

Climate Investment Funds Monitor

October 2011

Summary of key developments and concerns

- At the November committee meetings CIF participants will review a new proposal to strengthen the operation of the CIFs. This document resulted from a submission from the UK which said the CIFs should focus on improving developmental impact, country ownership and transparency.
- The Clean Technology Fund will seek new pledges after approving a new investment plan from India, but concerns remain over the transparency of private sector projects, particularly those using financial intermediaries, and on the additionality of 'leveraged' private finance
- The Pilot Program for Climate Resilience sub-committee has approved eight new investment plans. Because of oversubscription by countries to available PPCR concessionary loans the sub-committee has capped the amount of finance available to countries as loans. There has been widespread criticism and protest from civil society groups in recipient countries over the use of loans in the PPCR.
- The Forest Investment Program has approved investment plans from Burkina Faso and the Democratic Republic of Congo, but significant concerns were raised by committee members over the plans, including on legal reform, land rights, developmental impact and whether they adequately addressed the drivers of deforestation.
- The Scaling up Renewable Energy Program in Low Income Countries sub-committee approved the Kenyan investment plan, but numerous concerns were raised, especially over developmental impact, energy access, and debt-creation.

Introduction

The 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: the Pilot Program for Climate Resilience (PPCR), the Forest Investment Program (FIP), and the Program for Scaling Up Renewable Energy in Low Income Countries (SREP). So far donors have pledged \$4.3 billion to the CTF and \$1.9 billion to the SCF.

This CIFs Monitor outlines recent developments at the CIFs, and collates ongoing concerns over their operation. It builds on the [previous CIFs Monitor](#), published in February 2011. It reports on CTF trust fund committee and SCF programme sub-committee meetings and communications from June onwards. These committees serve as the governing bodies of the funds.

Measures to improve the CIFs

There have been a number of internal discussions on how to improve the operations of the CIFs. At the joint CTF-SCF committee meeting in June 2011 the CIF administrative unit submitted a paper on potential measures to improve the CIFs¹. The paper noted areas where the CIFs could be reformed:

- Partnerships with international bodies like the UNFCCC
- The potential to seek more funding for the CIFs in order to expand operations and meet demand from countries interested in participating
- Improving the observer role
- Increasing country ownership of projects
- Using other MDB instruments such as development policy loans
- Improving active involvement of the private sector
- Increasing speed of disbursements
- Improving development impact and institutionalising gender in the CIFs

The UK, a major donor to the CIFs and instrumental in their creation, submitted a paper outlining its expectations for how they could be improvedⁱⁱ. It calls for:

- More attention to be given to development impacts and gender outcomes
- Increased evidence that implementing MDBs are securing country ownership and consulting with civil society
- Increased transparency of decision making processes and investment planning
- A stronger focus on results frameworks and knowledge sharing

In October 2011 the CIF administrative unit produced a new paper on improving the CIFs, which seeks to address some of the points made in the UK submission and at the June 2011 joint CTF-SCF committee meetingⁱⁱⁱ. It largely endorses the recommendations made by the UK.

The paper recommends:

- The establishment of 'country coordination units' to facilitate national dialogue, support coordination and improve reporting, that feedback on the extent of country ownership be included in reporting, and that MDBs and governments should use local consultants
- Working with the MDBs' private sector arms to identify new tools and modalities, and directly allocating SCF resources for increasing private sector involvement
- The MDBs work on improved indicators of development and poverty reduction impacts for each programme and project
- That CTF closed sessions be eliminated, and that the CIFs should comply with the International Aid Transparency Initiative
- That governments and MDBs mainstream gender with clients, projects and at country level, and calls for more gender disaggregated data
- For improved dialogue with the UNFCCC
- Also includes measures to improve results frameworks and communications

Bretton Woods Project report

In June the Bretton Woods Project released a report evaluating the adequacy of the CIFs as a model for the GCF^{iv}. The report highlights a number of ways in which operations at the CIFs demonstrate progress in climate finance mechanisms. It also collates concerns by civil society groups on how governance arrangements at the CIFs prevent meaningful participation by affected communities and civil society observers, and over the level of country and community ownership of projects. It highlights critical views on claims by the CIFs to leverage large amounts of private finance. It also notes that the CIFs overwhelmingly favour mitigation and, contrary to the polluter-pays principle, offer loans for adaptation. In addition it highlights the lack of developmental impact in CIF projects.

CIF observers

At the joint CTF-SCF committee meeting in June 2011 it was agreed that the process for selecting observers from civil society and the private sector would be reopened. This was after observers argued that the process, which opened in May 2011, did not provide clarity over selection criteria and that there was a general lack of awareness of the process amongst networks. Civil society and private sector observers both submitted documents outlining how the process should be improved. The new process opened in October 2011, and integrated most of the observers proposals, including strengthened selection criteria, and increased engagement with wider civil society networks.

A survey of CIF participants was conducted by Transparency International and presented at the CIFs Partnership Forum in June 2011. NGO RESOLVE, which managed the last observer recruitment process, also conducted a consultation process on the observer role. Both processes identified serious challenges and faults with the current observer model, including:

- Little clarity on what the role entails regarding the monitoring of projects on the ground
- Not enough support in training and information sharing to allow effective participation
- A lack of capacity to communicate with constituencies
- Not enough technical and financial support to allow effective communication with constituencies
- A lack of processes for observers to gather local feedback at country and project level
- No process to allow effective monitoring of projects or input on investment plans
- A weak set of rights and obligations at committee level that hampers effective and meaningful engagement in committee proceedings, including an inability to vote on decisions

Clean Technology Fund

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.

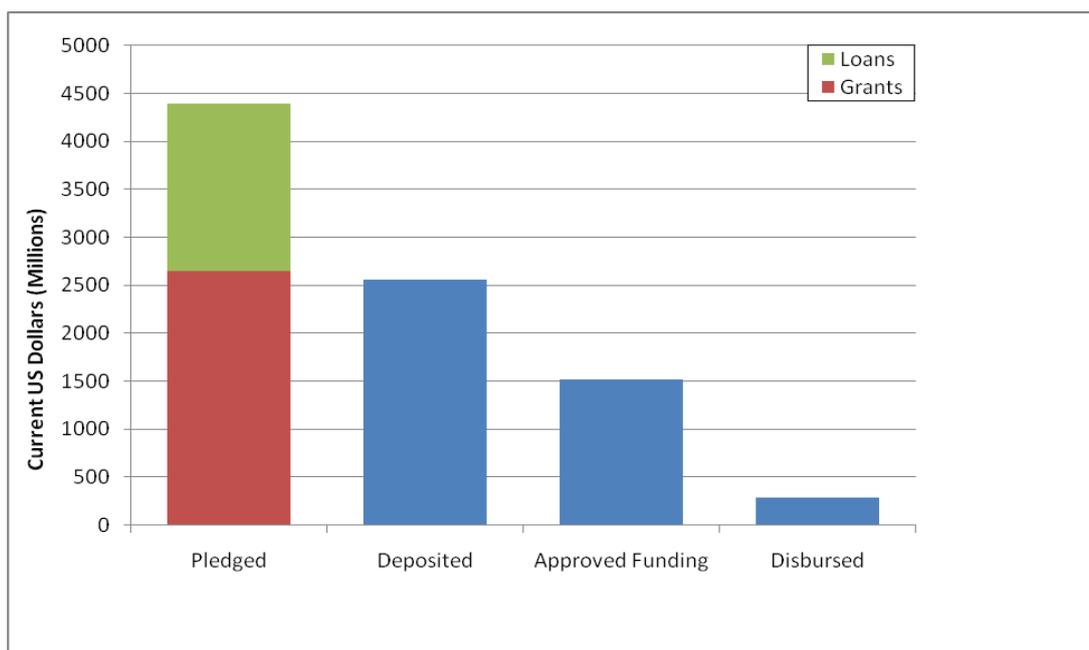
The trust fund committee has so far endorsed 13 investment plans for a total of \$4.3 billion for 12 countries: Colombia, Egypt, Indonesia, Kazakhstan, Mexico, Morocco, Philippines, South Africa, Thailand, Turkey, Ukraine and Vietnam; and one regional formation for the Middle East and North Africa (MENA)

covering Algeria, Egypt, Jordan, Morocco and Tunisia. Nigeria has had an investment plan approved but there are currently no resources available to allocate to it. Chile has decided to not submit its investment plan until more resources are available.

Updates

Resources

Graph 1. Status of Contributions to Clean Technology Fund



Sources: Trustee reports to CTF trust fund committee, www.climatefundupdate.org

The trust fund committee of the CTF met in Cape Town in June 2011. At the meetings, the World Bank, as the CIFs trustee, presented a report outlining the financial status of the CTF. It noted that pledges from the USA are largely outstanding. USA representatives insisted that they are working hard to ensure that CIF funding is approved by USA legislators soon. The CTF was a victim of the April 2011 US budget deal, when although the USA executive branch had requested a \$400 million disbursement, negotiations between the Democratic party-controlled Senate and Republican party-controlled House of Representatives resulted in a budget allocation of only \$185 million^v. Draft legislation from the House in late July eliminated all funding to the CTF and SCF for 2012, and Senate proposal in September 2011 allocated \$350 million to the CTF and \$100 million to the SCF. Negotiations continue between the houses.

The committee discussed a proposal from the CIF administrative unit for an enhanced system of pipeline project management. It requested greater MDB flexibility in allocating resources, asking for MDBs to be allowed to shift up to 15% of investment envelopes between constituent projects without the committees' approval. Committee members discussed the need for greater clarity on project development at committee level. Brazil and India both pointed out that there needs to be more factors in deciding resource allocation than just speed of project implementation, and that often projects with potentially higher developmental impacts took longer to develop. The US, in light of the fact that MDBs are both implementing agencies and co-financiers of CIF projects as well as sitting on CIF governing committees, also pointed out that MDBs do

not have sufficient incentives to question the viability of their own projects. The committee concluded that any changes in resource allocation should be disclosed to allow committee oversight, and that a future administrative unit proposal should be developed that includes stakeholder engagement and ownership in the criteria deciding resource allocation^{vi}.

The committee also approved a proposal for a joint mission to develop a clean technology investment plan for India. The proposal was presented as an interim measure while details of the new Green Climate Fund (GCF) were finalised. There was discussion on the fact that India will join Nigeria and Chile as prospective recipients of CTF resources, the viability of which is based upon the availability of more CTF funds. The committee reached an agreement that the MDBs and the administrative unit should seek to raise additional funds for expanded CTF programmes. The India investment plan has now been published and will be discussed at the November meetings.

Concerns

Transparency

An ongoing concern at the CTF has been the availability of project information regarding disbursements of resources, at both programme and project level (see previous [Climate Investment Funds Monitor](#)). As trustee the World Bank reported that it is developing an integrated electronic system that will allow greater efficiency of programme management and committee oversight. The World Resources Institute (WRI), the developed countries civil society observer at the CTF, said that it is vital that “reporting on disbursement must make clear (1) which MDBs are disbursing funds within a country, (2) the projects to which funds are being disbursed, and (3) the recipient institution within countries.”^{vii}

WRI also raised the issue of a lack transparency regarding private sector and financial intermediary (FI) projects. A large number of CTF projects are implemented through FIs. WRI submitted a detailed proposal recommending ways to improve the transparency of private sector and FI projects. In proposing improvements to the reporting framework, WRI stressed that “the lack of information regarding financial intermediary (FI) projects and private sector projects can breed mistrust – improved reporting and communication should therefore be seen as an intrinsic part of building confidence in the CIFs, and ensuring accountability for public funds being put to good use.”^{viii} It acknowledged that details of private sector financing are not disclosed because of business confidentiality, but proposed that the names of companies receiving financing could be revealed, as well as qualitative information on the range of projects in the portfolio of FIs. The MDBs were to take this proposal into account at their next coordination meeting, and discussions will continue at the upcoming November committee meeting.

Morocco solar power project

The Moroccan concentrated solar power (CSP) project, implemented as a public-private partnership (PPP), was approved by the committee and will receive \$197 million in CTF funding. This is the first phase of a much larger project that aims to generate 2,000 MW of CSP by 2020. The project has already faced criticism for prioritising energy exports to Europe over domestic energy access (see previous [Update on the Climate Investment Funds](#)). At the committee meetings WRI questioned to what extent financing is dependent on access to the European market, and what contingency plans are in place if access is not forthcoming, and sought clarity on the level of state subsidy required considering the high technology costs. They stressed the need for transparency and accountability in PPP contractual arrangements.

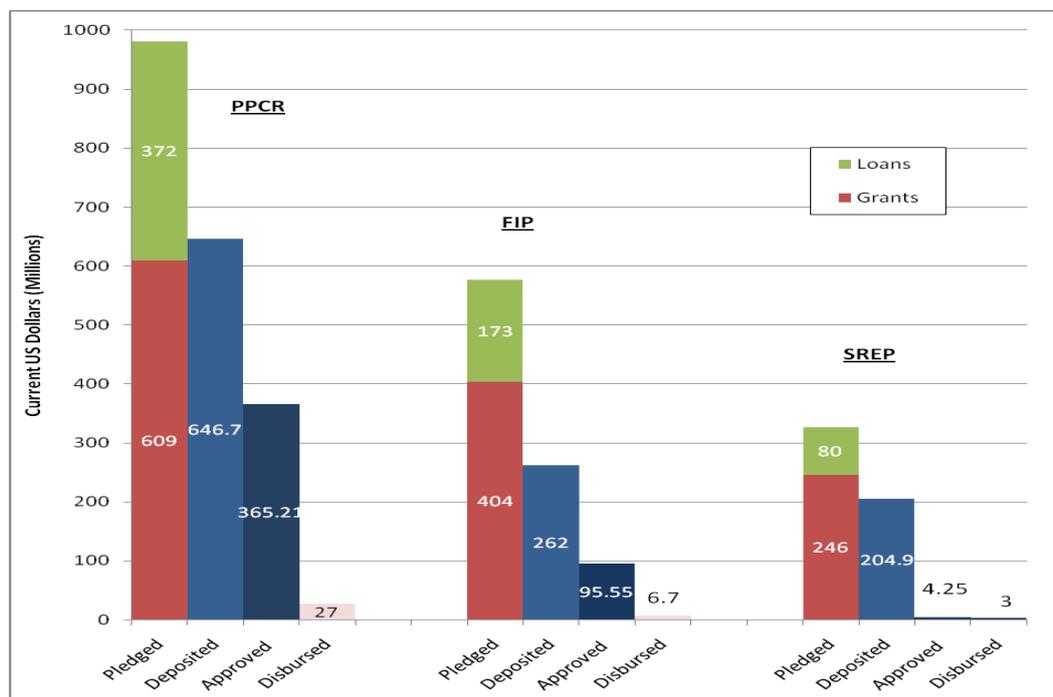
Gram Bharati Samiti, Asian region civil society observer on the CTF, underlined the importance of meaningful and extensive public participation in the project. This is especially pertinent considering that it is taking place on land owned by Ait Oukrou community, which will mean a transfer of property rights, and that a social development plan for affected communities is being developed which is supposed to involve ‘participatory mechanisms’. The project has been categorised as ‘category A’ by the World Bank, meaning it carries potentially irreversible social and environmental risks. As WRI observe, these include “water

scarcity, water pollution from cooling and discharge, leakage of transfer fluids and anti freeze, construction impacts”.

CTF in Turkey

In September 2011 Swiss NGO the Berne Declaration published an in-depth research study of the CTF programme in Turkey. It contextualises some of the above concerns regarding the use of financial intermediaries to disburse finance, premised on the idea that this will leverage other sources of private investment into clean energy technology. The report argues that, in the energy efficiency sector, the CTF programme largely achieved its official objectives of removing first-mover hurdles and stimulate private investment. However, it questions the large amount of CTF resources directed at the hydropower sector: “hydropower is already marketable and we have not found evidence that the comparatively large portion of CTF money invested in hydropower has had a positive spill-over effect and leveraged investment into

Graph 2. Status of Contributions to Strategic Climate Fund



Sources: Trustee reports to CTF trust fund committee, www.climatefundupdate.org

other renewable energies. In addition, there are serious concerns about the environmental and social risks of hydropower projects... Despite the highly concessional CTF incentive, only five wind energy projects and one geo-thermal power project were supported, compared with 26 energy efficiency and 30 hydro-power projects.”

The report identifies an overbearing emphasis on rapid disbursement as a serious impediment to transformational change: “The strategic decision to commit CTF funds rapidly forced the financial intermediaries to move to sectors which are easy to finance because they already have favourable regulations and are profitable. The Berne Declaration’s analysis shows that if concessional climate finance is to be additional and remove first mover hurdles, rapid investment cannot be an objective in itself.” It also argues that the use of FIs, in this case two Turkish banks, meant that there was little transparency or stakeholder participation in the project: “The CTF Turkey is a compelling case for more proactive disclosure of information about projects in the CTF pipeline, especially if implemented through financial intermediaries.”

Pilot Program for Climate Resilience (PPCR)

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 four of the 18 participating countries have now submitted SPCRs^{ix}.

Updates

Resources

See graph 2. for status of contributions to SREP.

In the intersessional period between the last sub-committee meetings in November 2010 and those in June 2011 the PPCR sub-committee endorsed SPCRs for Samoa, Grenada, and St. Vincent and the Grenadines. The SPCRs requested the following in grant and loan resources from the PPCR:

- Samoa - \$25 million in PPCR grants
- Grenada - \$8 million in PPCR grants, \$12 million in PPCR loans
- St. Vincent and the Grenadines - \$7 million in grants, \$3 million in loans

At the June PPCR sub-committee meetings SPCRs were endorsed for Cambodia, Mozambique, Nepal, St. Lucia and Zambia. Each SPCR has requested a range of funding in both grants and concessional finance, with all but St. Lucia requesting over \$50 million in PPCR loans. However, at the June sub-committee meetings it was decided that owing to the limited amount of concessional PPCR financing available, each of the programmes (and those yet to be submitted) will only be able to programme up to \$36 million in loans. This is an equal share of the remaining capital contributions pledged to the PPCR. The range of grant financing will be limited to \$40-50 million. All countries with SPCRs endorsed before this decision may continue to programme resources up to the ceilings they originally requested.

SPCRs for Bolivia, Jamaica, Yemen and the regional track for the Caribbean program have been submitted for review, with decisions on endorsement to be taken at the November sub-committee meetings.

Disbursement report

In response to questions from sub-committee members and observers over details of disbursements, the World Bank, acting in its role as trustee, has begun issuing disbursement reports for the PPCR on a bi-annual basis. The first of these was issued in December 2010, and the second in June 2011.

The June 30th disbursement report shows that \$55.8 million has been approved by the trustee; \$13.3 million has been transferred to MDBs (\$1.7 million for the Asian Development Bank, \$3 million for the EBRD, and \$11.3 million for IBRD). Of the \$13.3 million, the MDBs have disbursed \$1.7 million. This is a disbursement rate of 13%.^x

Sunset clause

At the June 2011 meetings the PPCR sub-committee requested that the SCF trust fund committee amend the PPCR design documents description of the programmes' sunset clause to ensure it is consistent with language in the SCF governance framework. The PPCR design document currently states that "the PPCR Sub-Committee may not approve, after the end of calendar year 2012, any new financing under the PPCR for programme activities". However, the SCF governance framework does not specify any date, and merely states that "Recognizing that the establishment of the SCF is not to prejudice the on-going UNFCCC deliberations regarding the future of the climate change regime, including its financial architecture, the SCF will take necessary steps to conclude its operations once a new financial architecture is effective."

Recipient countries at the PPCR were concerned that the language in the design document may hinder future implementation of SPCRs and disbursement of allocated funds. Although all SPCRs are likely to have been approved by 2012, funding for individual programme activities will still need to be subject to approval. A document released in November entitled 'Proposed measures to improve the operations of the climate investment funds'^{xi}, prepared by the CIF admin unit and the MDB committee, proposes that the joint CTF/SCF committee approve removal of the sentence stipulating that the PPCR ends operations in 2012.

Concerns

Tajikistan SPCR

A January report by international NGO Oxfam details serious flaws in the PPCR process in Tajikistan. It collates the perspectives of local stakeholders and documents a range of criticism over how the PPCR strategy has been developed. This includes concerns among local NGOs that consultation was limited to government agencies and a shortlist of civil society organisations, "meaning that the voices and perspectives of affected communities were not considered at the critical design stage". There was limited access to Bank and other MDB staff, to project information and to documents in local languages.

The report concludes that the PPCR in Tajikistan is in need of radical overhaul, and recommends that it should be reoriented towards the rural small food producers who are the most vulnerable to climate change, and should support the government as primary actor for ownership of PPCR programmes. It should also include the meaningful participation of affected communities and civil society organisations, make gender equality central to climate funding, and ensure funding processes are transparent and accountable.

Protests over use of loans

In February 2011 in Bangladesh, 11 civil society organisations formed a human chain in Dhaka protesting against the fact that financing for the PPCR programme is heavily loan-based. The programme consists of \$50 million in grants and \$60 million in loans from the PPCR, which are tied up with loans of \$300 million from the International Development Association (IDA), the Bank arm for low-income countries, and \$215 million in loans from the Asian Development Bank. Prodip Kumar Roy of NGO Campaign for Rural Sustainable Livelihoods said that the loans are "imprudent and premature as the multilateral climate financing process of UNFCCC is going to take shape by 2012"^{xii}.

Also in February, in Nepal, 11 civil society organisations released a statement demanding that the government only accept the grant component of its PPCR package. Echoing sentiments from Bangladesh, the statement says that "we oppose the World Bank on pledging of loans for adaptation and resilience to the nations that needs immediate financial support to adapt to the adverse effects of climate change ... This is intended to devalue and defame the ongoing climate funding process under the UNFCCC mechanism."^{xiii}

In June, 49 civil society organisations, networks and communities from recipient countries of the PPCR released a statement imploring the UK government not to offer loans for adaptation through the programme. Signatories included NGO Haiti Survive and the Ngati Hine tribe of Polynesia. It argues that: "Climate loans will only lock our countries into further debt, and further impoverish our people. ... The World Bank is dominated by rich countries, and has a long history of failed projects and imposing harmful

policy conditions. It is also responsible for pushing projects and policies that have caused climate change through deforestation, supporting harmful extractive industries, and providing financing for fossil fuels.”^{xiv}

A June report by UK NGOs World Development Movement and Jubilee Debt Campaign, *Climate Loan Sharks: how the UK is making developing countries pay twice for climate change*, argues that through its granting of loans for adaptation projects the PPCR, is a vehicle for developed countries that have emitted the lion's share of greenhouse gases to avoid their responsibility to help poorer countries cope with the effects of climate change. It finds that the PPCR's “creation and governance lack legitimacy, it is not designed to meet local needs nor build local ownership of projects and lacks transparency. It fails to consistently consider key issues such as gender in its country plans, or meaningfully engage civil society, and overrules national governments' funding priorities.”^{xv}

Institute of Development Studies research

In May 2011 the UK research body Institute of Development Studies (IDS) published a report on the PPCR. They declare that “the CIFs and the PPCR have paved the way for a shift in climate finance sources and delivery mechanisms which establish a longer term role for the World Bank and the MDBs in both financing and implementing mainstreamed adaptation. These forms of finance shift the landscape for action on the ground and further frustrate the ability of those most vulnerable to climate change impacts to shape future adaptation funding flows.” The report highlights a consistent lack of developing country and civil society input in the design process of the PPCR, and a lack of participation for affected communities and civil society groups at country level. This led to “a programme and structure more in tune with the donor and MDB agenda than one which seeks to respond to needs of the most vulnerable and establish true country ownership.”^{xvi}

A case study on the PPCR in Mozambique contextualises these critiques. It reveals that the dominant role of MDBs in planning and implementation of the programme meant that it reflected MDB interests as opposed to national priorities for climate resilience. The report concludes that a lack of public engagement and awareness means that “the MDBs undermine the PPCR's claim that it is ‘designed to catalyse a transformational shift’ in climate change policy and adaptation practice, and increase the risk that it will in fact end up reinforcing rather than transforming ‘business as usual’.”^{xvii}

Forest Investment Program (FIP)

Background

The FIP is a financing instrument aimed at assisting countries to reach their goals under Reducing Emissions from Deforestation and Degradation (REDD+)¹. 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.

Updates

Resources and investment plans

See graph 2. for status of contributions to the FIP.

The FIP has eight pilot countries. Of these Burkina Faso, Democratic Republic of Congo (DRC), Lao PDR and Mexico have all completed joint missions and programming processes and submitted investment plans for endorsement. At the June FIP sub-committee meetings the investment plans from Burkina Faso and DRC

¹ UN-REDD defines REDD+ as follows: “Reducing Emissions from Deforestation and Forest Degradation (REDD) is an effort to create a financial value for the carbon stored in forests, offering incentives for developing countries to reduce emissions from forested lands and invest in low-carbon paths to sustainable development. ‘REDD+’ goes beyond deforestation and forest degradation, and includes the role of conservation, sustainable management of forests and enhancement of forest carbon stocks.”

were endorsed. The sub-committee approved \$1.6 million in FIP resources for preparatory grants in DRC, and \$5 million for readiness activities in Burkina Faso. The investment plans from Lao PDR and Mexico will be reviewed at the November sub-committee meetings. Programming processes are continuing in the other four pilot countries, Brazil, Ghana, Indonesia and Peru.

Dedicated grant mechanism for indigenous peoples and local communities

At the June meetings Indonesian NGO AMAN and Congolese NGO REPALEAC, members of the working group tasked with designing the dedicated grant mechanism, presented a working draft of the projects implementation plan. The mechanism is supposed to facilitate the active participation of affected communities in FIP investment strategy planning. After reviewing the document, the sub-committee requested that representatives of indigenous peoples groups and local communities, alongside the MDB committee, prepare a final proposal for the mechanism at the November meeting.

Concerns

Quality review of investment plans

At the June 2011 meeting the sub-committee discussed a paper proposing different options for a quality review of FIP investment plans. The paper included two options for the review. The sub-committee noted its general support for the first option: an independent quality review conducted by a single reviewer, but with a significant role for the pilot country and implementing MDB, including the selection of the reviewer and developing the terms of reference for the review.

Norway objected to this option, and instead argued for the second option, which included a roster of expert reviewers more independent from pilot countries and MDBs. Civil society observer Greenpeace supported the Norwegian proposal and urged the establishment of an independent review process, where the quality review would be an impartial third party analysis to help the committee to take informed decisions, rather than the review being a service to the MDBs and the governments themselves.

No decision was taken, and the review is on the agenda for the November meetings. In late August NGOs Greenpeace, Forest Peoples Programme, Friends of the Earth USA, Bank Information Centre and Global Witness sent a letter to the CIF administrative unit stating that an “independent review process that would add value must in our view provide a robust independent assessment of whether proposed investment plans and projects meet the FIP objectives, principles and criteria in order to assist the Pilot Countries in designing high quality plans, but also to help inform the members of the sub-committee to determine whether the programmes and projects can achieve the desired transformational results”^{xviii}. It asks the sub-committee to consider detailed changes to the proposed review process.

Burkina Faso investment plan

There was a long and substantive debate at the June 2011 sub-committee meetings over both the Burkina Faso and DRC investment plans. Concerns raised in the meetings reflect broader issues currently surrounding debates over REDD+ and FIP. Critical commentators have noted that it is unclear how FIP, which provides large-scale funds for national forest investment strategies under REDD+, relates to the World Bank’s Forest Carbon Partnership Facility, which provides grants for REDD+ readiness plans. As NGOs Forest Peoples Programme and FERN have noted, “The relationship between investment strategies under the FIP and REDD strategies developed under the FCPF or UNREDD is still unclear and appears to vary between countries.”^{xix}

At the sub-committee meeting Norway noted that it remained unclear how Burkina Faso’s investment plan builds on readiness activities, and affirmed that the FIP design document stipulates that readiness plans need to inform investment plans. The sub-committee chair noted that there is no obligation for FIP pilot countries to participate in UNREDD or the FCPF, and that it remains unclear exactly what is meant by readiness. The USA then argued that in terms of readiness there needs to be more analysis of what the drivers of deforestation are, and that investments should not be locked in before analytical work has been

done. Civil society observer Network for the Environment and Sustainable Development in Central Africa noted that although the plan states that consultations with affected communities took place, there is no information on how concerns raised in consultations were taken into account.

The World Bank then argued that there has been sufficient work done by the government in Burkina Faso, and that the plan should be approved. Reflecting broader concerns around the role of the MDBs in governance arrangements at the CIFs^{xx}, Norway questioned the role of MDBs on the committee as defenders of their own programmes. MDBs sit on the committee as non-voting members, but also act as implementing agencies of CIF programmes.

The sub-committee provisionally endorsed the investment plan, on the condition that in completing further readiness activities it take into account comments from the sub-committee, including on drivers of deforestation. It asked the Burkina Faso government and MDBs to submit a revised investment plan. Since then they have also agreed to submit a readiness plan developed using FCPF readiness guidelines.

Democratic Republic of Congo investment plan

The DRC investment plan provoked a similarly extensive and intense discussion amongst sub-committee members. There were a number of issues raised, including on the selection of three similar project sites near urban centres, how the private sector will be involved in the projects, and how indicators from the FIP results framework were included in the plan.² Discussion also centred on three issues critical to both the DRC plan, and to REDD+ more generally: adequate studies and enabling activities undertaken before locking-in investments, clarity and formalisation of legal reform relating to the land and tenure rights of indigenous peoples and affected communities, and the design of a benefit-sharing mechanisms.

A delegation of Congolese civil society groups argued that there are serious outstanding legal issues concerning the rights of affected communities, and that the DRC readiness plan stipulates that these need to be analysed and reforms implemented before investments take place. They also noted that legal texts on the rights of forest communities in the DRC, developed after over a year of consultations, were still not signed. They also noted that studies on the drivers of deforestation and benefit sharing mechanisms were stipulated in readiness plans but were still not finalised. Greenpeace also raised these concerns, and in addition noted that enabling activities for investments, including those by the private sector, were not adequately developed, and should include adequate and clear legal frameworks, clear land and tenure rights and good governance and law enforcement. This was supported by Norway. Greenpeace requested that legal texts on forest communities were signed, that DRC provide additional information on enabling activities, and that all analysis stipulated in the readiness plans be completed. The UK backed this proposal.

Despite these contentious points the sub-committee endorsed the investment plan, and only included requirements that the DRC and MDBs provide analysis on the barriers to private sector engagement, and that “components of the plan are coordinated, both with each other and with other initiatives in the country, so as to promote synergies and the achievement of sustainable impacts contributing to the objectives of FIP.”

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

Background

SREP is still at an early stage of development, having only been 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

² For more details on these and other points please see http://www.climateinvestmentfunds.org/cif/sites/climateinvestmentfunds.org/files/FIP%20Co_chairs%20summary_June_2011.pdf and <http://www.climateinvestmentfunds.org/cif/sites/climateinvestmentfunds.org/files/FIP%20CRP%202.pdf>

sector implementation. At the June 2010 sub-committee meetings six countries were selected for pilot programmes: Ethiopia, Honduras, Kenya, the Maldives, Mali and Nepal.

Updates

Resources

See graph 2. for status of contributions to SREP.

Honduras, Nepal, Mali and Kenya have all completed country planning processes and have submitted investment plans for endorsement. At an intersessional meeting of the sub-committee in September the Kenyan investment plan was endorsed by the sub-committee. As well as requesting the maximum agreed funding from SREP of \$50 million, Kenya have also requested \$35 million of additional funding from the SREP reserve, which was noted by the sub-committee.

Investment plans from Honduras, Nepal and Mali will go before the sub-committee at the November meetings. Ethiopia and the Maldives are continuing their programming processes alongside the implementing MDBs.

Concerns

Kenya investment plan

Although the Kenyan plan was endorsed by the sub-committee a number of committee members voiced concerns and were invited to submit them in writing before the November meetings. Civil society observer Transparency International pointed out that only one civil society group was consulted on the plan, and requested that others, including the Kenya Climate Change network, are consulted in the further development of the plan. They also noted that in the risk assessments for the project “attention and scrutiny need to be paid to ensure the robust character of consultation practices and the degree to which the views of stakeholders are adequately addressed”.^{xxi} Ethan Biofuels, a company that serves as private sector observer for SREP, also called for a full disclosure of the entire stakeholder engagement process undertaken when developing the plan.

Transparency International also called for an objective analysis of the institutional capacity and governance of national implementing agencies, which it argues is weak in the investment plan, to ensure they comply with “internationally recognised standards regarding procurement, financial management and environmental and social safeguards”. They also provide substantive comments on the clarity of indicators in the results frameworks and on the availability of key documents.

Amongst the comments provided by sub-committee members were concerns over the development impact of the Kenyan investment plan. Norway questioned the solar-water heating component of the plan, stating that it “may provide important energy efficiency benefits and improved living standards for the urban middle-class, but may only indirectly contribute to poverty reduction.”^{xxii}

The UK and Australia also noted that the majority of proposed financing will be to the geothermal component, which does not directly provide energy access benefits, instead relying on “trickle down or indirect effects on access via an increase in grid capacity”^{xxiii}. This is despite the emphasis in SREP design documents on increasing energy access for poor communities. They agreed with Norway that it is worrying that a large number of indicators in the results framework remain ‘to be confirmed’, including those on relating to development benefits, gender, productive uses of energy and social impacts.

Transparency International also pointed out that investments in the plan total \$928 million, with SREP providing \$85 million, and the Kenyan government and implementing MDBs co-financing another \$453 million. The remaining \$242 million will come from development partners and commercial loans. They said that considering the large amount of loans in the project, and the fact that some of these will be non-

concessional, “it is reasonable to question whether this financing arrangement would result in increased energy costs to poor communities.”^{xxiv}

Endnotes

- ⁱ Measures to improve the operations of the Climate Investment Funds (June, 2011) available at: <http://www.climateinvestmentfunds.org/cif/workingdocuments/3463>
- ⁱⁱ Note to the Joint CTF and SCF Trust Fund Committees on Strengthening the CIFs – submitted by the United Kingdom (2011), available at: <http://www.climateinvestmentfunds.org/cif/workingdocuments/3463>
- ⁱⁱⁱ Proposed measures to improve the operations of the Climate Investment Funds (2011) available at: <http://www.climateinvestmentfunds.org/cif/workingdocuments/4756>
- ^{iv} *A faulty model? What the Green Climate Fund can learn from the Climate Investment Funds* (2011) Bretton Woods Project, available at: www.brettonwoodsproject.org/art-568686
- ^v *US cuts funding to World Bank climate fund* (2011) Bretton Woods Update 76, available at: www.brettonwoodsproject.org/art-568593
- ^{vi} CTF developed country region civil society observer notes
- ^{vii} CTF developed country region civil society observer notes
- ^{viii} *WRI Suggestions to Improve Transparency and Reporting on Project Implementation and Disbursement* (2011) World Resources Institute
- ^{ix} Trustee report on the financial status of the Strategic Climate Fund (2011)
- ^x PPCR disbursement report June (2011), available at: <http://www.climateinvestmentfunds.org/cif/sites/climateinvestmentfunds.org/files/PPCR%20Disbursement%20Report%20June%2030%202011.pdf>
- ^{xi} Measures to improve the operations of the Climate Investment Funds (June, 2011) available at: <http://www.climateinvestmentfunds.org/cif/workingdocuments/3463>
- ^{xii} *Reject World Bank PPCR Loan in Climate Adaptation* (2011), Equity and justice working group, available at: http://www.equitybd.org/English/humanchain190211/English_press_release190211.doc
- ^{xiii} ‘Say NO to climate loan’ (2011) Civil society organisations from Nepal, available at: <http://www.cadtm.org/Say-NO-to-climate-loan>
- ^{xiv} ‘No’ to climate loans: statement by civil society groups in the global south’ (2011), available at: <http://www.wdm.org.uk/our-campaign-climate-justice/no-climate-loans-statement-civil-society-groups-global-south>
- ^{xv} *Climate loan sharks - making developing countries pay twice for climate change* (2011) World Development, Jubilee Debt Campaign, available at: <http://www.wdm.org.uk/climate-debt-campaign/loan-sharks>
- ^{xvi} *Towards an Understanding of the Political Economy of the PPCR* (2011) Kreft, S., Seballos, F.
- ^{xvii} *Prioritising PPCR Investments in Mozambique: The politics of ‘country ownership’ and stakeholder participation’* (2011) Chambote, R., Shankland, A.
- ^{xviii} Comments on procedures for the preparation of independent technical reviews of FIP investment plans (2011), available at: http://www.climateinvestmentfunds.org/cif/fip_comments
- ^{xix} *Smoke and mirrors: A critical assessment of the Forest Carbon Partnership Facility* (2011) Forest Peoples Programme, available at: <http://www.forestpeoples.org/topics/forest-carbon-partnership-facility-fcpf/publication/2011/smoke-and-mirrors-critical-assessment>
- ^{xx} See *A faulty model? What the Green Climate Fund can learn from the Climate Investment Funds* (2011) Bretton Woods Project pgs. 8-12, available at: www.brettonwoodsproject.org/art-568686
- ^{xxi} Comments on Kenya’s Investment Plan submitted by Transparency International (2011)
- ^{xxii} Comments on Kenya’s Investment Plan submitted by Norway (2011)
- ^{xxiii} Comments on Kenya’s Investment Plan submitted by the UK and Australia (2011)
- ^{xxiv} Comments on Kenya’s Investment Plan submitted by Transparency International (2011). For a full selection of comments on the plan see <http://www.climateinvestmentfunds.org/cif/workingdocuments/4671>, and for Kenya’s response to the comments see <http://www.climateinvestmentfunds.org/cif/workingdocuments/4750>.