According to reports from NGO Third World Network, board members from South Africa and Egypt raised concerns about the GCF accrediting "a preponderance of financial institutions" and calling for the "imbalance to be redressed". A July civil society statement, signed by 24 organisations, raised concerns about the accreditation of Deutsche Bank, as "the world's largest financier of coal", and the World Bank due to its "top-down, donor-driven nature".

Another controversial issue on the agenda, in particular for developing countries, was whether grants or concessional loans would be the main financial instrument used by the GCF. The GCF secretariat advocated the use of low-level concessional loans as the main instrument, with grants to be used sparingly, however, developing countries objected and emphasised that the GCF is a fund and not a bank. They proposed that the national designated authorities should indicate the preferred financial instrument based on the country's needs and priorities, that the board should take into consideration when deciding on the financial instrument to be used, however, developed countries opposed this proposal. Due to the lack of consensus no decision was made.

A $200 million pilot programme for enhancing direct access to the GCF, in order to increase country ownership, was agreed. The programme decision-making on specific pilot activities will be devolved from the fund to the country level through the accredited entities, with mechanisms for national oversight and multi-stakeholder engagement. A request for proposals to countries will be prepared and launched by the secretariat. The secretariat and the independent technical advisory panel will assess the proposals, with the aim to approve at least 10 pilots. Up to $200 million was also set aside to support micro, small and medium-sized enterprises, as well as to mobilise resources at scale from the private sector. Furthermore, $2.5 million is available for nine countries to build up the capacity of their national designated authorities or focal points in preparing their GCF strategic frameworks under the readiness and preparatory support programme.

Other decisions included an initial monitoring and accountability framework for accredited entities, a methodology to define the GCF's risk appetite, and the terms of reference for the heads of the Independent Evaluation Unit, Independent Integrity Unit and Independent Redress Mechanism.

The next meeting will be held in Zambia 2-5 November. In advance of the meeting the GCF reported that it has received 37 funding proposals from public and private entities, out of which eight will be discussed by the board during the meeting. Three of the proposals were submitted by direct access entities and five by international access entities (UNDP, KfW, IDB and ADB). Furthermore, the meeting will review nine applications for accreditation. An October civil society statement, signed by 88 organisations, raised concerns about two of the applicants, HSBC and Crédit Agricole. The letter called on the board to "reject the applications", as they would "pose serious reputational and moral risk to the GCF". The concerns included the applicants' "well-documented involvement in money laundering and other fiduciary mismanagement scandals" and "large exposure to the coal industry and other climate pollution sectors".

2 Clean Technology Fund

2.1 Concerns over resource shortfall

Responding to the CTF April semi-annual operational report's concern over an impending resource shortfall (see *CIFs Monitor* 11), the May trust fund committee meeting noted "the importance of understanding the expected shortfall of resources and its potential impact on projects and programmes under development in the CTF pipeline". The committee "urged the MDBs to effectively utilise existing allocations and provide realistic assessments of delayed implementation". Furthermore, it "requested the CIF administrative unit, in collaboration with the MDBs, to conduct a thorough review of the pipeline, including expected timelines of projects and any potential withdrawal, and present a clear picture on resource availability and the scale of the expected shortfall of resources". It also requested that the unit explore new elements for the pipeline management process, such as a "potential cancellation policy". The committee asked them to present options on alternative financing models and options to increase resource availability at the next meeting.

The October semi-annual operational report further underlined the seriousness of the shortfall: "resource availability – and the future of the CTF – has become an issue of strategic importance." It found that with all active projects and resources considered, the shortfall would amount to $647 million ($818 million should all donor pledges not materialise). The report estimated that a shortfall of resources is likely to take place in December this year. It noted that in anticipation of the shortfall the MDBs have started to "slow down pipeline development or reshape their project origination approaches", with no new projects or programmes having been added to the pipeline since June 2014. The MDBs have also worked to identify CTF resources that are committed to projects and programmes "that are unlikely to materialise in the short term". As a result, 10 stalled projects totalling $246 million were dropped from the pipeline, however, the report concluded that the amount of resources that could be released would still "be far from sufficient to meet the resource requirements to fully fund the remaining CTF pipeline."

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 CTF is piloted in 15 countries and one region. In Phase I (2008-2010) 13 investment plans were endorsed: 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 and Tunisia. 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 end June 2015, $5.3 billion had been pledged to the CTF. A total of $6.1 billion has been allocated for 134 projects and programmes, including $508.5 million for 23 sub-projects and programmes under the CTF Dedicated Private Sector Program (DPSP). Out of this $4.2 billion has been approved for 84 projects and programmes.

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

2.2 Risk management

An April paper reviewing the "minimum threshold margin between CTF projected net income and projected losses as a key risk indicator" was discussed at the May committee meeting (see *CIFs Monitor* 11). The committee asked the CIF administrative unit to continue the work on the enterprise risk management dashboard, with a view to operationalise it by November. While it was tasked to "closely monitor and report on the projected net income and projected losses on outgoing CTF financial products on a regular basis", commence "stress testing" and report back on a quarterly basis through the dashboard, they agreed to not set a target minimum threshold for the margins "at this time". Furthermore, an April paper on CTF pricing policies, examining "whether the CTF's current lending terms remain appropriate" (see *CIFs Monitor* 11), was discussed at the May committee meeting. The meeting agreed not to change the lending terms, but continue to monitor them and conduct another review in two years' time.

2.3 Updates on investment plans

2.3.1 India's investment plan revised

India's investment plan, originally approved in 2011, has been revised. Four new projects were approved, with funding reallocated from one project ($50 million) and from four projects totalling $400 million, which were dropped from the plan (three ADB and one IBRD project). In its approval, the trust fund committee noted that the total indicative allocation for India under the CTF after the revisions remains at $775 million.

Revised investment plan	Amount and date approved	MDB services	Key project documents
India	$450 million reallocated 14 October 2015		Revised investment plan Decision
Solar parks infrastructure		IBRD $50 million ADB $50 million	
Solar rooftop PV		IBRD $125 million ADB $125 million	
Solar park transmission		IBRD $30 million ADB $50 million	
Solar PV Generation by SECI		IBRD $20 million	

Key donor questions and concerns prior to approval

The UK raised a number of questions regarding the reallocated funding, including whether any of the funds for the projects that were cancelled from the plan had been used. It also asked for an elaboration of the developmental impacts of the projects, including: "are the solar panels manufactured in India? If so, how many jobs will this create?" Furthermore, it asked about safeguards: "The envisaged solar parks will occupy large tracts of land … with significant environmental and social costs. Has the MDB triggered any of their social and environmental safeguards? If so, what are the envisaged social and environmental implications of the projects? If the safeguards have not been triggered, why not?" Furthermore, it asked: "Can the project team provide us with details and outcomes of the stakeholder engagement, in particular, with any affected communities?"

The IBRD and ADB confirmed that no funds for the cancelled projects had been used. However, on development impact they admitted that the solar panels "will be sourced competitively by private developers, and could be domestically manufactured but not necessarily so." They confirmed that jobs will primarily be created through increased need for operation and maintenance technicians. They are also expecting that the improved energy supply will benefit small and medium-sized businesses and allow them to hire more staff. They further noted that "all MDB social and environmental safeguards will be followed", and argued that "the preferred sites for solar parks are areas where land is not being utilised for other productive purposes and which are not host to sensitive ecosystems." They were not able to provide any details on stakeholder engagement, since these will be "developed on a project specific basis during preparation".

2.3.2 Indonesia's investment plan revised

Revisions to Indonesia's investment plan, originally approved in 2010, were approved in May. The plan was also revised in 2013. In the new revision an ADB project on energy efficiency was dropped, with $50 million reallocated to the IBRD *Geothermal energy upstream development project*.

Key donor questions and concerns prior to approval

The UK commented that the investment plan is now "very much dominated by geothermal [energy], and that emission reductions and cost effectiveness are both slightly lower than in [the] previous [investment plan]." It asked why an energy efficiency project had been dropped, adding: "The ADB has spent nearly $0.5 million in project preparation and is now unable to mobilise the project. We would like to see some lessons learnt from this experience".

CTF civil society observer Transparency International also submitted comments. It noted that the project document referred to "considerable delays in implementing geothermal projects in Indonesia" and asked "why the geothermal programme is expected to perform better in the future" and thus justify additional funding. Given that the document "indicates that geothermal locations are frequently situated in environmentally sensitive areas", it asked whether affected stakeholders have been consulted. It also questioned why corruption risks were not mentioned in the risk mitigation plan.

2.4 Selected project updates

2.4.1 Caribbean: debt sustainability questioned

Project name	Amount and date approved	MDB services	Key project documents
Dedicated Private Sector Program: *Utility scale renewable energy: geothermal - sustainable energy facility for the eastern Caribbean*	$19.05 million (grant) 16 September 2015	IDB $950,000	Decision Project document

Project details

The sustainable energy facility (SEF) aims to "contribute to the diversification of the energy matrix in an effort to reduce the cost of power generation, as well as greenhouse gas (GHG) emissions and electricity tariffs. This should be achieved through the following components: (1) energy efficiency; (2) regulatory framework, institutional strengthening and capacity building; and (3) renewable energy", which includes support for geothermal energy. The programme will target public-private partnership projects (PPPs). Out of the six countries included, two are not CIF pilot countries, whilst the remaining are pilot countries under the PPCR.

Key donor questions and concerns prior to approval
Germany commented that Saint Kitts and Nevis (SKN) "is a non-CIF country and highly indebted", and therefore a macro-economic analysis to evaluate the potential impact of the project on the country's debt sustainability is required.

The IDB responded: "It is expected that there will be no serious impact to the country's debt sustainability by the CTF-supported project due to the fact that a public private partnership (PPP), most probably in the form of a Special Purpose Vehicle (SPV) with a majority owned by a private sector consortium, will be the one that takes debt, with no sovereign guarantee required by the country." It promised to ensure "that loans provided by SEF will not have a negative impact on SKN's debt sustainability."

2.4.2 South Africa: no measure of energy access

Project name	Amount and date approved	MDB services	Key project documents
Expansion of the approved South Africa sustainable energy acceleration program (SEAP)	$57.5 million reallocation 16 January 2015	IFC	Decision Project document

Project details
In 2010 $85 million was approved for SEAP, to be implemented by the IFC and AfDB. The 2013 update of South Africa's CTF investment plan released $57.5 million, with an agreement that it would be reallocated to either the IFC private sector element of SEAP or a public sector vehicle efficiency programme under the AfDB. The new proposal aims to transfer the funds from AfDB to the IFC to "enable CTF to support the momentum of innovation in solar power technologies in South Africa".

Key donor questions and concerns prior to approval
The UK noted that the market analysis of self-supply renewable energy in the original approval in 2010 had not been updated. It also questioned lack of mention of energy access: "one could … expect that there might be an increase in energy access because the additional power generated would make power somewhere else on the grid available."

The IFC responded that while SEAP is expected to help "improve power reliability for those already connected to the grid, impact can only be expressed in terms of the power output achieved by the new facilities built."

2.4.3 Turkey: question on support for mining extraction

Project name	Amount and date approved	MDB services	Key project documents
Dedicated Private Sector Program: *Turkey geothermal development project*	$38 million (contingency recovery grant) $1.8 million (technical assistance grant) 8 September 2015	IBRD $200,000 request noted	Decision Project document

Project details
The objective of the project is to scale-up private sector investment in geothermal energy development in Turkey. This includes a risk sharing mechanisms (RSM) for resource validation, which will be capitalised by the CTF contingency recovery grant. The RSM "aims at reducing the risks taken on by the private sector

covering a pre-defined percentage of the drilling expenditure incurred by the license holder during exploratory phases. In the case of success, the license holder will be required to contribute a ‘success fee’ to the RSM as a way to reduce the rate of depletion of the RSM capital and maximise the number of projects to be supported.” It will also set up a loan facility for resource development and power plant development stages.

Key donor questions and concerns prior to approval
The UK raised concerns that the CTF funds “are effectively replacing subsidy/support previously provided by the MTA [General Directorate of Mineral Research and Exploration of Turkey], and that CTF funds will effectively be freeing up MTA resources for mining extraction”. It asked for information on why the MTA is no longer providing this support.

The IBRD responded that “MTA used to take significant early stage geothermal risk by carrying out exploratory drilling, but since 2007 their mandate has changed … since MTA only carries out limited exploration and drilling activities to identify geothermal sites … there will be no diversion of MTA resources to other activities.”

3 Pilot Program for Climate Resilience

3.1 New pilot countries

Following the November 2014 decision to invite eligible countries to express interest in joining the PPCR (see *CIFs Monitor* 11), in the May sub-committee meeting 10 out of 33 countries that applied were selected as new pilot countries: Bhutan, Ethiopia, Gambia, Honduras, Kyrgyz Republic, Madagascar, Malawi, Philippines, Rwanda and Uganda. It was agreed that up to $1.5 million would be provided to each new pilot country in order to develop the Strategic Program for Climate Resilience (SPCR), however, the sub-committee emphasised "that at present there is not sufficient funding under PPCR to finance the projects and programmes that may be proposed in the SPCRs". Supplemental budget requests for MDB support to develop the programmes will be considered by mail. It noted "its expectation that there will be climate finance available to fund high-quality projects and programmes", and asked the MDBs and new pilot countries "to design the SPCRs to attract funding from other sources, including the GCF, in addition to any resources that may become available in the PPCR." It also encouraged "further collaboration between PPCR pilot countries, MDBs, the GCF and the CIF administrative unit on the development of SPCRs to facilitate compatibility with GCF's future investment criteria."

The sub-committee also requested that the CIF administrative unit review and provide an update on "resource availability", in order for the sub-committee to "consider approval of the inclusion of an additional five to six countries." A June paper by the CIF administrative unit, in collaboration with the trustee and the MDBs, recommended that no more countries should be invited to join the PPCR until further resources become available. The paper noted that the PPCR faces a $79.5 million deficit, given indicative resources available and the projected demand for funds. A release of funds set aside to manage currency exchange rate risk of outstanding pledged funds could reduce the deficit to $31.3 million. However, this calculation takes into account a provisional pledge of $70.9 million in new funds from the UK. Without these pledged funds the deficit would rise to $102.1 million.

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.

PPCR is piloted in 19 countries and two regions. 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, of the regional groupings Papua New Guinea's SPCR was approved in the November 2012 and Haiti's in May 2013. In May 2015, ten new pilot countries were invited to join phase II of the PPCR: Bhutan, Ethiopia, Gambia, Honduras, Kyrgyz Republic, Madagascar, Malawi, Philippines, Rwanda and Uganda.

As of end June 2015, $1.2 billion had been pledged to the PPCR. A total of $1.1 billion had been allocated for 74 projects and programmes. Out of this $863 million has been approved for 51 projects.

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

3.2 Private sector set-aside

The May sub-committee meeting noted "the low conversion of concepts to approved [private sector set-aside] projects thus far", and called on the MDBs to submit endorsed project concepts "with good prospects for approval as soon as possible." Following the November agreement to expand invitations to the PPCR private sector set-aside to "eligible low and lower middle income countries" (see *CIFs Monitor* 11), it asked for future set-asides "to be open to proposals for new private sector projects … from all CIF countries, with concepts to be submitted "on a rolling basis (without a call for proposals and expert group review)". It was agreed that MDBs "can submit requests to support technical assistance … for projects in all CIF countries", however, priority will be given to projects in PPCR countries and low-income and lower middle-income CIF countries.

Furthermore, the proposals must meet the following criteria:

i. "The investment will be made in a region or industry sector that faces demonstrable adaptation challenges and can act as a demonstration pilot for low income countries by being replicable and sharing relevant experience and learning;"
ii. "The investment must demonstrate significant direct benefits by (A) making the livelihoods of small-scale private actors more resilient to climate change, or (B) providing the co-benefit of increased community resilience, for example, by reducing pressure on scarce water resources, increasing food security, or increasing the resilience of the local community to extreme weather;"
iii. "Other countries will only be allowed to receive non-grant financing for private sector operations, including through MDB public sector arms. For private operations the minimal concessionality principle applies. Grants for technical assistance can be accessed as described above;" and
iv. "A cap will be set on funding investments in such countries to ensure adequate resources are available for PPCR and low-income CIF countries."

The CIF administrative unit was tasked with proposing levels for the cap "once a funding envelope becomes available." It was also agreed that low income countries will be able to access both grants and concessional finance.

3.3 Selected project updates

3.3.1 Bolivia: dam safety concerns

Project name	Amount and date approved	MDB services	Key project documents
Multipurpose drinking water and irrigation program for the municipalities of Batallas, Pucarani and El Alto	$42.5 million (grant) 14 October 2015	IDB $250,000 (final tranche of $500,000)	Decision Project document

Project details

The project aims to "increase the climate resilience of the water supply system for the benefit of the people living in the metropolitan area of La Paz and El Alto and in the municipalities of El Alto, Batallas y Pucarani. The specific objectives are to: (i) increase drinking water service coverage and continuity for the municipalities of El Alto, Batallas and Pucarani; (ii) create experiences and lessons for the integration of the climate change approach into the planning, design and implementation of water projects in high mountain areas; (iii) start the preparation and implementation of a multi-purpose, participative, sustainable, resilient and gender-focused pilot plan for integrated watershed management; (iv) lay the groundwork in order to have a climate change-resilient water supply system for the metropolitan area of El Alto; and (v) reduce climate change vulnerability of productive irrigation systems located in the project area by improving water resource use and distribution efficiency."

Key donor questions and concerns prior to approval
The UK noted that "a number of environmental and social risks have been raised by the review against IDB safeguards", and asked for details of responsibilities for implementation. It also asked how gender will be mainstreamed in the programme design. The US raised several questions of clarification, including on plans for the 13 households that require resettlement. It also asked whether a safety panel had been convened to assess the two dams to be built by the project. Moreover, it requested further information on critical habitat analysis, specifically the loss of 70 hectares (ha) of bofedales (wetland).

On gender the IDB explained that "public consultations have specifically targeted women's groups in order to further develop social programmes which will directly benefit women in the area." It clarified that no physical resettlement will take place, but that economic displacement due to temporary loss of agricultural or grazing land will affect 13 households. Furthermore, according to the IDB no safety panel was in place due to the low risk and the fact that downstream communities are located above the potential flood area. It further responded that its safeguards unit has classified the bofedales as 'natural habitats' rather than 'critical natural habitats'. This requires a cost-benefit analysis, which it confirmed was ongoing. Moreover, it confirmed that the bofedale losses will be offset by the restoration of at least 70 ha of bofedales in the surrounding area. A community engagement process will identify which areas will be restored.

The US responded that it "does not join the consensus to support this project, but does not block the decision to award PPCR funding. We are concerned that safety considerations surrounding the dams to be constructed by the project have not been adequately explained in the documentation available to us. We would like to flag the need for a fuller discussion of this issue before the project moves forward to the IDB board."

3.3.2 Cambodia: questions on resettlement and climate impacts

Project name	Amount and date approved	MDB services	Key project documents
Climate resilient rural infrastructure in Kampong Cham Province (as part of the Cambodia: Rural roads improvement project II)	$7 million (loan) $9 million (grant) 25 September 2015	ADB $390,000	Decision Project document

Project details
The project aims to "rehabilitate about 1,200 kilometres (km) of rural roads in ten provinces to paved condition. The rehabilitated roads will provide poor rural provinces with a safer, cost-effective rural road network with all-year access to markets and other social services." In addition the project will support other programmes, including a community-based road safety programme, HIV/AIDS and human trafficking awareness and prevention programme, and climate change adaptation measures. The project is expected to improve access to markets, jobs, and social services in nine provinces.

Key donor questions and concerns prior to approval
The UK commented: "We are aware of resettlement problems that have been experienced in other infrastructure programmes within Cambodia. … we would like reassurance that the ADB will be ensuring similar problems are not faced as part of this rural road improvement project, and that all lessons from the previous programme are being incorporated (including the need to base resettlement plans on up-to-date data)." The US seconded the concern about resettlement issues.

Germany asked for clarification on "how exactly climate change is taken into consideration when improving 'rural roads to climate resilient paved condition' and how the 'climate resilient paved roads' will be different from regular paved roads." PPCR civil society observer LEAD Pakistan asked for detail of the community engagement strategies, to ensure local buy in.

On resettlement issue, ADB responded that all the roads already exist, and "only roads that do not trigger resettlement have been included". On climate change considerations, it explained that "climate resilient paved roads integrate design features that reduce the vulnerability of the road to the expected wetter conditions, more extensive and longer flooding and other future climate changes". On community engagement, the ADB responded that "close consultation with affected communities will be conducted throughout."

Project name	**Amount and date approved**	**MDB services**	**Key project documents**
Private sector set-aside: *Rainwater harvesting and drip irrigation for high-value crop production*	$5 million (loan) 8 September 2015	ADB $300,000	Decision Project document

Project details
The project is part of a larger package of assistance by the ADB, targeting the spice value chain. Its objective is to "introduce rainwater harvesting and drip irrigation technologies coupled with high-value crop production to improve the climate resilience of Cambodia's agricultural sector, reduce drought-induced crop failures and to improve productivity and income for small scale farmers. Using drip irrigation fed from harvested rainwater, farmers will be able to irrigate year round and improve yields of high-value crops such as spices without having to extract water from rivers, lakes, or groundwater reserves. To enable farmers to purchase these technologies, a line of credit to farmers using ($4 million PPCR funds) would be provided to approximately 1,000 farmers through a local bank." The expected outcomes include "the introduction of a financially sustainable private sector agri-business model that promotes export-oriented, high revenue-generating agricultural activity."

Key donor questions and concerns prior to approval
The UK raised concerns, including: "There may be a risk that the focus on higher-value crops as part of this programme will mean that farmers will switch entirely from the subsistence crops necessary to feed themselves and their families, so that they need to buy in these products. Assurance as to how this will be mitigated would be useful. Also, we understand that rubber has undergone some considerable price fluctuations in recent years – will there be any mitigation of this risk to the farmers' income if this is one of the crops to be distributed?" It also noted "that a risk has been raised within the proposal around the ability of farmers to pay back the loan after three years". Both the UK and US raised questions around possible resettlement: "We understand that there may be certain risks around land use attached to the project – could ADB please confirm that there will not be any risk of evictions as a result of this programme of work?"

PPCR civil society observer LEAD Pakistan commented: "A significant number of high efficiency irrigation projects have failed in the region due [to] various social, economic and technical constraints. It is advised that this project should take adequate cognisance of these initiatives to avoid the same fate."

ADB responded that the project has been designed "to help diversify local farmers' income rather than to shift entirely to high value crop farming." On the ability to repay the loans it noted that previous experience in the region has been "very positive with an almost zero non-payment rate to date". On resettlement risks, the ADB confirmed "that there will be no resettlement activities as a result of the project", however, it pointed out that "In Cambodia, very few farmers have 'formal' land titles." It "noted" the concern raised by LEAD Pakistan.

3.3.3 Nepal: hydropower and risks concerns

Project name	Amount and date approved	MDB services	Key project documents
Expansion of IFC-PPCR strengthening vulnerable infrastructure project	$14.4 million (loan) 12 June 2015	IFC $440,000	Notification Project document

Project details
The project relates to *Investment project-2: Climate proofing vulnerable infrastructure* under the IFC programme *Building climate resilient communities through private sector participation*. According to the documentation related to the expansion of the project: "To date, IFC has invested in one hydro project under the IFC-PPCR project, and based on IFC's engagement and business development in the sector, there is a need for additional investments to strengthen vulnerable hydropower plants in Nepal against climate change impacts. IFC is, therefore, proposing to access additional PPCR concessional finance for Nepal that remains unused ($14.40 million) from Nepal's endorsed SPCR to expand its investments and meet the demand for financing climate resilience in Nepal's hydropower sector … thereby increasing total allocation for this project from $3 million to $17.40 million (with the addition of $14.40 million)."

Key donor questions and concerns prior to approval
The UK noted "that there was no risk assessment within the programme proposal." It also asked for the indicators to be streamlined with the indicators in the PPCR results framework. The US commented that "given the potential environmental and social risks associated with the hydropower sector, we would encourage the IFC … to conduct thorough due diligence with respect to risk assessment and mitigation of identified risks, ensuring effective engagement with affected peoples and stakeholders, and requiring transparency and timely public access to information on environmental and social impact assessment and management plans."

Germany asked for clarification on why the funds had been reallocated from another project. It also asked for the timeline to be revised in light of the recent earthquakes. It added: "The project intends to finance up to five hydropower projects … However, the proposal does not mention if site-specific vulnerability assessments and other climate-related information have informed the selection procedure … Moreover, the proposal does not seem to elaborate in sufficient detail on the social and environmental risks of the foreseen hydropower projects." It also asked for gender considerations to be reflected in the results framework "by adding additional indicators or disaggregating existing indicators by gender."

The IFC responded that it was unable to provide risk assessment reports at the time of proposal submission due to it being "at a fairly early stage" in the project cycle, but that they will be made available "on a project-by-project basis" after sub-committee approval. It clarified that the former project allocated with the funds *"*was a public sector project that would require the government of Nepal to use the concessional finance available for it as a loan. As a low income country faced [with] debt distress, it did not seem prudent for the public sector to take on additional debt, and therefore, the funds have remained unused." Furthermore, the IFC referred to its performance standards, clarifying that "social and environmental risk assessment and vulnerability assessment for infrastructure is a standard requirement of IFC's operations", which include gender provisions.

3.3.4 Mozambique: PPCR relevance and costs questioned

Project name	Amount and date approved	MDB services	Key project documents
Smallholder irrigation feasibility project	$575 million (grant for advisory services) 1 May 2015	IFC	Decision Project information document

Project details
The overall objective of the project "is to promote private sector investments in irrigation in Mozambique and consequently increase smallholder farmers' agricultural productivity and strengthen farmer's resilience to climate change. The project aims to demonstrate the technical and financial viability of multi-purpose irrigation schemes that will benefit smallholder farmers. This objective will be pursued through working with and leveraging the investment of a leading agroforestry firm operating in Mozambique and a current IFC client. Once the technical and financial viability of multi-purpose irrigation schemes is demonstrated under this project, the client will explore the possibility to invest in the construction of appropriate infrastructure for irrigation to scale up project impact and scope."

Key donor questions and concerns prior to approval
The UK commented that the proposal "does not provide evidence as to how this project fits into the PPCR results framework/core indicators." Furthermore: "The project management fees are 8.7 per cent of the investment, which seems higher than other projects we have seen - it would be helpful to understand why this might be." The US noted: "the three components of the project do not seem to include an expectation of community engagement in decisions about the water reservoirs … or consideration of possible social issues … that may be relevant." Questions on how the learning would be shared were also raised, including by Germany, which noted that the project " does not indicate how it intends to disseminate relevant learnings within key stakeholder groups in Mozambique nor in the region".

The IFC acknowledged that the project "will not directly contribute to the PPCR core indicators". It argued that the project management fees "is consistent with other IFC operations". On community engagement the IFC confirmed "that the client has already engaged in extensive consultations at household and community level to obtain access land for its operation (planting trees). The water points described in this proposal would be part of the overall land access process." It added that "the client has engaged IFC in a separate advisory services programme to support their work on stakeholder engagement and community development … The activities described in the PPCR proposal will be an integral part of this comprehensive programme." On learning the IFC noted that "the results of the feasibility assessments are expected to feed into the design and development of multi-purpose irrigation facility projects that will contribute to the learning and knowledge on these types of irrigation schemes."

4 Forest Investment Program

4.1 New pilot countries

Following the November decision to invite new countries eligible for FIP funding to submit expressions of interest to join the programme (see *CIFs Monitor* 11), and based on the recommendations by the expert group and funding available, the May sub-committee meeting approved six new countries: Congo Republic, Ecuador, Guatemala, Ivory Coast, Mozambique and Nepal. It further agreed that each country will be provided with a preparation grant of up to $250,000, with an expectation that their investment plans are put forward for endorsement within two years. Furthermore, up to $145 million will be available to fund "a number of the project concepts identified." Additional grants of up to $30 million will be made available for the Dedicated Grant Mechanism (DGM, see box). However, the sub-committee warned that "FIP resources are insufficient to fully fund the future investment plans of all high ranked countries", and clarified that the new countries are expected to also "actively seek resources from other bilateral or multilateral sources".

Despite the funding concerns, the sub-committee also agreed to provide $2.25 million to an additional nine countries (Tunisia, Bangladesh, Zambia, Cambodia, Cameroon, Guyana, Honduras, Rwanda, and Uganda) to develop investment plans, but "with the clear understanding that there are no FIP resources currently available for the implementation of these investment plans". It urged the countries "to actively seek resources from other bilateral or multilateral sources to fund the investment plans" together with the MDBs. Any country that is unable to complete an investment plan within two years will be replaced by one or more of the countries that remain on the expert group's list. Furthermore, the sub-committee asked the CIF administrative unit to develop a proposal for an independent expert group tasked to offer support for all new countries.

Forest Investment Program (FIP) explained

The FIP is a financing instrument aimed at assisting countries to reach their goals under the reducing emissions from deforestation and degradation (REDD+) initiative. It was set up in 2009 and 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.

A Dedicated Grant Mechanism for Indigenous Peoples and Local Communities (DGM), which provides grants to support their participation in the development of FIP investment strategies, programmes and projects, was operationalised in 2014.

The FIP is piloted in 14 countries. All investment plans have been endorsed for the original eight countries: Brazil, Democratic Republic of Congo, Laos, Mexico, Burkina Faso, Ghana, Indonesia and Peru. In May 2015, six new countries were approved to join the FIP: Congo Republic, Ecuador, Guatemala, Ivory Coast, Mozambique and Nepal. A further nine countries were invited to develop investment plans: Bangladesh, Cambodia, Cameroon, Guyana, Honduras, Rwanda, Tunisia, Uganda and Zambia.

As of end June 2015, $787 million had been pledged to FIP. A total of $490 million has been allocated to 38 projects and programmes, including $20 million for four projects under the private sector set-aside and $50 million for DGM. Out of this $298 million has been approved for 20 projects and programmes.

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

Contingent on available resources, the sub-committee also expressed an interest in "potentially pursuing" new concept notes from the current pilot countries: one from Laos (IBRD), one from Ghana (IBRD) and two from Brazil (IDB and IBRD). Moreover, it asked sub-committee members to submit comments on two project concept notes: one from Burkina Faso (AfDB) and one from Democratic Republic of Congo (AfDB). On the latter, FIP civil society observer Global Forest Coalition in a May blog questioned how the establishment of large-scale oil palm plantations could be defined as "agroforestry". The blog asked why "the establishment of oil palm plantations would contribute to reducing deforestation in a country where plantations have been identified (in a UN-REDD report) as one of the drivers of forest loss."

In an August decision the sub-committee agreed that an indicative funding allocation of up to $24 million should be provided to each of the six new pilot countries, however, it reiterated that the countries are also expected to "actively seek resources from other bilateral or multilateral sources." It stated that "all allocation amounts are indicative for planning purposes" contingent on "high quality investment strategies and associated project and programme proposals." On the DGM it proposed that "the global component could receive up to 10 per cent (or $3.0 million) of the newly allocated resources." Prior to the approval the US questioned the proposed allocation of grant funding to Mozambique and Ivory Coast, noting "that they are receiving less than 50 per cent grants in the proposed allocation, and are not sure that this is consistent with the debt sustainability framework for low income countries." Furthermore: "we would like additional information on the proposed $3 million allocation to the global component of the DGM. How was this figure arrived at? What specific additional costs will the DGM global component bear as a result of the addition of DGM programmes in these six countries?"

4.2 FIP investments and performance-based mechanisms

A draft document on linkages between FIP investments and performance-based mechanisms, which compared FIP with the Forest Carbon Partnership Facility and provided options to "improve the coordination of international REDD+ finance" given the limited scale of finance available, was discussed in the May sub-committee meeting. The sub-committee noted that the current funding level is insufficient to address the financial needs of developing countries and that "in many cases a combination of investment and incentives will be required". Given the "complexity of the issues analysed" and the "divergence among the views of various stakeholders", the sub-committee called for comments to be submitted to the CIF administrative unit. The sub-committee further requested that where appropriate new FIP countries and the MDBs should include information on the coordination of REDD+ finance when designing FIP investment plans, projects and programmes. It asked the CIF administrative unit, in collaboration with the MDBs, to present status updates for these countries in the FIP semi-annual report.

4.3 Selected project updates

4.3.1 Burkina Faso: concerns about broad definition of forests

Project name	Amount and date approved	MDB services	Key project documents
DGM: *Local forest communities support program*	$4.5 million (grant) 18 June 2015	IBRD $435,000 (final tranche of $775,000)	Decision Project information document

Project details

The project is implemented together with the International Union for the Conservation of Nature, with the objective is to "to strengthen the capacity of targeted local communities (LCs) in five regions of Burkina Faso to participate in the REDD+ programmes at local, national and global levels." It consists of three components: the development of managerial, technical capacities and skills of local communities; support for the development of economic and sustainable natural resource management activities; and funding for coordination, management, monitoring and evaluation.

Key donor questions and concerns prior to approval
Civil society observer Global Forest Coalition raised questions about the definition of forests, which it argued "seems to be vague and very broad [which] could lead, among other things, to confuse tree plantations with real forests. … We believe that the promotion of tree plantations is not necessarily linked to forest conservation and certainly not to conservation and enhancement of biodiversity." It also cautioned that the lack of clarity on the type of species to be used in mixed forests and woodlands "could lead to the use of alien species that are ecologically harmful for the remaining natural landscape."

4.3.2 Indonesia: question on support for industrial logging

Project name	Amount and date approved	MDB services	Key project documents
Promoting sustainable community based natural resource management and institutional development	$17 million (grant) 8 October 2015	IBRD $627,000	Decision Project information document

Project details
The project aims to support "priority investment in addressing drivers of deforestation and forest degradation." The higher objective is to reduce greenhouse gas emissions and enhance carbon stocks "while generating livelihood co-benefits". The development objective is to "build institutions and local capacity to enhance partnerships and improve the decentralised management of forests." It also aims to improve "local participation and spatial planning … to reduce unplanned deforestation and forest degradation." It consists of three elements: "improving the national and subnational legal, regulatory, and institutional context; capacity building for all relevant stakeholders; and learning-by-doing in 10 KPHs [forest management units] and disseminating the lessons and insights."

Key donor questions and concerns prior to approval
The UK noted: "There appears to be an inherent risk in the dual role of KPH as both regulator and service provider, as the roles seem to create a conflict of interest." The US asked: "Will the project in any way support or promote industrial scale logging in primary tropical forest areas in Indonesia?"

The IBRD responded that roles and functions will be clarified through technical assistance, which will also aim to remove the conflict of interest. Furthermore, it added: "The safeguards instruments will also require certification of forest enterprises that are harvesting timber, helping reduce the conflict of interest." No response to the US question was publically available at the time of writing.

4.3.3 Peru: timber harvesting criteria request

Project name	Amount and date approved	MDB services	Key project documents
DGM: *Dedicated Grant Mechanism in Peru*	$5.5 million (grant) 3 June 2015	IBRD $415,000 (final tranche of $725,000)	Decision Project information document

Project details
The project objective is to "support indigenous peoples in selected communities in the Peruvian Amazon in their efforts to improve their sustainable forest management practices." It will finance three components: native community land titling; indigenous community forestry management; and activities focused on

improving the governance and sustainability of the DGM: "All components will include activities or methodologies intended to increase capacity for forest governance at the community level." It will be implemented together with WWF Peru.

Key donor questions and concerns prior to approval
The UK raised issues regarding project delivery, governance and capacity issues, including on the complex governance structure: "It is not clear to us how the capacity of local grant recipients will be developed to the point that they will be able to put forward good quality proposals. We would also appreciate further assurances regarding the capacity to implement activities in the field, often in remote areas."

The US asked for further information about the eligibility criteria for timber harvesting projects mentioned in the project document, and called for the criteria to include "a requirement to demonstrate that the extraction is in fact sustainable and meets World Bank safeguard requirements, and would not include industrial scale logging in primary tropical forests."

The IBRD responded: "The main justification for what seems like a very complicated implementation arrangement is to address precisely what you identify in your comments as one of the challenges for this sort of project; how to reach the intended beneficiaries who live in very remote areas and are not easily reached (and by consequence are often excluded from many development projects) and who may not have the capacity or prior experience to prepare and implement their own proposals? During preparation, this issue was discussed many times and it was felt that direct implementation by the communities via their representative federations and organisations was the most appropriate and cost effective way to ensure that the DGM actually benefits these communities and not international consultants or NGOs as is often the case." No response was publically available at the time of writing regarding the US comments.

4.3.4 Democratic Republic of Congo: conflict of interest questions raised

Project name	Amount and date approved	MDB services	Key project documents
DGM: *Forest dependent community support project (FDCS)*	$5.5 million (grant) 3 June 2015	IBRD $550,000 (final tranche of $950,000)	Decision Project information document

Project details
The objective of the project is to "strengthen the capacity of targeted indigenous peoples and local communities (IPLCs) in 16 territories and at national level to participate in REDD+ oriented land and forest management." It will be implemented together with the Wildlife Conservation Society. Project activities "will be geared towards strengthening community capacity to: engage on policy; participate in land-use planning, production practices and organisation; and to develop as entrepreneurs and businesses. FDCS will also finance demand-driven local investments held by community organisations. This approach complements, and contributes to government's ongoing efforts to engage non-state actors, in particular local communities in sustainable natural resource management."

Key donor questions and concerns prior to approval
The UK asked how long-term impact will be sustained through the multiple projects "particularly if scattered across a wide area". It also questioned how local communities with non indigenous people will be represented. Furthermore: "How will the risk of competing interests between group representatives or self-interest be handled, and how will the influence of group composition on project selection be addressed?"

The US noted that a number of “important items” are missing in the project document, including a definition of eligible grant recipients and beneficiaries, a definition of eligible activities, and on safeguards. It also asked what provisions are in place for conflict of interest issues.

The IBRD clarified that the project will prioritise “integrated community projects that are part of a local vision for development rather than a collection of small initiatives.” It emphasised that non-indigenous local communities face “similar constraints” to indigenous peoples local communities and have therefore been included in the consultation process. On conflict of interest issues, the IBRD stated that this is part of capacity building and that the organisations “should find their own solutions by themselves (in a culturally appropriate manner)”, but that it will pay particular attention to “elite capture”, which had been identified as a specific risk.

5 Scaling up Renewable Energy Program in Low Income Countries

5.1 Concerns over slow progress

While the May SREP sub-committee meeting acknowledged "the challenges caused by unforeseen events in many pilot countries", it noted "with concern the slow progress and delays in the preparation and implementation of SREP investment plans, programmes and projects". The sub-committee also noted "the low conversion of concepts to approved projects" in the private sector set-aside, and called on the MDBs "to bring set-aside concepts with good prospects forward for approval as soon as possible." It asked the CIF administrative unit to conduct "a thorough analysis and propose measures to improve future private sector engagement". Moreover, it encouraged "further collaboration between SREP pilot countries, MDBs, the GCF, and the CIF administrative unit on the development of SREP investment plans to facilitate compatibility with GCF's future investment criteria."

5.2 Updates on investment plans

The investment plans for Mongolia, Bangladesh, Rwanda and Uganda will be discussed in the November sub-committee meeting.

5.2.1 Nepal's investment plan revised

Nepal's revised investment plan was approved in early May. A $20 million ADB and IFC small hydro programme was cancelled, with the funding reallocated to an ADB programme titled *Public and private partnership for solar development*.

Key donor questions and concerns prior to approval

Switzerland commented that it understood the reasoning for cancelling the small hydropower programme since it is now easier to find financing for this, but sought clarification on why it had been deemed unsuccessful, asking: "why no disbursements could be made from the allocation until now". It also questioned the assumption that the leveraging of SREP funds will increase compared to the original investment plan, as the revised plan shows lower figures for expected leveraging.

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.

SREP is piloted in 25 countries and one region. Six countries were selected in 2010: Ethiopia, Honduras, Kenya, the Maldives, Mali and Nepal. All the investment plans of the original pilot countries have been approved. A reserve list for new pilot countries has been agreed. Tanzania and Liberia's investment plans were approved in 2013 and Armenia, Solomon Islands and Vanuatu's plans in 2014. Two countries remain on the reserve list: Mongolia and Yemen. In 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. The investment plans for Ghana, Haiti and Nicaragua were approved in May 2015.

As of end June 2015, $798 million had been pledged to SREP. A total of $511.5 million had been allocated to 16 projects and programmes and $92.4 million for seven projects and programmes under the SREP private sector set-aside. Out of this $165 million had been approved for 17 projects and programmes, including one for the set-aside.

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

The UK asked for a number of clarifications, including on the actual use of the proposed funds: "What percentage of project funds will be used for grant/subsidy and/or credit? How will this revised investment plan work towards reducing subsidy dependence in the sector? How will the IP avoid excessive grant proportions going to captive generation projects with more limited wider benefits?" It also asked for "more consideration of the gender and poverty alleviation dimensions" in the project.

The ADB clarified that the dropped programme had not been put forward for MDB approval, since "conditions justifying SREP intervention changed considerably after sub-committee approval." On leveraging it explained that "SREP funds are expected to achieve greater leverage with respect to long-term market development than [small hydropower], as the upside potential is larger and more energy service companies and independent power producers participate in the market." On the use of funds the ADB responded that: "the details requested on grant vs. credit will be addressed during project preparation. The principle of minimum concessionality will be applied to the proposed project design." It also stressed that the SREP funds "will be deployed as output-based or results based aid, i.e., disbursed based on achievement of solar development milestones. A learning-by-doing approach will be adopted."

5.2.2 Ghana investment plan

Investment plan	Amount and date approved	MDB services	Key project documents
Ghana	$40 million request noted ($30 million grant, $10 million loan) 27 May 2015		Investment plan
Renewable mini-grids and stand-alone systems	$899,800 (preparation grant)	AfDB $200,000, first tranche (total of $400,000)	
Net metered solar PV for SMEs and lighting project	$610,500 (preparation grant)	AfDB $200,000, first tranche (total of $400,000)	
Utility-scale solar PV/wind power generation		IFC $450,000 request noted	

Ghana's investment plan was endorsed, subject to further comments being taken into account, at the May sub-committee meetings. The sub-committee reconfirmed "that all allocation amounts are indicative for planning purposes and that approval of funding will be on the basis of high quality investment plans and projects."

Key donor questions and concerns prior to approval
Switzerland asked a number of questions, including: "How is the requested SREP contribution split in grants and capital/loans? This split must be in compliance with the new rules for grant attribution, which provide that Ghana, as a country under moderate debt distress, is allowed to get 55 per cent of the SREP contribution in grants."

5.2.3 Haiti investment plan

Investment plan	Amount and date approved	MDB services	Key project documents
Haiti	$30 million request noted ($23 million grant, $7 million loan) 27 May 2015		Investment plan
Renewable Energy for the metropolitan area		IBRD $128,000, first tranche (total of $428,000)	
Renewable energy and access for all		IBRD $128,000, first tranche (total of $428,000)	
Off-grid electricity services for productive, social and household uses project		IFC $440,000 request noted	

Haiti's investment plan was endorsed at the May sub-committee meetings, subject to further comments being taken into account. The sub-committee reiterated "that all allocation amounts are indicative for planning purposes and that approval of funding will be on the basis of high quality investment plans and projects."

Key donor questions and concerns prior to approval
Switzerland questioned the PPP model proposed for the national electricity company, noting that "the technical and financial recovery … is a critical condition for the success of a PPP." It also asked "What is meant by wind-solar hybrid?" It further noted that the government of Haiti "has not provided for any financial contribution", which would be "welcome" given the "large amount of subsidies." Furthermore: "The projected private sector contribution of 43.5 per cent over the whole investment plan seems very ambitious. How realistic do the MDBs consider these projections?"

Norway also questioned the PPP model and the expected private sector contribution, noting that: "the assumed private sector leverage should be assessed into more detail." It also referred to the lack of "references to lessons from SREP projects in other countries", noting that as a fragile state "the enabling environment for successful implementation of SREP in Haiti is much more challenging". Furthermore: "Corruption is not listed as a risk and there is only one reference to corruption in the document."

IBRD argued that "the PPP remain the preferred and most likely option", noting that there is a dedicated government team supporting PPPs. It further confirmed that 'wind-solar hybrid' is "a hybrid between wind and solar that would feed into the existing diesel system." It clarified that the government will contribute, primarily "with budgetary resources for the implementation of the plan, including the staff time." The IBRD further agreed that the private sector contribution "seems high compared to similar projects. However, we are quite sure to meet this target … due to the large share of relatively attractive market segments covered", further noting that the "private sector contribution explicitly includes user payments." The government of Haiti added that "the estimates for private sector leveraged financing are conservative and based on feedback gathered through several rounds of consultations with relevant stakeholders in the energy sector (including representatives from the private sector) as well as a preliminary assessment of the project pipeline." It agreed that "the environment for successful implementation of SREP funded components [in Haiti] … is particularly challenging."

5.2.4 Nicaragua investment plan

Investment plan	Amount and date approved	MDB services	Key project documents
Nicaragua	$30 million request noted ($16.5 million grant, $13.5 million loan) 27 May 2015		Investment plan
Geothermal development and integral development of rural areas project		IDB $214,000, first tranche (total of $428,000)	
Geothermal development project		IBRD $128,000, first tranche (total of $428,000)	

Nicaragua's investment plan was endorsed during the May sub-committee meetings, subject to further comments being taken into account. The sub-committee reiterated "that all allocation amounts are indicative for planning purposes and that approval of funding will be on the basis of high quality investment plans and projects."

Key donor questions and concerns prior to approval
Switzerland noted that the plan "relies to a significant extent on contributions from the GCF already in phase I" and asked what efforts are "planned or under way … to tap GCF resources". Furthermore, it questioned to what extent the executing agencies "foreseen for the implementation of these programmes [are] already in the accreditation process with the GCF?" It also argued that "the projected private sector contribution for the geothermal component seems rather high in particular the expected readiness of private sector investors to share in the risk of resource confirmation", adding that "the results listed under 'transformative impact' seem far more ambitious than what may be reasonably expected from the SREP intervention."

IDB responded that Nicaragua has already appointed the ministry of environment as the national designated authority for GCF, also noting that "the ministry of energy, focal point for SREP, has expressed the interest to consider geothermal power as a technology to be promoted also in the context of GCF." It explained that "the geothermal development component … was designed to unlock investments in this sector through PPPs" with two approaches being explored relying on either the private or public sector taking the lead: "We think that this combination of approaches will at least lead to the development of two sites which would unlock the private investments presented in the table."

5.3 Selected project updates

5.3.1 Pacific region: project risk rating and capacity building

Project name	Amount and date approved	MDB services	Key project documents
Sustainable energy industry development project	$1.92 million (grant) 11 May 2015	IBRD $445,000	Decision Project document

Project details
The project forms part of the Pacific regional programme approved in 2012 and aims to "assist power utilities in Pacific Island countries (PICs) to increase their capacity to better exploit the potential benefits of renewable energy technologies in a sustainable manner. The proposed project will support (i) phase 1 resource mapping assessment of solar and/or wind capacity across ten PICs, (ii) technical assistance activities designed to increase capacity within the utilities of ten PICs on planning for and management of the integration of variable renewable energy in their systems, data collection and management, and the sharing of knowledge, and (iii) project management within the implementing agency. The grant funding from the SREP will be used to support technical assistance and project management activities under components (ii) and (iii)."

Key donor questions and concerns prior to approval
The UK noted "the substantial risk rating of this programme, based on the capacity of the partner organisation. The approach to capacity building also seems to largely rely on training, and while we agree that training may have a strong role to play, we consider that a more holistic approach to building capacity and delivery … will be required in order to achieve results now, and sustain those into the future."

ANNEX CIF CSO and indigenous peoples observers (alternates in parenthesis)[1]

	Africa	Asia/Pacific	Latin America	Developed countries	Indigenous peoples	Community based organisations
CTF	Janet Olatundun Adelegan, Global Network for Environment and Economic Development Research, Nigeria (Joseph Adelegan)	Irina Stavchuk, National Ecological Center of Ukraine, Ukraine (Andrii Zhelieznyi)	Jon Bickel, Swisscontact - Swiss Foundation for Technical Cooperation, Peru (Jocelyn Bueno)	Christiaan Poortman, Transparency International, Germany/ United States (Lisa Elges)	Grace Balawag Tebtebba Foundation, Philippines Legborsi Saro Pyagbara The Movement for the Survival of the Ogoni People, Nigeria	
SCF	Phillip Odhiambo, World Wide Fund for Nature, Kenya (Irene Mwaura)	Archana Godbole, Applied Environmental Research Foundation, India (Jayant Sarnaik)	Tania Guillen Bolanos, Centro Alexander von Humboldt Renovable (AHPPER), Nicaragua (Javier Mejía)	Bridget Burns, Women's Environment and Development Organization, USA (Eleanor Blomstrom)	Dennis Mairena Arauz Center for Indigenous Peoples' Autonomy and Development, Nicaragua Fiu Mataese Elisara, Ole Siosiomaga Society Incorporated (OLSSI), Samoa	
FIP	Gertrude Kabusimbi Kenyangi, Support for Women in Agriculture and Environment, Uganda (Caroline Akello)	Archana Godbole, Applied Environmental Research Foundation, India (Jayant Sarnaik)	Suyana Huamani Mujica, Derecho, Ambiente y Recursos Naturales (DAR), Peru (Martha Torres Marco-Ibáñez)	Coraina de la Plaza, Global Forest Coalition, The Netherlands (Simone Lovera)	Saoudata Aboubacrine, Tinhinane, Burkina Faso Mina Susana Setra , Aliansi Masyarakat Adat Nusantara (AMAN), Indonesia	

[1] New civil society observers were selected in February 2015. For contact details, see https://www.climateinvestmentfunds.org/cif/directory

					(Khamla Soubandith, CKSA, Laos) (Klaus Qicque Boliviar, Federacion Nativa del Rio Madre de Dios y Afluentes (FENAMAD), Peru)	
PPCR	Sani Ayoubai, Jeunes Volontaires Pour L'Environnement, Niger (Amina Issa Ado)	Ali Sheikh, Leadership for Environment and Development (LEAD), Pakistan (Hina Lotia)	Francisco Barnés Regueiro, Centro Maria Molina para Estudios, Mexico (Guillermo Velasco)	Bridget Burns, Women's Environment and Development Organization, USA (Eleanor Blomstrom)	Mrinal Kanti Tripura, Maleya Foundation, Bangladesh Fiu Mataese Elisara, OLSSI, Samoa	Dil Raj Khanal, Federation of Community Forestry Users, Nepal (FECOFUN), Nepal
SREP	Phillip Odhiambo, World Wide Fund for Nature, Kenya (Irene Mwaura)	Socheath Sou, Live & Learn Cambodia, Cambodia (Sean Vang)	Tania Guillen Bolanos, Centro Alexander von Humboldt Renovable (AHPPER), Nicaragua (Javier Mejía)	Aaron Leopold, Practical Action, United Kingdom (Lucy Stevens)	Dennis Mairena Arauz, Indigenous Peoples' Autonomy and Development, Nicaragua Paul Kanyinke Sena, Community Legal Resource Centre (CLRC), Kenya	