Climate Investment Funds Monitor 6

October 2012

Summary of key developments and concerns

- As the **Climate Investment Fund (CIF)** evaluation was launched, further questions were raised about the relationship between the CIFs and the UNFCCC's Green Climate Fund.
- Questions around country ownership, results and the role of the private sector are being discussed, including calls for a "stronger development focus".
- Initial funding was approved for new **Clean Technology Fund (CTF)** countries Nigeria, India and Chile. Controversy remained over the Philippines electric vehicle project and further concerns were raised around projects and programmes in Mexico, Turkey and Vietnam. The relationship between CTF and carbon markets is due to be discussed.
- Challenges and concerns in relation to and from stakeholders of the **Pilot Program for Climate Resilience (PPCR)** were raised. UK's PPCR support came under scrutiny, as well as Yemen's views on loans. Concerns were raised over involuntary resettlement in a Cambodia project, poverty impacts in the Caribbean and private sector projects in Dominica, Mozambique and Nepal. Water projects in Niger and Mozambique also came under scrutiny.
- Civil society observers of the **Forest Investment Program (FIP)** called for attendance of additional delegates to meetings, and initial meetings were held on the dedicated grant mechanism for indigenous peoples and local communities. Further CSO concerns were raised around Indonesia's investment plan. Other questions were raised on Brazil and Mexico projects and plans.
- Greater private sector participation was pushed in the **Scaling up Renewable Energy Program in Low Income Countries (SREP)**, while further questions were raised around Ethiopia's intention to export energy to Kenya as part of its investment plan.

Content

1 Introduction

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 48 countries worldwide. As of June, donors had pledged $5.2 billion to the CTF and $2.1 billion to the SCF ($1.1 billion for PPCR, $639 million for FIP and $392 million for SREP). Furthermore, in mid October Germany announced a €9.4 million ($12.1 million) contribution to the CIFs. 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 International Finance Corporation (IFC), and the World Bank.

This edition of the *CIFs Monitor* outlines recent developments at the CIFs and collates ongoing concerns over their operation. It builds on *CIFs Monitor 5*, published in May 2012. This edition reports on CTF trust fund committee and SCF programme sub-committee meetings and communications from May 2012 to mid October 2012. 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.

1.1 Country ownership

In May, the joint CTF-SCF committee approved proposals to strengthen coordination, stakeholder engagement and MDB collaboration at the country level to enhance country ownership of CIF programmes. The proposals include guidance on information exchange in CIF programmes and stakeholder consultations within CIF pilot countries. There is also guidance on outreach to stakeholders, their identification, effective participation and transparency.[i]

1.2 Results frameworks

In the November 2011 joint CTF-SCF meeting it was agreed that "simplified results frameworks should be prepared for consideration by the governing bodies, taking into account feedback from countries and the MDB country teams", leading to three to five agreed core indicators per programme. A revised SREP results framework was endorsed at the May sub-committee meeting, and PPCR, FIP and CTF proposals were circulated for consultation in mid August and early September. Northern CSO observer for CTF, the World Resources Institute (WRI), commented that some of the existing indicators could be enhanced to align "more closely with desired CTF outcomes". It also proposed that the indicators should reflect where national capacity has been strengthened through CTF. Finally, WRI welcomed the inclusion of co-benefits in the framework, but urged that they "must have a stronger development focus". The revised proposals will be discussed in the November sub-committee meetings.

1.3 CIF evaluation

In the May meeting, the joint CTF-SCF committee approved the conditions for the CIF evaluation, to be overseen by the Evaluation Oversight Committee (EOC), including representatives of each of the partner MDBs to the CIFs, and with an international reference group to advise EOC. The evaluation was officially launched with a draft approach paper in early July. The original timeline for feedback was two and a half weeks, but after complaints it was later extended by one more week. The consultation received 20 submissions from developed countries, 23 from developing countries, and one representing 12 NGOs from diverse locations. The NGO submissions raised a number of concerns, including "that the evaluation is not fully independent, given that it is being done entirely under the purview of the MDBs' own evaluation bodies, which effectively undermines its legitimacy". Furthermore, it pointed out that the evaluation should not "inform", but "share the experiences and lessons learned" with the United Nations Framework Convention on Climate Change (UNFCCC) Green Climate Fund (see section below) and emphasised that the evaluation "should explicitly recognise and address the CIF's 'sunset clause'". A number of other more specific recommendations were also raised.

The revised approach paper was approved by the joint CTF/SCF committee in early September. After the evaluation team is selected, the inception report is expected to be ready by December with an interim report to be discussed at the CIFs meeting in May 2013. The final evaluation report is expected to be presented at the CIFs meeting in November 2013. Further details are available on www.cifevaluation.org.

The UK published its annual internal evaluation of the CIFs in late July. The UK has approved funds for the CIFs on two occasions, £735 million ($1.2 billion) in 2009 and a further approval of up to £285 million ($456 million) in late 2011. The evaluation notes some problems, such as "there remains limited information on the expected results" on FIP. It promises to take a "tougher line" on this, including using the November meeting to "push for and ensure robust and measurable results frameworks are in place." Other challenges noted include "slow speed of disbursement and project approval", "variable quality of some investment plans and projects" and that "so far engagement and therefore leverage of private sector finance, has been limited". It also notes that "lack of clarity over future of CIFs and implications for the potential funding gap should the GCF not be up and running quickly" remains. Nevertheless, the review concluded that "outputs met expectations". Key recommendations include to keep pushing for the results framework to be finalised "to enable this improved monitoring of results" and to "push for a risk management framework". Furthermore, it noted that "close attention is needed to ensure lessons from the evaluation can be and are used in the design of the Green Climate Fund" and that "while good progress has been made on the measures to improve the CIFs, we should continue to watch implementation, for example on gender and development, and transparency."[ii]

1.4 CIFs and the Green Climate Fund

At the April PPCR meeting, the sub-committee requested the CIF administrative unit "prepare a paper outlining questions and issues related to relationship between the CIF and the Green Climate Fund". The paper, *CIF and the emerging financial architecture for climate change*, is due to be discussed at the November meeting and proposes to monitor GCF developments "so as to determine when it is timely and appropriate to give in-depth consideration to operational, financial and legal issues associated with the CIF sunset clause". Furthermore, the paper argues that the CIF "could be a useful channel for providing additional finance to developing countries as the GCF's structures are put in place", however, it notes that "additional resources would be required for this." The paper adds that "CIF governing documents provide for the option of continuing the operations of the CIF if the outcome of the UNFCCC negotiations so indicate."

The paper notes that these "strategic questions and issues impact on other decisions on the operations of the CIF". It outlines suggestions of "possible new 'thematic programmes' under the CIF", should new resources be made available to the CIF in the near term. This includes "targeting a specific technology" (such as geothermal energy, carbon capture and storage or minigrids), "an expanded approach to the management of transboundary resources" (such as sub-regional or regional programmes) and "targeted funding for instruments that deepen the engagement with the private sector" (such as wider testing of financial instruments and results based financing, including the use of financial intermediaries).[iii]

1.5 New implementation partners

An application from the European Investment Bank (EIB) to become an implementing agency was discussed in the joint CTF and SCF meeting in May, however, it was decided that any decisions “would be premature without a strategic discussion on the future of the CIF and clear procedures and criteria for designating new partner agencies.” Further submissions from German national development bank Kreditanstalt für Wiederaufbau (KfW) and the French aid agency L’Agence Française de Développement (AFD) were noted. [iv]

1.6 Private sector

The May meeting of the joint CTF-SCF committee reconfirmed “their commitment to promoting private sector investments within the CIF countries.” This includes providing “concessional funding for private sector investments with appropriate levels of subsidy elements when market gap is demonstrated”, encouragement of countries and the MDBs “in preparing new investment plans or revising/updating existing plans, to allocate an increasing share of CIF funding to private sector investments” and a reconfirmation that “CIF funding can be utilised in equity investments”. The CIF administrative unit and trustee, in collaboration with the MDB committee, was tasked with producing a proposal on how to facilitate the use of local currencies and a proposal for a financial risk monitoring and management framework for the CIFs, to be presented in the November meeting.[v]

2 Clean Technology Fund

2.1 Background

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 has so far endorsed 15 investment plans: Colombia, Egypt, Indonesia, Kazakhstan, Mexico, Morocco, South Africa, Thailand, Turkey, Ukraine, Vietnam, Nigeria, India, Chile and Philippines; and one regional formation for the Middle East and North Africa (MENA) covering Algeria, Egypt, Jordan, Morocco and Tunisia.

2.2 Updates

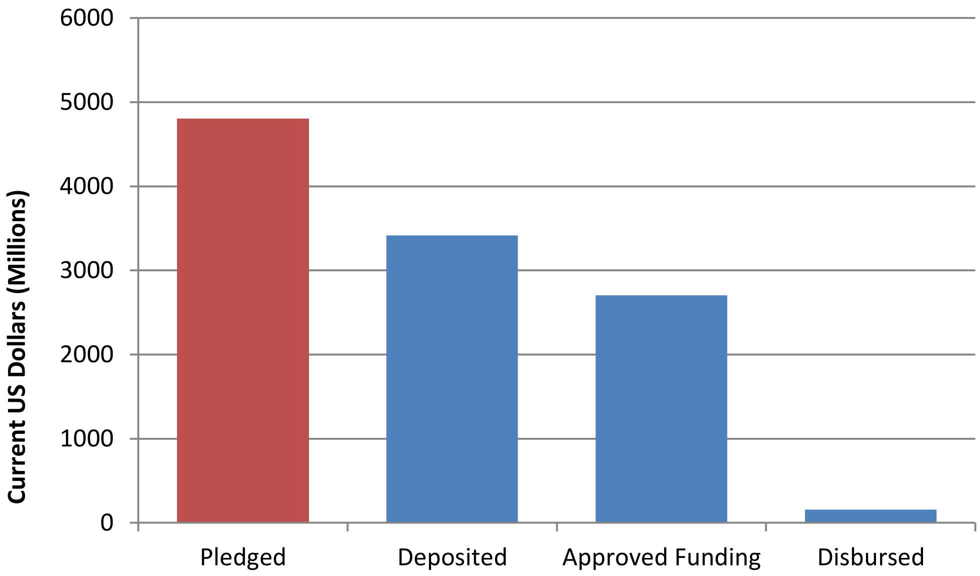
2.2.1 Resources

In the May sub-committee meeting, Canada announced a 200 million Canadian dollar ($202 million) contribution and the UK a contribution of £150 million ($214 million) to the CTF.

In order to trigger project or programme preparation under the endorsed investment plans of the new countries (Nigeria, India and Chile), at the May sub-committee meeting it was decided that resources pledged to the CTF trust fund will be divided into two phases. Phase I comprises pledges made 2008 to 2010, largely allocated to the 13 investment plans endorsed before November 2010, and phase II comprises subsequent pledges. The funding allocation under the latter will be approved in tranches. Following the $130 million reduction of funding requested for Thailand’s revised investment plan, the CIF administrative unit was asked to collaborate with the MDB committee to prepare proposed criteria for determining when funds can be released from phase I for phase II funding. These criteria will be considered in the November meeting. [vi]

As of September, 16 investment plans had been endorsed, 13 between 2008 and 2010 (phase I) to a total value of $4.22 billion and three after 2010 (phase II) with funding requests totalling $1.2 billion. Funding for 38 projects, including one from phase II, had been approved to a total value of $2.18 billion.[vii]

Graph 1: CTF funding[viii]



Chile's investment plan was approved at the May sub-committee meeting and the request for $200 million to finance the plan was noted, contingent on availability of funds. [ix] In August, the first tranche of funding for phase II countries of $416 million was approved with $68 million for Chile, $263 million for India and $85 million for Nigeria, to finance the development and implementation of investment plan activities.[x]

2.2.2 Delivery targets

In the May meeting the target to approve projects and programmes in an endorsed investment was set at 24 months. However, it was noted that a number of investment plans already exceed this target, and updates on these plans were expected in the next 12 months. Of the 13 plans endorsed under phase I, Morocco and Thailand's plans had been revised and endorsed and the Philippines plan was approved in August after revision. Regarding phase II countries the 24 months starts once the allocation of the first tranche of funding has been agreed.

2.2.3 Carbon markets

In the May meeting, the CTF committee requested the CIF administrative unit to prepare a paper on "the interactions between CIF financing and the carbon markets, including the current and expected scale of carbon market co-financing in the CIF pipeline". The paper, due to be discussed in the November meeting, concluded that "while there are interactions between the CTF and the carbon markets, the small portion of carbon market financing as a percentage of total leveraged finance in CTF-funded projects does not artificially promote carbon finance operations or distort the market. Rather, it appears that CTF projects are operating in sectors and locations that are able to attract commercial finance but that are not business-as-usual CDM [UNFCCC's Clean Development Mechanism] operations."[xi]

2.3 Concerns

2.3.1 Continued controversy over Philippines investment plan[xii]

The revised Philippines investment plan was approved in early August, with up to $250 million in funding. In respect of the controversial energy efficient electric vehicles (EEEV) project, the sub-committee welcomed "the intention of the government of the Philippines and ADB … to ensure continuous consultations with stakeholders during implementation through establishment of working groups."

Germany was in broad agreement, but noted that "there is still a lot of work to be done in terms of project design of the EEEV project". It also made two suggestions in terms of lessons learned: "streamlining the CSO feedback to the trust fund committee, for example by giving a coordinating role to the CSO representatives in the trust fund committee", and "discussing minimum standards for stakeholder consultations for CTF proposals, and maybe think about introducing a third party facilitator for such consultations." The UK was also broadly positive, but noted that "the board will need to scrutinise very carefully issues around stake-holder consultation when this project comes to it, and we expect this issue to be addressed fully and convincingly in the project proposal."

CSO observer WRI argued that "options have been dismissed with minimal explanation, the suite of remaining options analysed have not been identified, and an analysis of why the selected projects remain the best use of [CTF] funding vis-à-vis the other options is missing." Furthermore, WRI questioned the additionality assessments and argued that the value added of CTF funding "appears to be incremental, not transformational". The Philippines CSO observer Biodiversity, Innovation, Trade and Society (BITS) Policy Center, backed by NGO Climate Action Philippines, highlighted the newly approved feed-in-tariffs, guaranteeing investments for renewable energy firms through fixed rates, as "a game-changer" which has not been taken into account, and that therefore "there is no sound factual, political and even legal basis for the revised investment plan". Instead, BITS suggests other projects with less political risk are more viable for CTF funding, as identified by a CSO roundtable organised by Climate Action Philippines, government authority the Mindanao Development Authority and university think tank Ateneo de Davao Center for Renewable Energy and Alternative Technologies.

Philippines NGO Institute for Climate and Sustainable Cities (iCSC) also raised the feed-in-tariffs in their submission. Overall they were "disappointed" by the revised proposal, arguing that "a proposal that promotes a flawed, corruption-laden enterprise in the guise of supposedly lower interest rates, a proposal that disregards very pressing national, local, long-term and immediate clean power needs of the public; a proposal fails to show how and why it can be replicated; a proposal that as of this writing still cannot show any serious options analyses conducted cannot and should not be endorsed." Regarding the EEEV project it argued that "it has not been shown why CTF funds can be more transformative by funding etrikes rather than addressing incremental costs that would pave the way for the country's immediate transition to renewable energy".

The CSO concerns were backed in a submission by Bernarditas Muller, lead coordinator for the G77 and China at the UNFCCC, who argued that "financial institutions in a poor developing country exercise great influence, even if the money that is offered is in the form of loans, eventually paid back with interest, however concessional, by the country incurring this debt." Furthermore, she noted "that payment for these loans is taken from crucial programmes for the Filipino people, at a time when there is increasing frequency and intensity of extreme weather events that affect every aspect of our lives even as I write this letter."

Despite the significant concerns raised about the EEEV project, it was approved by mail in mid October, with $100 million in loans and $5 million in grants. Furthermore, $240,000 was approved for ADB implementation and supervision services. Prior to approval WRI raised further concerns and Climate Action Philippines stated “we Filipinos deserve a better project design if we are to enter yet again another financial agreement. We have nothing more to say except to appeal for prudence, and in turn for the halt of the full implementation of this project.”

2.3.2 Mexico energy efficiency project[xiii]

A $56.6 million IDB energy efficiency programme was approved in mid August. Germany welcomed the project, but raised a number of questions for further clarification, including whether the project “is based on lessons learnt opposed to merely replicating what has been done before” and whether “the problem of driving poorer households even further outside of urban boundaries” could be aggravated through the project. The UK also raised questions, including “how the project will impact poor people”. IDB responded that “the programme will significantly impact poor people, by reducing their energy expenditure, and by improving their comfort”. After reviewing the IDB’s responses, Mexican CSO observer Clean Air Institute recommended that “criteria and incentives be established as part of the programme to favour sustainable houses … to prevent dwellers to spend a considerable amount of time and fossil fuel energy (and therefore avoid GHG and air pollution emissions) in transportation.” They also noted the large number of abandoned houses in Mexico, and recommended that the project should “establish a provision to prevent the abandonment of sustainable houses”.

2.3.3 Turkey impact assessment[xiv]

A $244,000 grant for a CTF impact assessment, in collaboration with EBRD, IBRD and IFC, was approved in late August. The UK welcomed the initiative and encouraged other countries to consider similar exercises. Germany, whilst also welcoming the initiative, raised questions for clarification and wondered “why an assessment and analysis of the impact of the CTF funding provided to the projects/programmes in Turkey … has not been systematically included to a certain extent in the preparation of the original investment plan from the outset?”

2.3.4 Vietnam CTF financing questioned[xv]

Vietnam’s $30 million energy distribution project with IBRD was approved in late June, after addressing comments. Before the approval Germany raised concerns that they were “unclear about its projected impact on reducing [greenhouse gas] emissions”. IBRD responded that the main impact would be through demand reduction and also through reduced technical losses. The UK also raised concerns, including whether concessional finance from CTF was appropriate: “Can financing not be raised through the IBRD, local banks, large customers or the power companies themselves, given the obvious benefits?” IBRD responded that CTF was necessary for various reasons including that the “power sector in Vietnam is facing financing challenges due to the large volume of infrastructure investments planned to supply demand growth”. Other concerns included a lack of information on how poor people will benefit from the project. IBRD argued that “the proposed project aims to improve power distribution services by all [power companies], covering the entire country and benefitting all customers, including the poor”, and that poor people in rural areas would therefore benefit directly.

3 Pilot Program for Climate Resilience (PPCR)

3.1 Background

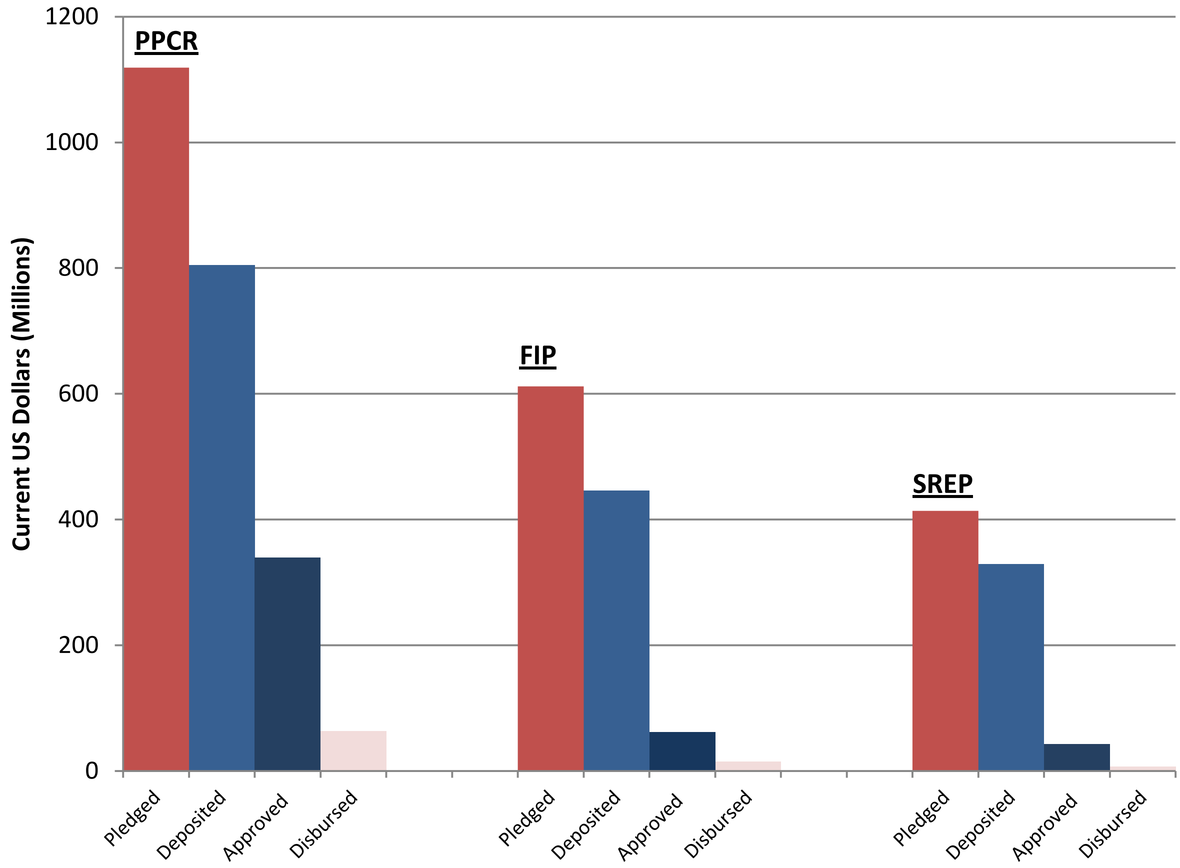
The PPCR aspires to demonstrate how climate risk and resilience can be integrated into core development planning and implementation. PPCR funding is disbursed in two phases, to support two types of investment: first technical assistance to allow developing countries to integrate climate resilience into 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 but two of the 18 participating countries' SPCRs have now been endorsed, as well as the two regional programmes. Papua New Guinea's SPCR has been submitted for the November meeting and Haiti has developed a first draft.

3.2 Updates

3.2.1 Resources

Graph 2: SCF funding[xvi]



At the April sub-committee meeting, the UK announced a further contribution of £85 million ($138 million) to the PPCR.[xvii] A total of $1.1 billion had been pledged by end June. As of October, 17 projects had been approved, totalling $274 million, of which $148 million is grants and $126 million loans.[xviii]

While the April sub-committee meeting spent time considering the allocation of $73 million in grant resources yet to be allocated, no agreement was reached and it will be further deliberated on in the November meeting. The CIF administrative unit and the MDB committee were asked to prepare a proposal with a reduced set of options but with more detail for the meeting.[xix]

3.3 Concerns

3.3.1 Stakeholder issues

The PPCR pilot country meeting in Zambia in March identified several key challenges relating to coordination with stakeholders, which were reported back in the April sub-committee meeting, such as collaborating with diverse stakeholders, managing stakeholder expectations and developing effective partnerships with stakeholders.

Furthermore, CSO observers presented a number of issues for consideration, including:

- that PPCR documents should be made available in advance of the current two week deadline, following practice from FIP and SREP;
- a request for funding support for developed country observers, in response to the CIF admininistrative unit's suggestion to extend the observers' term from two to three years;
- a suggestion of a one meeting overlap of outgoing and incoming observers to facilitate handover;
- a request for further clarification of the envisaged role of CSO's contribution to the PPCR results framework and M&E implementation.

3.3.2 UK PPCR support evaluated

Quick off the blocks?, an August report by UK-based NGOs CAFOD and Tearfund, reviewed UK support for adaptation to date, focusing on the UK's PPCR support to Bangladesh, Nepal and Niger. The UK is the largest donor to the PPCR and has channelled 75 per cent of climate finance through this mechanism. The report argues that "adaptation finance must not be used to fund a separate sector but should support an integrated approach to development planning". While it lauds the UK's bilateral assistance in this respect, it finds that little of this has been replicated in the PPCR. Despite the UK submitting recommendations to strengthen the CIFs in 2011, including improvements in country ownership and transparency, identification of results, lesson-learning, knowledge management and communications, the report argues that it is unclear how or if the UK is ensuring their implementation in the PPCR.[xx]

3.3.3 Yemen and loans[xxi]

Yemen's SPCR was discussed at length in the April sub-committee meeting, and provisionally endorsed subject to further developments. The sub-committee reconfirmed its indicative allocation of $50 million in grant resources and approved a $1 million preparation grant for two projects. It asked Yemen to provide revised project concepts for the remaining $11 million in grant resources under its indicative PPCR allocation. It also requested that Yemen"resubmit project concepts that would request PPCR credits should the assessment of Yemen's debt sustainability status become consistent with the PPCR policy on eligibility for credits in public sector operations." Both Germany and the UK congratulated Yemen on the SPCR but stated that "consistent with the PPCR decision of November 2011 not to provide loans to countries in high debt distress", they "cannot support the loan element" of the proposal. In return, Yemen appreciated the support given by both countries in preparing the documents, but pointed out that "we would prefer additional grant funding (particularly as a least developed country), but as sufficient grant funding is not available, access to highly concessional credit would help Yemen to strengthen climate resilience quickly".

3.3.4 Involuntary resettlement in Cambodia[xxii]

A project under the Cambodia SPCR component of climate resilient infrastructure for $4.4 million in grants and $5 million in loans, as well as a final tranche of $187,500 for implementation and supervision services to ADB, was approved in mid October. The project aims to develop "corridor towns" with an expected outcome of "improved urban infrastructure and enhanced climate resilience". While Japan, US and Germany were broadly happy with the project, subject to recommendations including stronger gender indicators, the UK expressed "some fundamental concerns". The project includes involuntary resettlement, and the UK stated that "there is little in the document we could see to explain the rationale for this or how the significant social and political risks associated with it will be mitigated". ADB responded that in accordance with their safeguards, resettlement plans have been drafted and that "project information has been disclosed to affected persons throughout the project preparation". Furthermore, a grievance redress mechanism has been put in place.

The UK also raised concerns around "the risks associated with such a large infrastructure programme of unsustainable management and of corruption", noting in particular that a "relatively inexperienced ministry with low capacity" would be in charge. The ADB countered that the infrastructure investments are relatively small, and that the ministry in charge "is one of the more experienced executing agencies in Cambodia". Furthermore, the UK questioned how the climate change analysis had been "applied to the bigger picture of the choice of investing heavily in economic growth and population expansion in areas that are highly climate vulnerable." The ADB responded that flood protection will help urbanisation which is "a positive development". According to ADB it could also increase land value, which could be beneficial for poorer land owners "if they pursue a joint strategy and approach to the possible commercialisation and later sale of land." Overall, ADB believes that "the proposed intervention is relevant beyond climate 'proofing' since it increases the buildable urban land and offers new investment opportunities in land development which did not exist prior to the project."

3.3.5 Private sector projects in Dominica[xxiii], Mozambique[xxiv] and Nepal[xxv]

Dominica's SPCR was endorsed in principle at the sub-committee meeting in April, subject to revisions based on comments. The sub-committee noted the requested $7 million in grant funding and $9 million in loans. In its comments, Germany asked for clarification around a number of areas, including on stakeholder roles and responsibilities and in terms of addressing gender issues. The UK also broadly welcomed the proposal, with particular attention to the proposed adaptation standards for the private sector, however, the US raised a number of questions on how this approach would work in practice.

In late May, $425,000 was approved for an IFC project to build climate resilience through private sector investment in Mozambique. While Germany supported the project, it raised concerns around the focus on financial intermediaries: "Considering the current stage of development of the Mozambican financial system, supporting adaptation investments through financial intermediaries will be a challenging goal to reach". It also raised questions around whether woodland management and sustainable harvesting, tourism and watershed management activities would be financially viable, and who the private sector actors would be. Furthermore, the UK raised concerns over how the project "will have a transformational effect on the lives of the poor communities in which the programme will be implemented." The IFC responded that "transformational impacts, rather than one-off demonstration projects, require actual uptake by private actors based on market drivers". It stated that it therefore "will use the project preparation period to clarify the climate risks which provide the most tangible threats to the private sector, and to identify the strategies which will yield practical resonance with private sector actors able to take action in the market." It also outlined examples of potential benefits.

A project aimed at building climate resilient communities through private sector participation in Nepal was approved in mid September with $2.1 million in grants and $6.6 million in loans. Furthermore, $400,000 was approved for IFC project implementation and supervision services. The UK welcomed the project, subject to comments on issues such as the lack of recognition of other private-sector-led agricultural projects in Nepal. Germany also welcomed the proposal, but raised concerns, including that "its indicators are too much input-oriented, and fail to measure whether the project is actually achieving its objectives, and whether it does make a measurable contribution to building climate resilience." It also commented that the project "does not appear to address how IFC and private sector partners intend to overcome farmers' reluctance to test and adopt innovations like improved seed varieties or irrigation systems."

3.3.6 "Conventional" water projects in Niger[xxvi] and Mozambique[xxvii]

A water resources mobilisation and development project for $22 million ($12.5 million loan and $9.5 million in grants) and a final tranche of $167,500 for AfDB implementation and supervision services was approved by mail in July. In its comments prior to the approval, Germany stated that "it is not immediately apparent to us how the proposed project would respond to climate change in a way different from any conventional water resources mobilisation and development project, and how the project would contribute to bringing about transformational change". It also pointed out that "the project's range of activities is broad and to some extent community based, but not clearly also community driven. Mechanism of communal decision making appear to be missing, and, more generally, communal action seems to be supported only rather weakly." Furthermore, the UK called for "issues such as land tenure and who will control access to mini dams and watering points for livestock, location of new watering points, and community-based management of natural resources, and in particular the degree of involvement of women in this management" to be more explicitly addressed in the proposal.

In August, the sub-committee approved $15.75 million in grant funding for a land and water resources management project in Mozambique, in collaboration with AfDB which received a final tranche of $255,000 for preparation and supervision services. The UK supported the project, but raised some issues for further elaboration, including that "there appears to be a gap in the results chain between the impact of 'poverty reduction and livelihood diversification' and the outcomes which measure increased improvements to yields, forest restoration and infrastructure built, but do not include any indicators on resilience or well being of the target population." They also questioned the project's high administrative costs. Germany also supported the project, but commented that it took "a fairly standard sustainable agriculture/land and water management approach" and asked for further clarification on "how the project will address specific climate challenges". Furthermore, they questioned the viability of the high financial rate of return expected.

3.3.7 Poverty impacts in the Caribbean[xxviii]

The Caribbean SPCR was endorsed in the April meeting, noting a funding request of $10.6 million in grants. $150,000 was approved as a preparation grant for an IDB project to be developed under the SPCR, as well as $200,000 for IDB project preparation and supervision services. Germany broadly welcomed the SPCR, though noted that "there is a strong need to work out the relationship with the national programmes and national government entities … in greater detail." It also listed a number of other comments and suggestions, including that issues around vulnerable groups and gender should be addressed in a special study during the preparatory process. The UK also pointed out that "it is crucial that targeting at poor and vulnerable groups and other key groups/individuals is improved across the region and at national level". The Caribbean Community Climate Change Centre, a regional intergovernmental body responsible for the submission, responded that the request for a study was “noted”, but that “it will not be feasible, however, for the climate change and climate centers to directly address gaps in poverty and vulnerability assessments.”

3.3.8 Papua New Guinea approval process[xxix]

In mid June, the Papua New Guinea SPCR was circulated for comments prior to approval, however, the UK complained that it did not find this process appropriate and advised that there should instead be an opportunity for presentations in a sub-committee meeting, to “ensure proper discussion and sufficient scrutiny of the SPCR’s quality”, which was supported by Germany. Subsequently it was decided to withdraw the SPCR, to be discussed instead at the November meeting.

4 Forest Investment Program (FIP)

4.1 Background

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, of which the investment plans of Brazil, Democratic Republic of Congo, Laos and Mexico have been endorsed, with 13 projects or programmes under development. Burkina Faso, Ghana and Indonesia have submitted investment plans for endorsement at the November meeting. Peru is expected to present its plan in the May 2013 sub-committee meeting.

4.2 Updates

4.2.1 Resources

See Graph 2 on page 9.

At the May meeting, Sweden announced a contribution of SEK 100 million ($15 million) to the FIP.[xxx] As of June, $610 million had been pledged, out of which $441 million were grants. As of September, a total of $220 million had been allocated for the endorsed investment plans, with $60.3 million approved. In total, $492 million has been allocated to investment plans and other expected allocations, leaving $118 million unallocated.[xxxi]

A CIF administrative unit proposal, in consultation with the MDB committee (which coordinates the MDB partners of the CIF), elaborating procedures for inviting and processing proposals to receive funding under the FIP reserve, was discussed at the May meeting. It was proposed that the first round of proposals should focus on “private sector activities addressing the drivers of deforestation and forest degradation such as agriculture and other relevant sectors”. Some sub-committee members requested amendments and clarifications to the proposal and recommended that approval should be deferred to the November meeting, which was echoed by several MDBs. [xxxii]

4.2.2 CSO participation

In the May meeting the Northern CSO observer Global Witness proposed that more than one delegate from elected observer organisations should be allowed to attend the sub-committee meetings. The CIF administrative unit was requested to disseminate current rules and deliberate other implications. In its submission for the November meeting, it estimated that the current costs for developing country observers is around $35,000 per meeting , which would double should they be required to fund an additional delegate from each developing country observer organisation.[xxxiii] No breakdown was provided for how this money is being spent.

4.2.3 Dedicated grant mechanism for indigenous peoples and local communities[xxxiv]

The World Bank is implementing the global element of the dedicated grant mechanism (DGM), which aims to enhance capacity and help facilitate the active participation of affected communities in FIP pilot country REDD+ activities. Six FIP countries have also chosen the Bank as implementer on a local level. A transitional committee will meet in early November, to set a common framework and agree operational guidelines, after which national steering committees can be formed to allow DGM to operate on a national level.

Meetings have been held in Ghana, Indonesia and Laos to launch DGM. The early July Laos meeting included participants from local and regional CSOs, MDB partners and the government of Laos. The lack of representation of local CSOs in the national REDD+ task force was discussed, in particular to represent DGM. The World Bank emphasised that key operational issues, including whether members of the national steering committee were eligible for DGM grants, would be made by the global steering committee, and hence members should be selected as a matter of urgency. There was an attempt to identify two representatives for Laos, however, the CSO representatives instead proposed to organise an internal meeting and notify the Bank. Notes from the meetings in Ghana and Indonesia were not publicly available at the time of writing. Further meetings will be held in other FIP countries.

4.3 Concerns

4.3.1 Continued CSO concerns in Indonesia[xxxv]

At the May sub-committee meeting, Indonesia provided an update on their investment plan, but cited civil society criticisms about the consultation process as one of the reasons for the delay in submitting the plan, which will instead be discussed at the November meeting. In advance of the November meeting the National Forest Council, an advisory body to the forestry minister, hosted a meeting with CSOs to discuss the revised FIP proposal. This included CSO comments already sent to the FIP team, based on an early September CSO workshop and from Indonesian NGOs Aksi and Solidaritas Perempuan together with US-based NGO ‘Ulu Foundation. The CSOs noted that very few of their comments had been incorporated into the revised plan, leading Aksi, Solidaritas Perempuan and ‘Ulu Foundation to resubmit their comments in mid October.

4.3.2 Brazil investment plan[xxxvi]

Brazil’s investment plan was endorsed at the May meeting, subject to further development, and the sub-committee noted a funding request for $37.52 million in grants and $32.48 million in loans. The meeting approved $300,000 as preparation grants for three projects to be developed under the investment plan. It also approved a first tranche of funding for MDB preparation and supervision services for four projects, three to IBRD and one to IDB, totalling $1.02 million. The UK asked for “an estimate of emission savings and cost-effectiveness”, as important to “demonstrating value for money to the UK public“.

4.3.3 Concessional finance in Mexico[xxxvii]

Mexico's project on financing low-carbon strategies in forest landscapes was approved in early September, with $5 million in grants and $10 million in loans. Furthermore, a final tranche of $250,000 for IDB project implementation and supervision services was approved. The project aims to create a dedicated financing line for communities and *ejidos* (communal land) through Financiera Rural (FR), a national development finance institution, to finance identified low carbon activities through sub-loans. FR is the borrower and executing agency of the FIP loan element, guaranteed by Mexico. Prior to the approval, the US asked for an extension and raised questions, including: "If a very high degree of concessionality [for FR] is in fact required, does this undercut the argument that the project is demonstrating a replicable and sustainable approach that will eventually be viable without FIP financing?" IDB responded that the level of concessionality is not particularly high "especially when considering risk factors associated with rural investments". It also pointed out that the concessionality to FR will be passed down through the interest rates for the communities and *ejidos*. Furthermore, it referred to the risks and costs associated with long term currency exchange rates, with CIF funding in US dollars or euros, which "effectively reduces the rate of concessionality awarded." While the UK broadly welcomed the project proposal, it raised a number of issues, including a request for an indicator of "people who will have improved livelihoods/incomes as a result of the project" and asked whether the project will generate and sell carbon credits, to which IDB responded "the possibility is open".

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

5.1 Background

SREP was approved in May 2009 and launched at the Copenhagen climate summit in December 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.

At the June 2010 SREP sub-committee meeting six countries were selected for pilot programmes: Ethiopia, Honduras, Kenya, the Maldives, Mali and Nepal. A seventh country, Tanzania, was added in March 2012. Furthermore, four countries and one region are on the reserve list: Armenia, Liberia, Mongolia, Yemen and the Pacific Region. As of September, the investment plans of Ethiopia, Honduras, Kenya, Mali and Nepal had been endorsed. Approval of the Maldives plan was delayed due to political uncertainties, but was due to be discussed in the October meeting.

5.2 Updates

5.2.1 Resources

See Graph 2 on page 9.

In the May sub-committee meeting, the UK announced an additional contribution of £25 million ($40.5 million) to the SREP.[xxxviii] As of June, a total of $392 million had been pledged. As of September, 21 projects are under preparation in the five investment plans with a total request of $184.6 million in funding ($127.2 million as grants and $49.6 million in loans). In addition, Kenya's Menengai geothermal project was approved in 2011 with $25 million. Furthermore, a total of $7.83 million had been approved as project preparation grants. A further 15 projects are expected to be endorsed in 2013, with a total request of $119.6 million.[xxxix]

5.2.2 Pipeline management

The May meeting concluded that the target of 36 months for project development is too long, and agreed to reduce it to 24 months. However, the MDBs requested flexibility to allow time for studies, paperwork and for different working environments, so it was noted that a longer time period could be accepted if indicated in the endorsed investment plan. [xl]

5.2.3 Private sector

In the May meeting an interest in having greater private sector participation was noted, and the CIF administrative unit was requested to "explore opportunities for convening a working group of interested parties, including sub-committee members, to consider how to maximise the private sector participation in the SREP." [xli] Subsequent to the May meeting, calls for further elaboration on private sector involvement were also raised in relation to two projects on biogas and off-grid electricity in Nepal where the UK urged that "IBRD and the government of Nepal give close consideration to how private sector investment and innovation may be leveraged by the application of SREP funds in this sector."[xlii]

5.3 Concerns

5.3.1 Ethiopia's energy export[xliii]

The Ethiopia investment plan was endorsed "in principle" at the March sub-committee meeting, and fully at the May meeting. Prior to the meeting Switzerland raised concerns, including that SREP resources "must primarily benefit the development through energy access and security of Ethiopia, and not serve to further increase electricity exports." At the meeting, Ethiopia defended the export to Kenya by stating that SREP funds will be for diversification of energy in the country and power generated with SREP funding will be used locally.

ANNEX

CIF CSO and indigenous peoples observers

	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	Camilo Nhancale, Kuwuka JDA, Mozambique	Archana Godbole, Applied Environmental Research Foundation, India	Bessy Bendana, Asociación Hondureña de Pequeños Productores de Energía Renovable, Honduras	Nathalie Eddy, Global Gender and Climate Alliance, USA	Saoudata Aboubacrine, Tinhinane, Burkina Faso Hortencia Hidalgo, Network of Indigenous Women on Biodiversity of Latin America, Chile
SREP	Judy Ndichu, Transparency International, Kenya	Padam Hamal, Neighbour Organisation, Nepal	Bessy Bendana, Asociación Hondureña de Pequeños Productores de Energía Renovable, Honduras	Ana Rojas, ETC Foundation, Netherlands	Legborsi Saro Pyagbara, The movement for the survival of the Ogoni People, Nigeria Grace Balawag, TEBTEBBA Foundation, Philippines
FIP	Gertrude Kenyangi, Support for Women in Agriculture and Environment, Uganda	Archana Godbole, Applied Environmental Research Foundation, India	Fernanda Gebara, Fundação Getulio Vargas, Brazil	Rick Jacobsen, Global Witness, UK	Juan Carlos Jintiach, COICA, Ecuador Khamla Soubandith, CKSA, Laos

					Alternates: Saoudata Aboubacrine, Tinhinane, Burkina Faso Marcial Arias, CICA, Panama
PPCR	Camilo Nhancale, Kuwuka JDA, Mozambique	Marion Verles, Nexus, Cambodia	Maria Zubiaga, Instituto Dominicano de Desarallo Integral, Dominican Republic	Nathalie Eddy, Global Gender and Climate Alliance, USA	Mrinal KantiTripura, Maleya Foundation, Bangladesh Fiu Mataese Elisara, OLSSI, Samoa

End notes

[i] https://www.climateinvestmentfunds.org/cif/sites/climateinvestmentfunds.org/files/FINAL_Summary_of_Co_Chairs_CTF_SCF_TFC_May2012_0.pdf

[ii] http://www.google.com/url?sa=t&rct=j&q=&esrc=s&source=web&cd=1&ved=0CB0QFjAA&url=http%3A%2F%2Fprojects.dfid.gov.uk%2Fiati%2FDocument%2F%2F3605534&ei=mP-HUPLcGIrJ0QXBnoDIAw&usg=AFQjCNFzwh3Ucv_PRGQmPmkYCW5vIzjxXg&sig2=6k7e6zvMxk1pxSwJfel67Q&cad=rja

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[iv] https://www.climateinvestmentfunds.org/cif/sites/climateinvestmentfunds.org/files/FINAL_Summary_of_Co_Chairs_CTF_SCF_TFC_May2012_0.pdf

[v] https://www.climateinvestmentfunds.org/cif/sites/climateinvestmentfunds.org/files/FINAL_Summary_of_Co_Chairs_CTF_SCF_TFC_May2012_0.pdf

[vi] http://climateinvestmentfunds.org/cif/sites/climateinvestmentfunds.org/files/FINAL_Summary_of_Co_Chairs_CTF_TFC_May2012.pdf

[vii] http://climateinvestmentfunds.org/cif/sites/climateinvestmentfunds.org/files/CTF_3_Semi_Annual_Operational_Report.pdf

[viii] http://www.climatefundsupdate.org/listing/clean-technology-fund

[ix] http://climateinvestmentfunds.org/cif/sites/climateinvestmentfunds.org/files/FINAL_Summary_of_Co_Chairs_CTF_TFC_May2012.pdf

[x] http://www.climateinvestmentfunds.org/cif/sites/climateinvestmentfunds.org/files/Approval_of_Request_to_Release_First_Tranche_of_CTF_Funding_for_Chile_India_and_Nigeria.pdf

[xi] http://www.climateinvestmentfunds.org/cif/sites/climateinvestmentfunds.org/files/CTF_9_CIF_financing_and_carbon_finance.pdf

[xii] http://www.climateinvestmentfunds.org/cifnet/?q=country-program-info/philippines-ctf-programming

[xiii] http://www.climateinvestmentfunds.org/cifnet/?q=country-program-info/mexicos-ctf-programming

[xiv] http://www.climateinvestmentfunds.org/cifnet/?q=country-program-info/turkeys-ctf-programming

[xv] http://www.climateinvestmentfunds.org/cifnet/?q=country-program-info/vietnams-ctf-programming

[xvi] http://www.climatefundsupdate.org/listing

[xvii] http://www.climateinvestmentfunds.org/cif/sites/climateinvestmentfunds.org/files/FINAL_Summary_of_Co_Chairs_PPCR_SC_April2012_0.pdf

[xviii] http://www.climateinvestmentfunds.org/cif/sites/climateinvestmentfunds.org/files/PPCR_3_%20Semi_Annual_Operational_Report_2.pdf

[xix] http://www.climateinvestmentfunds.org/cif/sites/climateinvestmentfunds.org/files/FINAL_Summary_of_Co_Chairs_PPCR_SC_April2012_0.pdf

[xx] http://tilz.tearfund.org/webdocs/Tilz/Research/Quick_off_the_blocks_D5.pdf

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[xxxii] http://www.climateinvestmentfunds.org/cif/sites/climateinvestmentfunds.org/files/FINAL_Summary_of_Co_Chairs_FIP_SC_May2012_0.pdf
[xxxiii] http://climateinvestmentfunds.org/cif/sites/climateinvestmentfunds.org/files/FIP_Inf_2_Rules_for_observer_participation_in_the_FIP_Sub_Committee_0.pdf
[xxxiv] http://www.climateinvestmentfunds.org/cif/Dedicated_Grant_Mechanism
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Bretton Woods Project
33-39 Bowling Green Lane
London EC1R 0BJ, UK
+44 (0)20 **3122 0610**
+44 (0)20 **7278 5667**
info@brettonwoodsproject.org
www.brettonwoodsproject.org