Climate Investment Funds Monitor 9

June 2014

Summary

- A first draft of the **Climate Investment Fund (CIF)** evaluation report was released, but the short window for public comments was criticised by Indonesian NGOs. Proposals to increase the CIF observers' and the committees' efficiency were approved. The CIFs continued to monitor developments at the UN's Green Climate Fund, but delayed considerations of the CIF 'sunset clause'.
- **Clean Technology Fund (CTF)** use of "risky financing instruments" in the private sector programme was criticised by donors. Questions were raised if the poorest would be ignored in projects in India, Indonesia and the Philippines. Geothermal energy continues to be controversial, with questions raised on projects in Chile, Mexico and Indonesia. The use of financial intermediaries in a Nigeria project was questioned and political risks of projects in Ukraine.
- Progress continues to be slow with the **Pilot Program for Climate Resilience (PPCR)**, including on stakeholder meetings and inclusion of gender considerations. A second round of proposals for the private sector set aside has been launched. Concerns on fiduciary risks, including corruption, were raised on a Bangladesh project. Other questions were raised on justification for PPCR funds for projects in Haiti and Grenada, and on weak stakeholder engagement in Mozambique.
- A report on the **Forest Investment Program (FIP)** and REDD+ will be discussed in the June meeting. Initial funding for MDB services under the Dedicated Grant Mechanism for indigenous peoples and local communities were approved for Indonesia, Burkina Faso and Peru. After much criticism from indigenous peoples groups, the Peru investment plan was approved in October. A civil society letter raised further criticism on the Indonesia investment plan. Community benefits from payments for emissions reductions were questioned in the Democratic Republic of Congo.
- Countries on the reserve list for the **Scaling up Renewable Energy Program in Low Income Countries (SREP)** with endorsed investment plans have been included in the list of pilot countries. Additional countries were invited to apply, with 12 to be considered in the June meeting. Concerns were raised about geothermal energy and short turnaround time for Armenia's investment plan. Energy export plans were questioned for an Ethiopia project and affordability was questioned for projects in Ethiopia and Nepal.

Content

Key acronyms

ADB	Asian Development Bank
AfDB	African Development Bank
CIF	Climate Investment Funds
CTF	Clean Technology Fund
EBRD	European Bank for Reconstruction and Development
FIP	Forest Investment Program
GCF	Green Climate Fund
IBRD	International Bank for Reconstruction and Development (World Bank)
IDA	International Development Association (World Bank)
IDB	Inter-American Development Bank
IFC	International Finance Corporation (World Bank)
kW	kilowatt
MDB	multilateral development bank
MW	megawatt
PPCR	Pilot Program for Climate Resilience
PV	photovoltaics (solar)
RE	renewable energy
REDD	Reducing emissions from deforestation and forest degradation
SCF	Strategic Climate Fund
SPCR	Strategic Program for Climate Resilience
SREP	Scaling up Renewable Energy Program in Low Income Countries
UNFCCC	United Nations Framework Convention on Climate Change

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This edition of the *CIFs Monitor* outlines recent developments at the CIFs and collates on-going concerns over their operation. It builds on *CIFs Monitor* 8, published in October 2013. This edition covers key CIF developments based on CTF trust fund committee and SCF programme sub-committee meetings and communications from November 2013 to early June 2014. These committees serve as the governing bodies of the funds. Information on the CIFs, including meeting notes and submissions, can be accessed at www.climateinvestmentfunds.org.

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

1 Climate Investment Funds

1.1 CIF evaluation

The CIF evaluation was launched in 2012 and aims to assess the development and organisational effectiveness of the CIFs and to document lessons learned for "the benefit of the Green Climate Fund" (see *CIFs Monitor* 8, 7).

The draft final evaluation report was released for two weeks of public consultation at end May. It includes sections on the CIF sunset clause, the legitimacy of the CIFs outside the United Nations Framework Convention on Climate Change (UNFCCC), governance, gender, use of MDB safeguards, extent and quality of stakeholder consultation, private sector engagement and misleading language on 'leveraging' of funds. The question of when the on-going work to establish the Green Climate Fund will trigger the sunset clause, and therefore what should happen to existing and potential future CIF investment plans and projects, is given particular attention. Questions were also raised about broader ownership of CIF investment plans, including perceived lack of constructive engagement with stakeholders.

Groups in Indonesia who have raised concerns about FIP (see page 23), opposed the short deadline for comments and lack of notification in an early May letter to the Evaluation Oversight Committee: "Given that Indonesia is one of the FIP pilot countries and that Indonesia features in the study, it is of the utmost importance that a copy of this document to be provided for comment in Bahasa Indonesia and that the comment period be extended in order to ensure that Indonesian communities and CSOs have adequate time to read and comment on this important study which will be used as feedback for the Green Climate Fund."

The final report and its recommendations are expected to be presented at the CIF Partnership Forum in late June 2014.

Climate Investment Funds (CIFs) explained

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

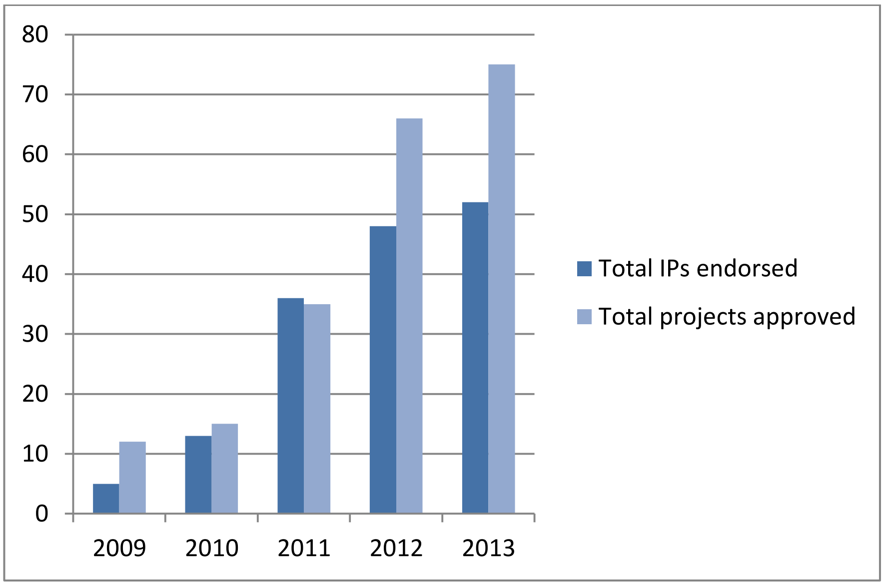
The CIFs operate in 48 countries worldwide. As of end 2013 donors had pledged $5.5 billion to the CTF and nearly $2.5 billion to the SCF ($1.3 billion for PPCR, $639 million for FIP and $551 million for SREP). As of end March a total of $4.3 billion had been approved for funding of 119 programmes and projects from the endorsed investment plans. Projects are executed by multilateral development banks (MDBs): the African Development Bank (AfDB), the Asian Development Bank (ADB), the European Bank for Reconstruction and Development (EBRD), the Inter-American Development Bank (IDB), the World Bank's middle income arm, the International Bank for Reconstruction and Development (IBRD,) and its private sector arm, the International Finance Corporation (IFC). Under the 'sunset clause' the CIFs are due to end once a new climate finance architecture is effective under the United Nations Framework Convention on Climate Change (UNFCCC) through a mechanism, such as the Green Climate Fund (GCF).

1.2 CIF efficiency

Civil society observers submitted a proposal and budget for $174,500 on how to enhance their participation in April 2013. They argued the benefits of this engagement would be increased transparency, sharing of best practice and coordination (see *CIFs Monitor* 8). The October joint meeting of the CTF and SCF trust fund committees reviewed the proposal and agreed that the CIF administrative unit should work with the observers to agree on a work programme and budget for FY14 and FY15. In April the revised work plan was approved with a budget of $98,000-118,000. The key focus areas are: stakeholder preparation meetings and observer consultation meetings prior to trust fund committee/sub-committee meetings; an expanded observer orientation workshop; stakeholder engagement at the country level; and MDB outreach to stakeholders at regional level.

Furthermore, following a request at the May 2013 joint committee meeting, the CIF administrative unit prepared a proposal to increase the efficiency of the meetings which was approved in late February. The proposal included an agreement on funding for co-chairs from recipient countries, as well as measures to improve the engagement of committee members, including "earlier posting of documents and opportunities for informal discussions and briefings before formal consideration of a document", however, it did not make any direct references to how the observers' engagement can be more efficient in this context.

Graph 1: Total CIF investment plans endorsed and projects approved 2009 – 2013



Source: 2009-2013 figures from CIF annual reports.

Table 1: Key statistics by fund

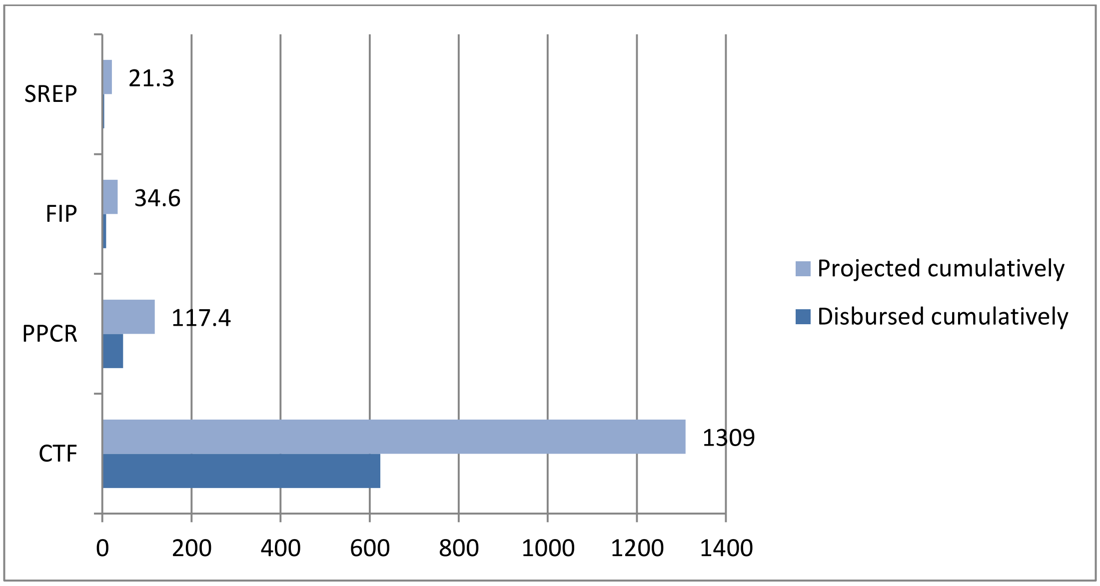
Figures in $ millions, as of end 2013

Fund	Total disbursed	MDB's with highest disbursement	Countries with highest disbursement
CTF	624	IBRD (206), IDB (150)	Mexico (230), Turkey (168)
PPCR	46.8	IBRD (30.9), ADB (9.9)	Nepal (10.3), Zambia (5.4)
FIP	8.5	IBRD (5), IFC (2.1)	Lao (3.4), Mexico (2.4)
SREP	4.2	AfDB (1.7)	Kenya (1.5)

Source: CIF disbursement report December 2013

Graph 2: CIF funds disbursed

Figures in $ millions, as of end 2013



Source: CIF disbursement report December 2013

1.3 Portfolio risk dashboard

The October 2013 joint meeting of the CTF and SCF trust fund committees requested the World Bank, in collaboration with the CIF administrative unit and the MDBs, to finalise the design of the portfolio risk dashboard so that it would be fully operational by March. The risk dashboard will be designed to be a tool to communicate risks to committee members and to facilitate their understanding of the risk exposure of the CIFs. This follows on from work on developing the CIF enterprise risk management framework by a working group consisting of the trustee (World Bank), the CIF administrative unit, one risk management specialist from each MDB and management consulting company Booz Allen Hamilton. Priority risks to be addressed under the framework include local currency loans and over-programming to address projects which may drop out or never move through the pipeline.

1.4 CIFs and the Green Climate Fund

At the October 2013 joint meeting of the CTF and SCF trust fund committees, an update was presented on the work of the board of the Green Climate Fund (GCF). It reiterated previous agreements at the joint meeting in November 2012 which “agreed to monitor developments in the elaboration of the operational procedures and modalities of the GCF so as to determine if and when it is timely and appropriate in the joint CTF-SCF meeting to give in-depth consideration to operational, financial and legal issues associated with the CIF sunset clause” and “agreed that the CIF should play its part in ensuring the continuity of climate finance provided to eligible recipient countries while the GCF’s structures are put in place”.

The report noted that GCF board members have highlighted “particularly useful” experiences from the CIFs, including: “programmatic approaches and mechanisms to enhance country ownership”; “use of various modalities, including dedicated private sector programme, for the design of GCF’s private sector facility”; and “active civil society and private sector observers”.

Update on the Green Climate Fund (GCF)

The work towards full operationalisation of the GCF continues (see *CIFs Monitor* 8), with eight criteria agreed in principle at a May meeting in Songdo, South Korea, home of the GCF secretariat. This allows the GCF to start resource mobilisation, with an aim to receive pledges before the UNFCCC Conference of Parties in Lima in December. Key decisions included the initial proposal approval process, the guiding framework and procedures for accrediting entities, a results management framework, and the financial risk management and investment frameworks, including an initial investment strategy, with portfolio targets and investment guidelines.

More controversially, it was decided that the IFC's performance standards would be used as interim safeguards for the next three years, however, a multi stakeholder process will determine the long term safeguards. Furthermore, a mid May civil society letter to the GCF board, led by Southern groups and signed by nearly 300 organisations, urged that GCF funds should "not be used directly or indirectly for financing fossil fuel and other harmful energy projects or programmes", noting "with grave concern and alarm how other international financial institutions include these types of projects in their climate and energy financing". It called on the GCF "to adopt an 'exclusion list'".

The next GCF board meeting will be held in Barbados in mid October.

2 Clean Technology Fund

2.1 Pilot countries update

The CTF trust fund committee has decided it is currently not selecting new countries. It will review information prepared by the CIF administrative unit and the MDBs on how to assess new country requests based on potential additional funding at the June meeting. There have been expressions of interest in joining the CTF from Costa Rica, Jordan, Pakistan, Peru and Uruguay.

2.2 Private sector programme

As part of the second phase of the dedicated private sector programme eligibility is to be expanded to all CIF countries and possibly non-CIF countries. The justification is that "the barriers and challenges of scaling up private sector investment are found in both middle-income and lower-income developing countries often with greater acuity" (see *CIFs Monitor* 8).

The CTF trust fund committee approved programme proposals in October 2013 including:

- $115 million for utility-scale renewable energy, with a specific focus on geothermal energy. This includes $20 million for Chile and $20 million for Mexico (see below). In future this could include funding for geothermal energy in Turkey, Indonesia, Ethiopia and Kenya.
- $35 million for renewable energy mini-grids and distributed power generation in India, Indonesia and the Philippines (see below).

Future proposals are expected by October from Colombia for $10 million and from Turkey for $65 million.

Two proposals will be discussed further at the June meetings:

1) The income participation programme: to "facilitate the use of novel climate-smart technologies and innovative business models" by "supplying a variety of financial instruments such as mezzanine financing, instruments with convertibility features, equity, and quasi-equity, and other subordinated instruments".
2) Mezzanine finance for climate change: to push funds towards climate change projects which "otherwise would be not viable with traditional senior debt and equity financing."

Clean Technology Fund (CTF) explained

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

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

As of end 2013, $5.5 billion had been pledged to the CTF, out of which $624 million has been disbursed for projects and programmes. A total of 16 investment plans have been approved for a total amount of proposed funding of $5.6 billion.

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

Germany and Canada both questioned the use of “risky financing instruments” that could compromise the future “financial sustainability of the CTF”. Instead they advocated for the continued use of loans, grants and guarantees. Both questioned the proposed expansion of the CIFs to new countries because the CTF lacks sufficient funds to do so. However, the US said it was comfortable with using financial instruments such as equity and subordinated debt, “provided that there is a compelling argument for the overall impact of doing so.” The UK asked “as the CTF typically focusses on large emitters with high mitigation potential, what is the strategic case for supporting mini-grids in countries with lower emissions?”

2.3 Updates on investment plans

2.3.1 South Africa investment plan

The CTF trust fund committee agreed on the update to the South Africa CTF investment plan, which involves cancelling $7.5 million for an energy efficiency component and a further $50 million for a solar water heater component. The $57.5 million has been reallocated to “finance either a private sector sustainable energy programme or a public sector vehicle efficiency program”.

2.3.2 Morocco: Push for solar and wind farms

Investment plan	Amount and date approved	Revised investment plan documents
Morocco	$25 million (total $150 million) 6 February 2014 Previous endorsements in October 2011 and October 2009	Revised CTF investment plan decision Proposed Decision Cover Note

Investment plan overview
“The first revision of the investment plan (October 2011) focused on Morocco’s Wind Energy Program (WEP) and provided support to the associated infrastructure necessary for wind energy generation. As of January 2014, $125 million of CTF funding has been committed by the CTF Trust Fund Committee to the wind program of the Morocco’s national utility ONEE, supported by the African Development Bank (AfDB).”

“The Government of Morocco (GoM) proposes to reallocate the remaining balance of $25 million for the Clean and Efficient Energy Project (World Bank). The project will support the first phase of ONEE’s solar strategy, which aims at installing 400 MW of solar photovoltaic technology in several sites near towns across the country located at the end of long transmission lines.”

Key donor questions and concerns prior to approval
Germany: “ONEEs financial situation is delicate due to high subsidies. Is there a sector dialogue between WB and the GoM about this issue?”
The UK: “We would like to understand in some greater depth why ONEE has chosen to develop solar photovoltaic energy. Is this to diversify its renewable energy sources, or are there other reasons?

IBRD responded that it “has been active in supporting power sector reforms and the development of a sustainable energy policy”. Furthermore: “The choice of photovoltaic technology for this project over concentrated solar power (CSP) and wind technologies is due technical reasons: the wind resource in the region is not sufficiently available to justify the economic viability of a wind project in these regions.”

2.4 Selected project updates

2.4.1 India, Indonesia and Philippines: will the poorest have increased energy access?

Project name	Amount and date approved	MDB services	Key project documents
Renewable energy mini-grids and distributed power generation	$33.5 million: $30 million (loan) $3.5 million (grant) 15 May 2014	ADB $650,000 (for loan) $175,000 (for grant)	Decision Independent review Revised document

Programme details
"The programme proposes to introduce and pilot business models, which will help alleviate the principal barriers to private sector led development of mini-grids in rural areas without access to national electricity grids."

Key comments by civil society observer World Resources Institute, on behalf of Sierra Club

- Scale of projects: Instead of ensuring mini-grids have a minimum capacity of 100kW to receive funding there should be more flexibility to include more companies by allowing them to aggregate their installations to be at least 100kW, rather than 100kW per installation.
- Financing structure: Ensure some funding is in the form of long-term debt and not purely in short or medium-term loans.

ADB and the CIF administrative unit responded: "This is in fact our intent. ADB is currently evaluating companies contemplating projects ranging in aggregate capacity from 100 kW to 5 MW. Individual system sizes may vary from approximately 1kW to 1MW."

Key donor questions and concerns prior to approval
Several donors requested further information on how CTF resources will be used in terms of the financing plan, financial products and terms (equity comprises around 50 per cent of the programme), size of stand-alone operations, how gender will be monitored, and impact on the CTF cash flow model.

Key comments by the independent review
"Given the competing objectives of projects being financially sustainable and electricity being affordability to low-income rural customers, it is likely that the private firms will target markets, which have relatively affluent rural populations and ignore market segments with poorer populations." ADB responded: **"**Whilst private sector developers may choose more profitable projects to develop, affluence will not be the determining factor for selecting viable investments."

2.4.2 Indonesia: geothermal projects in forests

Geothermal projects in Indonesia have been questioned by civil society groups in the past. In an April 2013 submission 43 CSOs, including Indonesia-based Solidaritas Perempuan and US-based Center for International Environmental Law, stated "70 per cent of the nation's geothermal areas occur partially or completely in forest areas" leading to "a high risk that this 'green' technology will lead to remarkable forest destruction and degradation and negative climate change impacts as well as impacts on forest-dependent communities" (see *CIF Monitor* 7).

Project name	Amount and date approved	MDB services	Key project documents
Geothermal electricity finance programme	$49.3 million 20 December 2013	IFC $700,000	Decision Project document

Project details
A programmatic initiative that aims to promote transformation of Indonesia's renewable energy (RE) sector, particularly its private geothermal power subsector.

"Environmental risks: With a large proportion of Indonesia's geothermal resources located in the vicinity of forests, project development and implementation will bear some environmental and social risk. Consultations with all affected persons and stakeholders will be carried out and concerns addressed in a participatory fashion and with due respect to gender impacts."

Key donor questions and concerns prior to approval
Germany: "With respect to forest and environmental protection we reiterate that we encourage ADB to strictly implement its safeguards procedures."

The US: "We are supportive of Indonesia's efforts to jumpstart its geothermal industry by reducing the significant barriers to geothermal exploration and development that exist despite the enormous resource potential in the country. However, given that two of the three sub-projects identified for support under the program are in 'frontier' regions of Indonesia, we would like to emphasise the importance of prudent planning and management in minimising any negative impacts on natural habitats, particularly on forests".

The UK: "Please can you confirm that any credits sold to the market will be reported to the CTF? The use of financial instruments such as equity and mezzanine finance seems to go beyond the activities that are usually financed under the Clean Development Mechanism (CDM)." The IFC confirmed that any sale of carbon credits on carbon markets will be reported on and that at this stage the project will not generate monetised carbon budgets.

2.4.3 Mexico: private sector geothermal project funded by grants

Project name	Amount and date approved	MDB services	Key project documents
Geothermal financing and risk transfer facility	$54.3 million (total) <u>Revised investment plan:</u> $31.5 million (loan) $2.8 million (grant) <u>Dedicated Private Sector Program:</u> $20 million (grant) 15 April 2014	IDB	Decision Project document Independent review

Project details
"The program intends to scale up investments in geothermal power generation projects by making available a range of financial mechanisms tailored to meet the specific needs for each project's stage of development."

"CTF resources under the Mexico revised investment plan in the form of a harder concessional loan are requested to be blended with IDB/[national implementation agency] resources for financing at all stages of the development of the projects."

"CTF resources from the Dedicated Private Sector Programmes (DPSPs) are requested in the form of a contingent recovery grant to support the deployment of risk mitigation instruments specifically designed to maximize leverage and to back the financing of the projects".

Key donor questions and concerns prior to approval
Several donors requested confirmation that funding from the dedicated private sector programme would be sourced from grant contributions. Germany noted that this implies "that losses resulting from the use of this instrument will be borne by grant contributions".

The CIF administrative unit confirmed that projects will be funded only from grant contributions, "however, since contributions to the CTF are commingled in a single trust fund, it is not possible to attribute a specific project to a contributor type of financing in the decision".

2.4.4 Chile: consultation of local communities on geothermal projects

Project name	Amount and date approved	MDB services	Key project documents
Geothermal risk mitigation programme	$50 million (total) Revised investment plan: $27.7 million (loan/guarantee) $1 million (grant) Dedicated Private Sector Programme: $20 million (loan/guarantee) 14 April 2014	IDB $1.2 million (for loan/guarantee) $52,000 (for grant)	Proposed decision Project document Independent review

Project details
Support up to three geothermal projects in Chile with a potential installed capacity of 100-150 MW. These projects "have already completed some exploratory drilling but require concessional risk mitigation support to advance with additional drilling and plant construction".

Key comments by civil society observer the World Resources Institute, on behalf of the Natural Resources Defense Council (NRDC)

- Local communities should be informed about potential negative impacts of geothermal exploration activities including a preliminary environmental impact study to ensure communities have "a true voice in the decisions that affect their surrounding environment".
- Previous geothermal projects have gone ahead in Chile despite the opposition of indigenous communities. The indigenous right to free, prior and informed consent should be considered.
- There are potential negative impacts during the exploratory phase on air quality from release of geothermal fluid vapors, cultural heritage from transport routes, ecological resources due to erosion and water resources because of drilling.

IDB responded: "The remarks sent by NRDC are very valuable to us, and we will take them into account when designing the project's components."

2.4.5 Nigeria: financial intermediary to lead on renewable energy projects

Project name	Amount and date approved	MDB services	Key project documents
Line of credit for renewable energy and energy efficiency project	$25 million (loan) 11 April 2014	AfDB	Decision Project document

Project details
"A 7 year line of credit to a Nigerian bank targeting renewable energy/energy efficiency projects in Nigeria. The objective is to facilitate the provision of financing to projects on terms and conditions relevant for renewable energy/energy efficiency."

Key donor questions and concerns prior to approval
Several donors requested further information about the borrower, which is a financial intermediary. Germany asked for information on its "role and position in the Nigerian market as well as details on [its] credit rating." AfDB responded that the borrower is a major financial institution in Nigeria in terms of asset size and has an investment-grade rating. It clarified that AfDB has a "number of requirements for financial intermediaries, key of which are commercial viability, additionality and development outcome".

2.4.6 Kazakhstan: private or public wind power plant?

Project name	Amount and date approved	MDB services	Key project documents
Yermentau large wind power plant	$24.3 million (loan) $100,000 for advisory services (grant) 29 April 2014	EBRD $474,000	Decision Expert review Revised document

Project details
"Financing the construction, commissioning and operation of a 50 MW wind power plant in the Yereymentau region … the project will result in large volume of CO^2 emissions reductions, by replacing electricity produced from low-efficiency obsolete coal-fired power stations."

Key donor questions and concerns prior to approval
The UK: "Why have the EBRD classified this as a private sector project rather than a public sector project given that this is a sub-sovereign borrower who are providing a corporate guarantee?"

EBRD responded: "We treat this as a private project due to the project's financial structure, which reflects private sector project structures (including the corporate guarantee) and the absence of a sovereign guarantee from the sponsor. Also, given the project structure, the use of the harder concessional element is more appropriate in our view. Nevertheless, for procurement purposes, we will ensure more stringent safeguards and treat this as a public project."

2.4.7 Ukraine: energy efficiency projects approved despite political turmoil

Project name	Amount and date approved	MDB services	Key project documents
Second urban infrastructure project	$50 million (loan) 29 April 2014	IBRD	Decision Project document Expert review Response to the expert review

Project details
"The CTF financing will be used to introduce energy efficient technologies for water and wastewater systems, as well as finance a municipal landfill site with biogas collection system that allows for gas recovery and electricity generation."

Project name	Amount and date approved	MDB services	Key project documents
District heating modernisation	$49.25 million (loan) $133,000 for advisory services (grant) 30 April 2014	EBRD $617,000	Decision Cover page Expert review

Project details
"The proposed CTF facility will provide sub-sovereign loans and technical assistance to public and private municipal heating companies to enable these companies to rehabilitate and modernise the district heating infrastructure in their cities, decrease operating costs, reduce CO^2 emissions and make the district heating system more energy efficient."

Project name	Amount and date approved	MDB services	Key project documents
Sustainable energy lending facility replenishment	€20 million ($27 million) (loan) $135,000 for advisory services (grant) 7 April 2014	EBRD $365,000	Decision Project document Expert review

Project details
"Debt financing and technical assistance for renewable energy projects in Ukraine".

Project name	Amount and date approved	MDB services	Key project documents
District heating energy efficiency	$50 million 28 January 2014	IBRD	Decision Project document External review

Project details
"Reduce greenhouse gas emissions through avoided heat generation by improving heat generation efficiency, reducing heat losses in district heat transmission and distribution systems and reducing residential heat consumption."

Key donor questions and concerns prior to approval
For all four projects the most important questions from donors concerned the political risk related to the severe crisis in Ukraine, particularly in the east of the country where several of the projects are located. For the district heating energy efficiency project Germany raised the possibility of postponing the project until "a reasonably stable political situation would make the necessary regulatory decisions more likely".

On the district heating modernisation project the EBRD responded: **"**We agree that the short-term risk is high, but expect the situation to normalise and return to a more stable environment prior to any sub-projects being signed." On the sustainable energy lending facility: "The EBRD continues to work with the government on further improvements. Due to the changes in government, now there is full commitment to work with the IFIs in removing such obstacles. … The situation is also offering opportunities, e.g. with a strong focus on the need to improve energy independence, which is in favour of renewable energy development. EBRD remains fully committed, and is in fact expanding, its activities in Ukraine and the sector."

3 Pilot Program for Climate Resilience

3.1 PPCR progress

While the November 2013 sub-committee meeting noted progress in advancing PPCR, including "moving towards realistic projections for project and programme development", the June semi-annual operational report was less optimistic. The report noted continued difficulties in providing realistic timelines, mainly due to "insufficient capacities in the countries, political uncertainties or unexpected natural events." Furthermore, reason for slow disbursement of funds was assessed to include "the complexity of the PPCR projects due to the multi-sectoral focus, coordination of multiple stakeholders, insufficient government capacities and unexpected difficulties in moving activities forward (e.g. temporary shift in priorities; need for redefining activities)." The report also noted slow progress on the joint CTF and SCF decision "that stakeholder meetings should be held on an annual or biennial basis to discuss the progress in the implementation of the investment plan", where only Samoa had held such a meeting to date.

Furthermore, the November sub-committee meeting had requested the CIF administrative unit to include a section on "how gender considerations have been included in PPCR projects and programmes" in the next semi-annual operational report, however, this section was not included in the June report.

3.2 Private sector funding

Two EBRD concept notes for the new private sector set aside (see *CIFs Monitor* 8, 7), both relating to Tajikistan, were endorsed during the November 2013 sub-committee meeting:

- Enhancing the climate resilience of the energy sector
- Small business climate resilience financing facility

A further four concept notes were endorsed, subject to further development:

- Haiti: Support for the building of a climate resilient sorghum supply chain (IDB)
- Jamaica: Financing water adaptation in new urban housing sector (IDB)
- St Lucia: Supporting climate resilient investments in the agricultural sector (IDB)
- Mozambique: Lurio sustainable forestry project (AfDB)

Pilot Program for Climate Resilience (PPCR) explained

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

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

As of end 2013, $1.3 billion had been pledged to the PPCR. Cumulative funding disbursements totalled $46.8 million. As of early June 43 projects and programmes had been approved for a total of $736 million.

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

The revised concept note for the Lurio project in Mozambique was scheduled for approval in early June. The US raised several questions: "We understand that monoculture plantations and processing plants are often financed on a purely commercial basis; what are the unusual adaptation benefits of this project that justify PPCR funds? … Is there any land being planted that is not degraded or agricultural land? … With respect to the wood chip mill and the MDF mill, where will raw materials come from until the plantation can supply raw material? Will these mills possibly draw from natural forests?"

The November 2013 sub-committee meeting also agreed to launch a second round of call for proposals, with "at least $30 million in concessional lending" available, but tasked the CIF administrative unit and the MDB committee to first review and revise the procedures and criteria used for evaluating project concepts. In comments on the December 2013 draft, the UK asked for follow up on the expert group's recommendation of "a split pot whereby half the funding goes to domestic financial institutions, to leverage more commercial co-financing". The CIF administrative unit responded that it doesn't make sense to split the already small pot further, moreover, in general "domestic financial institutions are very weak" and referred to several concerns that have been raised on "country-capacity and the involvement of the private sector" with the current set of pilot countries. The final document was agreed in mid January, including a timeline where projects submitted and proposed by the expert group will be considered by the sub-committee in the June meeting.

3.3 New pilot countries

In the November sub-committee meeting it was agreed that, while it would not be appropriate to consider potential new pilot countries, a discussion on how to use any new funding effectively would be welcome. This should also include considerations of uses, such as "deepening of existing pilot programmes" and "further rounds of the private sector set aside." A May paper prepared by the CIF administrative unit and the MDB committee outlined three options for consideration: selection of new pilot countries; using existing pilot countries as a hub to expand to a multi-country or regional programme; or "demonstrating and further incentivising innovative private sector investments … by expanding to all CIF countries". The paper, which will be discussed in the June sub-committee meeting, noted that as of March, 22 countries have expressed interest in participating in the PPCR.

3.4 Updates on investment plans

3.4.1 Cambodia: revision of investment plan

Revisions of Cambodia's investment plan were approved by mail in mid February. As agreed in November 2012 the requested funding for the SPCR were increased by $5 million in grants (see *CIFs Monitor* 7), taking the revised total to $91 million ($55 million in grants, $36 million in loans). A $14 million project on rehabilitation of irrigation schemes was dropped and a new project on rural roads was introduced, with a requested $16 million ($9 million in grants, $7 million in loans). Furthermore, it was requested that funding for technical assistance component was increased by $3 million to $10 million in grants.

Spain and Germany expressed "concerns about and objections to the changes as presently proposed", noting particular surprise that the project on irrigation has been dropped, given the original SPCR "had gone to great length explaining the cross-sectoral importance of investing in climate resilient water resources". ADB responded that the reallocation of funds "is not to reduce the importance" of the water resources project, but to "quicken the process of SPCR implementation, fund disbursement and effective SPCR coordination by allocating funds to a critical project, which is ready to be implemented quickly."

3.5 Selected project updates

3.5.1 Bangladesh: concerns over serious fiduciary risk

Project name	Amount and date approved	MDB services	Key project documents
Coastal towns infrastructure improvement project	$40.4 million ($10.4 million grant, $30 million loan) 12 December 2013	ADB $109,000 (final tranche)	Decision Cover page for project

Project details

"The project will strengthen climate resilience and disaster preparedness in eight vulnerable coastal pourashavas (secondary towns) of Bangladesh. The project … will (i) provide climate-resilient municipal infrastructure, and (ii) strengthen institutional capacity, local governance, and knowledge based public awareness, for improved urban planning and service delivery considering climate change and disaster risks."

Key donor questions and concerns prior to approval

The UK: "there was recently a report published by Transparency International Bangladesh (TIB) which identified serious fiduciary risk in relation to the Local Government Engineering Department (LGED). LGED has been identified as lead agency in this PPCR project. The risks identified include:

- Irregularities in human resource management;
- Irregularities and limitations in project planning processes;
- Corruption in project implementation;
- Limitations in project monitoring and evaluation.

We are worried (particularly given the large proportion of UK funds in this project) that the documentation does not appear to address these concerns and will not be able to endorse the project unless we are convinced that appropriate safeguards have been put in place."

ADB responded: "LGED hosted a roundtable discussion with development partners on the TIB Report … LGED attended the roundtable and took criticism in a positive way requesting concrete measures, for example requesting all procurement as e-procurement from 2014 (one recommendation by TIB). ADB is committed to supporting LGED in addressing any shortcomings and concerns identified in the TIB report." The UK responded that they are happy to endorse the project based on the response, subject to the fiduciary concerns being addressed, which was confirmed by ADB. The UK also added a number of questions for further clarification, including: "How the smaller local contractors will get access if the model of procurement that is used targets large businesses through e-procurement and business fairs?" ADB responded that traditional media will also be used.

3.5.2 Haiti: PPCR justification questioned

Project name	Amount and date approved	MDB services	Key project documents
Haiti centre Artibonite regional development project	$8 million (grant) 27 January 2014	IBRD $240,000 (second tranche)	Decision Project document

Project details

"The project would facilitate transport and trade, domestically and internationally, and build all-weather and climate resilient infrastructure. It would: (i) connect producers and inhabitants to local markets, services, and towns within the region, (ii) connect the region to the leading economic poles of [Port au

Prince], the [Dominican Republic] and the north, (iii) improve selected marketplaces, (iv) develop and disseminate territorial knowledge and provide technical assistance and tools to guide the actions and investments of the public and private actors in the region."

Key donor questions and concerns prior to approval
Germany and Spain: "there appears to be rather little that sets the project design apart from a 'standard issue' infrastructure improvement project, which in turn raises the question why such a design would justify a PPCR investment." The UK added: "The case for PPCR funding of this project is not convincing. … Building in climate resilience to the building and refurbishment of infrastructure should be standard practice, why is the World Bank not doing this as a matter of course? How is PPCR funding justified for these activities, rather than standard development finance?"

The IBRD and government of Haiti responded "Protecting investments in the road network with a climate-aware design (hard investments) and providing support to planners and policy-makers so they can make informed decisions that promote climate resilient development strategies (soft investments), is the strategic contribution of PPCR funds to this operation, and what makes it different from a standard issue infrastructure improvement project." Furthermore, "This investment project should not be understood as a stand-alone project, but in connection to the other SPCR investment projects."

Furthermore, the UK asked: "How will the project ensure it targets the poorest and most vulnerable? There is a risk they will be sidelined with the focus on producers that already have access to agricultural land. … the gender analysis is quite thin, and women's empowerment (e.g. in decision making on selection of roads to improve) does not appear to be measured." The IBRD and government of Haiti responded: "The investments in the road network contribute to ensuring connectivity and enhancing access of poor rural households to essential services". On gender: "The lack of gender-disaggregated data has been acknowledged as a difficulty in the formulation since the SPCR phase".

3.5.3 Grenada: questions on debt burden

Project name	Amount and date approved	MDB services	Key project documents
Additional financing to the regional disaster vulnerability reduction programme (RDVP)	$5 million (grant) 14 February 2014	IBRD $75,000 (first tranche)	Decision Project concept note

Project details
The additional finance refers to a decision in the November 2012 meeting (see *CIFs Monitor* 7). Grenada requested that the funding would be made available to the regional disaster vulnerability reduction programme, but to expand the scope of a separate forest rehabilitation project "to support a surface-water/groundwater supply assessment/hydrological instrumentation activity and physical (mitigation) works in addition to the originally identified reforestation activities. … The proposed additional activities would contribute to the conservation of biological diversity, significantly increase carbon sequestration, support and improve the functioning of eco-systems, provide sustainable livelihoods, amplify eco-tourism initiatives, contribute to environmental stability and alleviate poverty."

Key donor questions and concerns prior to approval
Spain and Germany: "we would appreciate a rationale being provided for combining the previously separate investment projects … into one overall project." The UK added: "[is this] a request for approval of this project, rather than just allocation of extra resources to it (for which further project documentation will follow for approval)?" Furthermore, "We would also like reassurances on the appropriate use of PPCR

finance for the RDVP overall – that it is being used to supplement and not substitute for IDA resources". Moreover, "the letter of support from the government of Grenada includes reference to their intention to co-finance the RDVP with further IBRD loans, given that Grenada has a high debt burden can the team confirm that if this is taken forward the principles in the 'use of concessional finance in the PPCR' document will be followed?"

IBRD responded: "Once the concept is endorsed, an additional financing project paper will be prepared in accordance with World Bank policy and submitted to the PPCR sub-committee for approval. Project paper submission to the PPCR sub-committee is expected in October 2014." On IDA it clarified: "through leveraging additional IDA financing, PPCR resources are able maximize the scale of impact, and provide the optimal instrument that both reduces transactions costs on the government and ensures close coordination of Grenada's SPCR activities." It did not directly address the question on debt burden, but responded that "Grenada may choose to co-finance PPCR resources with WB IDA resources (0.75 per cent interest with a 40 year maturity period), which is nearly as concessionary as PPCR loans."

Furthermore, Spain and Germany asked: "gender aspects should not only be discussed in the narrative, but should be explicitly addressed in the results framework and its indicators." The IBRD responded "the government of Grenada (with support from the PPCR) is undertaking a process at the country level (supported by the CIF) to align the project indicators with the PPCR core indicators, including gender indicators."

3.5.4 Mozambique: weak stakeholder engagement plan

Project name	Amount and date approved	MDB services	Key project documents
Coastal cities and climate change – additional financing	$15.75 million ($9.25 million in grants, $6.5 million in loans) 11 December 2013	IBRD $245,000 (final tranche)	Proposed decision Project document

Project details

"The project will seek to build climate resilience [in the city of Beira] by supporting the planning and sustainable management of green infrastructure. This will reduce urban flooding and deliver a range of other environmental benefits to the inhabitants of the city."

Key donor questions and concerns prior to approval

Germany: "While the project documents mention stakeholder meetings to ensure participation, no reference is made to the involvement of the general population, e.g. the population living within the settlements along the river banks." Furthermore: "Gender issues are mentioned in the document and indicators are designed accordingly, but a gender differentiation of the impacts of climate changes is lacking."

3.5.5 Saint Vincent and Grenadines: Lessons learned from disaster

Project name	Amount and date approved	MDB services	Key project documents
Additional financing to the regional disaster vulnerability reduction program (RDVRP)	$5 million (grant) 19 February 2014	IBRD $100,000 (final tranche)	Decision Project document

Project details
"Additional financing is required to cover the financing gap for completion of the on-going RDVRP activities and the project scale up is required for financing new activities of similar type and objective to activities already included in RDVRP. There would be no change in the overall project design the project components would remain the same." The main causes for cost overruns include inflation and increased scope of work due to damages caused by "heavy rain events" since 2011.

Key donor questions and concerns prior to approval
The UK: "With this extension the PPCR … is now a large sum of funding. Can the Bank please clarify that this money can be programmed and disbursed quickly – otherwise perhaps a more phased approach would be recommended." Furthermore, "we would like to be clear about the amount of IDA funding on the table and the amount of climate finance being made available." Germany and Spain recommended "carefully assessing the possible indications of the recent [December 2013] disaster for the project implementation, including possible increase of costs. Also, lessons learned from the disaster event should be included in the further planning and implementation of the proposed activities."

4 Forest Investment Program

4.1 Options for potential new countries

In October 2013 the FIP sub-committee decided it will currently not be selecting new countries. It will review information prepared by the CIF administrative unit and the MDBs on how to assess new country requests based on potential additional funding at the June meeting. This includes agreement upon four options should further funding become available: selection of new FIP pilot countries (as of March a total of 39 additional countries had expressed interest), dedicated set-aside to address emerging issues related to REDD+, allocation of additional resources to existing FIP countries, and exploring synergies with PPCR and SREP projects.

4.2 Results monitoring and reporting

Following disagreement on the results framework, a final version of the core indicators was presented for approval at the FIP October sub-committee meeting (see *CIF Monitor* 8). The sub-committee agreed that FIP pilot countries will report annually on common themes (greenhouse gas emissions reductions/ enhancement of carbon stocks, and livelihoods co-benefits); other relevant co-benefit themes (biodiversity and other environmental services; governance; tenure, rights and access; capacity development); and a narrative report on common topics will be agreed.

4.3 Private sector set-aside

Following discussions in early 2013 on the procedures for how the $56 million fund can engage the private sector on reducing emissions from deforestation and forest degradation (REDD) and sustainable forest management, (see *CIF Monitor* 7), the FIP sub-committee endorsed the following project concepts in October 2013 for the FIP private sector set aside and requested the MDBs to prepare detailed project documents for approval:

- Brazil: Macauba palm oil in silvicultural system (IDB)
- Brazil: Commercial reforestation of modified lands in Cerrado (IFC)
- Burkina Faso: Climate change mitigation and poverty reduction through the development of the cashew sector (AfDB)
- Ghana: Public-private partnership for restoration of degraded forest reserve through certified plantations (AfDB)
- Mexico: Guaranteed fund for financing low carbon forestry investments (IDB)

Forest Investment Program (FIP) explained

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

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

As of end 2013, $639 million had been pledged to FIP, and $8.5 million has been disbursed. Cumulative funding decisions by the FIP sub-committee total $34.6 million.

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

Following endorsement, financing was approved for the projects in Mexico and Ghana:

Project name	MDB services and date approved	Key project documents
Mexico: Guaranteed fund for financing low carbon forestry	IDB: $200,000, first tranche (total of $400,000) 29 January 2014	Final decision

Project name	MDB services and date approved	Key project documents
Ghana: Public-private partnership for reforestation of degraded forest reserve through certified plantations	AfDB: $175,000, first tranche (total of $350,000) 14 May 2014	Final decision

The FIP sub-committee also requested the MDBs revise the concept notes, taking into account comments from the set aside expert group and sub-committee members, and submit the following projects for review and endorsement by mail:

- Burkina Faso: Powering climate-smart rural development in Burkina Faso (AfDB)
- Democratic Republic of Congo (DRC): Community acacia and palm oil plantations on degraded lands to reduce deforestation in the Bandundu Province in DRC (AfDB)
- DRC: Novacel Sud Kwamouth (IBRD)

4.4 Dedicated Grant Mechanism for indigenous peoples and local communities

The aim of the dedicated grant mechanism for indigenous peoples and local communities (DGM) is to "provide grants to indigenous peoples and local communities in country or regional pilots to support their participation in the development of the FIP investment strategies, programmes and projects". The final framework operation guidelines setting out how to implement the DGM were endorsed and published in mid-September (see *CIFs Monitor* 8).

A competitive international selection process was concluded in December 2013 with US-based NGO Conservation International being selected as the global executing agency. Supervision costs were approved for Indonesia, Burkina Faso and Peru.

Country	MDB	Supervision services amount and date approved
Indonesia	IBRD	First tranche: $450,000 (Total: $750,000) 20 December 2013
Burkina Faso	IBRD	First tranche: $320,000 (Total: $640,000) 20 December 2013
Peru	IBRD	First tranche: $310,000 (Total: $620,000) 20 December 2013

The funding will be used for the identification of priority areas for project intervention in several socio-cultural areas: identification of target indigenous and local communities; baseline data collection; sociocultural data; environmental; land ownership data; preparation of safeguards instruments; stakeholders assessment and mapping; development of implementation plan; including monitoring; consultation and participation and stakeholders engagement activities in seven regions.

4.5 FIP and REDD+

Following the October meetings the CTF sub-committee requested the CIF administration unit, with support from the MDBs, to "prepare for review and approval at its next meeting, a paper providing guidance on the link between FIP investment funding and REDD+ performance-based mechanisms." The report to be discussed at the June meetings will reflect on the "experiences of FIP pilot countries and the specific role of REDD+ readiness in progressing through the FIP programming process. The report explores the extent to which FIP funding has supported REDD+ readiness activities in pilot countries and the interplay between different funding initiatives in these countries."

4.6 Updates on investment plans

4.6.1 Peru investment plan

Investment plan	Amount and date approved	Revised investment plan documents
Peru	$50 million 30 October 2013	Peru's Investment Plan Presentation

In the October 2013 meeting the FIP sub-committee endorsed $50 million for Peru and approved $1.5 million for preparation grants to support the following projects:

- $370,000 for the "integrated forest landscape management along the main route between Tarapoto and Yurimaguas in the Regions of San Martín and Loreto" (IDB)
- $400,000 for the "integrated landscape management in Atalaya, Ucayali Region" (WB)
- $370,000 for the "integrated landscape management along the main route between Puerto Maldonado and Iñapari and in the Amarakaeri Communal Reserve" (IDB)
- $360,000 for the "Strengthening of national forest governance and innovation" (IDB)

Indigenous organisations have criticised previous versions of the investment plan because they had not been consulted and agreed text had not been included (see *CIFs Monitor* 8). On the role of indigenous peoples the FIP sub-committee welcomed the joint commitment of the Peruvian government and indigenous organisations to work together, analyse and identify "issues that need to be discussed such as control and registry of early REDD+ initiatives, participation of indigenous technical staff in the formulation of the project proposals and the ways how communities will ensure their direct involvement in the implementation of project activities in the field." The indigenous organisations AIDESEP and CONAP have now joined Peru's FIP steering committee. Agreement was reached that $7 million will be used to address titling of indigenous communities, $4 million to drive forward community forest management, and $3.5 million to support indigenous governance.

Key donor questions and concerns prior to approval
The UK emphasised its "agreement with statements made by the government of Norway during the FIP sub-committee meeting; that the Peru investment plan needs to consider risk mitigation, specifically in relation to a possible breakdown between government and indigenous peoples."

4.6.2 Indonesia investment plan

In September 2013 civil society groups protested against the Indonesian FIP, citing lack of consultation. Although controversial, the $70 million forest investment plan was endorsed at the November 2012 FIP sub-committee meeting (see *CIFs Monitor* 8). In a June letter civil society organisations, including over 50 Indonesian groups and international organisations, wrote to the IFC and World Bank to demand information on the investment plan, which they have been requesting for three years. The letter criticised "a lack of meaningful consultation or fulfilment of the principle of free, prior, informed consultation or consent", in relation to a planned 700,000 hectares project. There has been a "violation of FIP safeguards which forbid FIP support for industrial logging", and the role of the Indonesian army in FIP projects citing previous "documented cases of conflict and human rights violations in the forest sector which have had the involvement of armed forces."

4.7 Selected project updates

4.7.1 Democratic Republic of Congo: will communities benefit from payments for emissions reductions?

Project name	Amount and date approved	MDB services	Key project documents
Improved forest landscape management project	$36.9 million (grant) 10 March 2014	IBRD $1.2 million	Final decision Project document

Project details
Aims to "support community-level natural resources management"…"address urban biomass energy needs" by promoting private sector participation, "promote the use of cleaner cookstoves" and "promote agroforestry and innovative production systems as an alternative to slash-and-burn agriculture and a source of sustainable woodfuel".

World Bank safeguard policies triggered by the project include: Environmental Assessment, Natural Habitats, Forests, and Involuntary Resettlement.

Key donor questions and concerns prior to approval
The US: "We would appreciate more information on how financial support will be provided to villages or private sector participants. How will such financing be delivered, and what form will it take (payments for performance, concessional loans, grants, etc)? Who will make decisions on the provision and terms of such financing?"

The UK: "Are there any examples of activities that will proactively target women as primary beneficiaries?"

IBRD responded: "Emissions reductions payments agreements payments are mainly based on observed performance once avoided deforestation is verified on the ground. Upfront payments are limited. In this context, only project owners with strong financial capabilities (logging companies, cattle ranching companies, etc) or big international NGOs can stand to benefit from such carbon finance mechanisms. Because of financial barriers, remote rural poor communities will be excluded from such innovative financing schemes unless the donor community supports them in initiating the first series of investments through start-up financing."

"Activities will be defined in the course of project implementation. Since the women will have a significant role in the definition of the villages' management plan, they will identify the kind of activities they can develop to reduce the drivers of deforestation themselves. The solutions will come from the communities and we do not want to influence with pre-packaged activities."

Project name	Amount and date approved	MDB services	Key project documents
Indigenous peoples and local communities: forest dependent communities support project	$6 million 29 January 2014	IBRD $400,000	Final decision Concept note

Project details
"The project objective is to (i) strengthen the capacity of the targeted indigenous peoples and local communities to engage in the FIP and REDD+ activities, and (ii) promote local development in favour of sustainable forest management."

"The project will trigger environmental and social safeguard policies. Most of the areas where the investment may take place are remote areas, with critical ecosystem that in addition may play a sacred/cultural role for local communities and the indigenous people. Therefore, at concept stage (Environmental Assessment), (Forests), (Natural Habitats), and (Involuntary Resettlement) have been triggered with (Physical Cultural Resources) to be decided during preparation."

4.7.2 Brazil: low carbon emissions agriculture

Project name	Amount and date approved	MDB services	Key project documents
Sustainable production in areas previously converted to agricultural use	$10.6 million (grant) 29 April 2014	IDB	Final decision Project appraisal document Cover note

Project details
"Promote the adoption of selected sustainable low carbon emission agricultural technologies by mid-sized producers in the Cerrado. The project has three components: (i) producer training; (ii) field technical assistance; and (iii) project management, monitoring and evaluation."

Key donor questions and concerns prior to approval
The UK: "In the Brazilian context, where approximately 75 per cent of GHG emissions derive from deforestation, largely driven by agriculture) tacking unsustainable land-use practices is one of the most effective ways of preserving forests."

IDB responded: "As part of its impact evaluation, the project will also experiment with different methodologies to assess the degree to which the adoption of low carbon emission agriculture plan technologies has influenced producer intentions to convert additional forest land into agricultural use within the participating production units."

Project name	Amount and date approved	MDB services	Key project documents
Macauba plant oil with impact	Total estimated budget $3 million 29 January 2014	IDB $400,000	Final decision

Key donor questions and concerns prior to approval
The UK asked that issues raised regarding the original concept must be fully addressed in project development: "The risk is that the project may give rise to perverse incentives, through increasing the return on agricultural land, thus encouraging further conversion of forest land to agriculture."

4.7.3 Burkina Faso: consultation of forest communities paramount

Project name	Amount and date approved	MDB services	Key project documents
Decentralised forest and woodland management project	$16.5 million (grant) 22 October 2013	IBRD	Final decision Concept note

Project details
"The project aims to (i) support country climate change governance, in particular through the design of a national REDD+ strategy that is applied to institutional and legislative frameworks in different sectors and results in concrete investments in targeted zones; (ii) improve land use planning and economic activities

around forest and woodland resources; and (iii) establish guidance, best practices and a structure of knowledge management around sustainable natural resource management”.

Key donor questions and concerns prior to approval
Donors queried what consultations had already been carried out with communities with the US stating: “communities must be involved in decisions on alternative livelihoods”. The UK requested more details on how the project would protect biodiversity and ecosystem services that are under threat because “there are no details provided on activities to do this, and no indicators in the logframe.”

5 Scaling up Renewable Energy Program in Low Income Countries

5.1 Pipeline management

A proposal on how to improve SREP pipeline management was discussed at the October 2013 sub-committee meeting. It was agreed that SREP will introduce an over-programming allowance of up to 30 per cent, but noted that the minimum allocation agreed for the pilot countries must be safeguarded. It also recognised that it could disadvantage low-income countries, in particular least developed countries and fragile states, which should be monitored. Furthermore, countries on the reserve list whose investment plan has been endorsed will now be included in the list of pilot countries, as long as the requested funding doesn't exceed the available funds and the over-programming allowance.

The May semi-annual operational report noted that the "slower than anticipated" progress with implementation is partly since the projects often form a component of a larger project. In addition: "While blending SREP funds with MDB and other sources of funding helps leverage other sources of financing … it tends to require longer preparation and processing time to combine different financing instruments and components into one integrated project. Some of the co-financing anticipated during the preparation of the investment plans also did not materialise during project preparation." Other observations included the renewable energy market dynamics in the pilot countries, as well as delays due to political situations, such as in Mali and Honduras.

5.2 Proposal for new pilot countries

As Norway announced a potential pledge for additional SREP resources, "primarily for new countries", at the October 2013 sub-committee meeting, a proposal for how to consider potential additional pilot countries was discussed. The sub-committee noted that any additional funds "could also usefully be utilised to deepen programmes in existing pilot countries or to expand the SREP set aside for enhancing engagement with the private sector."

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

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

Six countries were selected for SREP pilot programmes in 2010: Ethiopia, Honduras, Kenya, the Maldives, Mali and Nepal. A seventh country, Tanzania, was approved in March 2012 and an eight country, Liberia, in January 2013. All the investment plans of the original pilot countries have been approved. Tanzania's investment plan was endorsed in July 2013 and Liberia's in October 2013. Three countries and one region remain on the reserve list: Armenia, Mongolia, Yemen and the Pacific Region. Armenia and Solomon Island's investment plans will be considered at the June sub-committee meeting.

As of end 2013, $551 million had been pledged to SREP. Cumulative funding disbursements totalled $4.2 million. As of end March nine projects had been approved for a total of $75 million.

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

It was agreed that the CIF administrative unit should "invite countries eligible for SREP funding to submit an expression of interest in participating", through a new template. Priority should be given to a focus on energy access and indicative allocation of resources should be based on "country characteristics". The late February proposal, which was approved early March, extended the list to five key criteria, including relative poverty and good governance within the sector. A late May report by the expert group, appointed in 2013 to advise on the process, noted that out of 55 countries invited, 40 had submitted an expression of interest. The report recommended 12 countries for consideration by the sub-committee at the late June meeting: eight in Africa, two in South and East Asia and the Pacific, and two in Latin America and the Caribbean. Approved countries will be provided with funding to prepare an investment plan.

5.3 Private sector funding

Out of twelve concept notes received, four concept notes for the new private sector set aside (see *CIFs Monitor* 8) were endorsed in the October sub-committee meeting, with a total of $60 million:

- Honduras: Strengthening of the ADERC H-REF (IDB)
- Mali: Scatec solar PV 33 MW (AfDB)
- Kenya: Kopere solar park (AfDB)
- Nepal: ABC business models for off-grid energy access (IBRD)

The sub-committee agreed that a second round should be organised, but asked the CIF administrative unit to first revise the criteria for reviewing concept notes. It also asked the unit to "further analyse the effectiveness and value-added" of the set aside, with the MDBs. At least $30 million in primarily concessional lending is available for the second round, with grants only accepted on "an exceptional basis". After the revised criteria were approved by mail in mid February, three new concept notes were recommended by the set-aside expert group, with an allocation of $33 million in funding to further develop the projects, pending approval by the sub-committee:

- Kenya: Olkaria VI geothermal power plant (AfDB)
- Kenya: Climate venture facility (KCFV) Project (IBRD)
- Self-supply renewable energy guarantee program, Honduras (IDB)

5.4 Updates on investment plans

5.4.1 Liberia: grant request questioned

Investment plan	Amount and date approved	MDB services	Key project documents
Liberia	$50 million request noted		Liberia's Investment Plan Decision
Renewable energy for electrification in north and centre Liberia project	$1 million (preparation grant)	IBRD $340,000, first tranche (total of $690,000)	
Renewable energy for electrification in eastern Liberia project	$1.5 million (preparation grant) 31 October 2013	AfDB $225,000, first tranche (total of $450,000)	

Less than a year after being accepted as a new SREP pilot country Liberia's investment plan was endorsed at the October 2013 SREP sub-committee meeting, together with preparation grants for two projects.

Key donor questions and concerns prior to approval
The sub-committee noted a "request for the government of Liberia to receive all indicative allocation in the form of grants". However, it also referred to the 2011 decision for "no more than 70 per cent of the indicative funding" for countries with a low risk of debt distress to be drawn from grant contributions. It called on Liberia and the MDBs to provide "sufficient justification for grant financing" when submitting project proposals.

Norway asked for more information about how the "serious challenge of low capacity in central and local institutions crucial for the implementation of the SREP [investment plan] will be dealt with." The US also raised potential risks, including that "SREP projects need protection against unknown and arbitrary risks or unexpected actions that may impact project operations and ownership."

5.4.2 Armenia: concerns over deadlines, projects

Armenia's investment plan was circulated for approval in mid April, with an aim of approval by early May, however, donor countries raised several concerns. Switzerland called for an extension: "we have materially not enough resources to appraise an investment plan within the short time you gave us … any investment plan should be discussed in a sub-committee meeting or at least by [video conferencing]." The UK agreed, and also raised concerns "particularly regarding the substantial objections noted by the independent reviewer regarding the focus on geothermal power. This does not appear to be satisfactorily resolved, and would like to see additional evidence and/or review before the sub-committee is asked to endorse the plan." The US seconded this: "The problems with the geothermal project expressed by the independent reviewer raise some serious concerns and they are not sufficiently addressed". Furthermore, "We are concerned about the lack of strong commitment to policy reform tied directly to SREP support, and a strategic framework for implementing it. The document identifies major barriers to investment in renewables, but the mitigation options are not clearly identified". Following the concerns, the investment plan will be discussed in the June sub-committee meeting.

5.5 Selected project updates

5.5.1 Ethiopia: questions on energy export and affordability

Project name	Amount and date approved	MDB services	Key project documents
Geothermal sector development project	$24.5 million (grant) 16 April 2014	IBRD $275,000	Decision Revised project document

Project details
"The development objective of geothermal sector development project (GSDP) is to develop geothermal resource for electricity generation in Ethiopia."

Key donor questions and concerns prior to approval
The UK: "why is it proposed that the SREP funds are used for an entirely donor-funded, state-delivered project? Might this in fact have a negative impact on market perception and investment?" IBRD responded that the SREP funding goal is to "unlock the future potential of private sector investment in the sector which will have long-term benefits for reducing energy poverty in Ethiopia."

Switzerland: "In our eyes the additionally produced electricity should be destined with priority to increase electricity access and productive use in Ethiopia. Only surplus electricity should be exported." IBRD responded: "Given the estimated timeline and GoE [Government of Ethiopia] power plant expansion plan, at that time, while GSDP will have a production capacity of 70 MW, Ethiopia's total power generation capacity will be around 10, 000 MW. This is considerable higher than Ethiopia's domestic peak demand, and GoE plans to export the surplus power to neighbouring countries."

Project name	Amount and date approved	MDB services	Key project documents
Lighting Ethiopia	$1.6 million (grant) 4 February 2014	IFC	Decision Project document

Project description
"The project will provide the advisory services/technical assistance component of the IFC-managed SREP Project 2 'Clean Energy SMEs Capacity Building and Investment Facility', included in Ethiopia's endorsed investment plan."

"The overall project goal is to increase access to better, cleaner and safer off-grid lighting for 2 million people in Ethiopia", including to "develop a local private sector supplier market", "accelerate the development of a sustainable commercial market for quality off-grid lighting products", "develop the capacity of local SMEs" and "mitigate climate change by switching from fossil fuel-based lighting to clean lighting".

Key donor questions and concerns prior to approval
The Netherlands: "There seems to be no clear and urgent reason to submit this proposal as 'confidential'. We prefer SREP to be completely transparent and SREP information public, in order to allow for maximum synergy and alignment." Furthermore, "The proposal does not describe the ownership of the government of Ethiopia and the participation of Ethiopian stakeholders in its design".

On transparency, the IFC referred to the CIF administrative unit, and clarified that "a public version of the programme proposal has been posted." While it listed several stakeholders in its response, including NGOs and financial intermediaries, it did not clarify their participation.

The UK: "Although lantern costs at $10 is very low, this remains not insignificant to a family at the 'bottom of the pyramid' – and further information on safeguards (such as warranties) for poorer consumers would be welcome." Also, "While gender benefits are important, these should not be assumed. … It would also be useful to understand the gender strategy for the project."

The IFC responded "the challenge is not the cost of the lantern, but the ability of poorer consumers to pay for the lantern in smaller instalments that falls within their capacity to pay within their household cash-flow patterns/disposable incomes". To address this the programme will work with six regional micro-finance institutions "to provide training on clean energy products and link with them with the supply chain and local distributors in an attempt to bridge this affordability gap." On gender, it clarified: "The gender strategy for the programme will center on: (i) seeking to involve women in the supply chain for solar lanterns and (ii) identifying income generation activities undertaken by women that can be enhanced by better or more hours of lighting."

5.5.2 Nepal: affordable energy questioned

Project name	Amount and date approved	MDB services	Key project documents
Rural electrification through renewable energy	$11.2 million (grant) 9 May 2014	ADB $120,000 (final tranche)	Decision Cover note

Project details
"The project will directly finance mini-grid development … of solar and/or wind" through "mini-grid based renewable energy systems in off-grid, rural communities" and "capacity development support to", the Alternative Energy Promotion Center, the national implementing agency for the project.

Key donor questions and concerns prior to approval
Switzerland: "What implications does the use of the two commercial banks instead of [Central Renewable Energy Fund] have on the affordability of the [renewable energy] projects on the local communities and consumers? What is the level of an 'affordable' tariff to be paid by end users to cover [operations and maintenance] and battery replacement costs?"

ADB responded: "as the subprojects will be community owned and developed, the financial intermediaries are of secondary importance with respect to affordability". Furthermore, the level of affordable tariff is "specific to the subprojects and customers". Commenting on the response, Switzerland argued "that such economies of scale and higher efficiencies shall be transferred to the end-users and thus lead to a higher affordability of rural electrification." Furthermore: "We understand that the costs depend on the technology and vary. … But this statement about the costs does not say anything about the affordability of the tariffs for households and small businesses."

5.5.3 Mali: questions on labour costs

Project name	Amount and date approved	MDB services	Key project documents
Rural electrification hybrid systems	$14.9 million (grant) 17 October 2013	IBRD $228,000 (final tranche)	Decision Project document

Project description
"The project is expected to increase the renewable energy installed capacity in approximately 50 of the existing rural mini-grids and facilitate subsequent gradual expansion of renewable energy fueled mini-grids to underserved areas. In addition to infrastructure investments, the project will promote the market for energy efficient products and will provide extensive capacity building in the rural energy services sub-sector and for the institutional strengthening of [Agence Malienne pour le Développement de l'Energie Domestique et d'Electrification Rurale]."

Key donor questions and concerns prior to approval
Switzerland: "As the components are standard products, we still do not see how in Mali, where the labour costs are a fraction of those in Germany, the overall costs can be more than twice as high as in Germany." IBRD responded: "it should be noted that for existing projects, installation of hybrid systems has been carried out by expatriate engineers and technical experts with very high associated costs (especially for small project). For this reason, the development of a national capacity for installation necessary to drive down unit cost is a key objective of the project."

Furthermore Switzerland asked: "Please also specify the mechanism of tariff setting that should make sure that the benefits of the programme, in terms of lower electricity prices in rural areas, will be transferred to the intended beneficiaries (i.e. the consumers - households and small enterprises in rural areas of Mali)." IBRD responded that additional clarifications will be included in the final document.

The UK added: "We are concerned that the treatment of the political and security situation in Mali does not present a clear conflict analysis, and although the coup is acknowledged, there is limited discussion about the potential impact of insecurity and fragility on the outcomes of the project." Moreover: "our approval of this project is on the condition that SREP funds will under no circumstances be used for the diesel components of the project since support to fossil-based generation is outside the investment scope." IBRD responded: "we do confirm that implementation will take into account the post conflict situation of the country. We also confirm that SREP funds will not under any circumstances be used for fossil-based generation."

5.5.4 Maldives: reaching women?

Project name	Amount and date approved	MDB services	Key project documents
Accelerating sustainable private investments in renewable energy (ASPIRE)	$11.68 million (grant) 10 April 2014	IBRD $245,000 (final tranche)	Decision Project document

Project details
"The project development objective … is to increase [solar photovoltaics] generation in Maldives with private sector investment."

Key donor questions and concerns prior to approval
The Netherlands sought clarification on "how the project will reach women in particular. … When talking about training, in the first para it says that women 'can' be trained. We would prefer 'shall be trained'." IBRD responded: "please note that women headed households are not expected to be treated differently, since the PV power generated will be sold into the grid. … we confirm that targeted trainings shall be provided to women."

ANNEX

CIF CSO and indigenous peoples observers[1]

	Africa	Asia/Pacific	Latin America	Developed countries	Indigenous peoples
CTF	Joseph Adelegan, Global Network for Environment and Economic Development Research, Nigeria	Elpidio Peria, Biodiversity, Innovation, and Trade Society Policy Centre, Philippines	Sergio Sanchez, Clean Air Institute, Mexico	Clifford Polycarp, World Resources Institute, USA	
SCF	Judy Ndichu, Transparency International, Kenya	Archana Godbole, Applied Environmental Research Foundation, India	Carolina Thibes, Fundação Getulio Vargas, Brazil[2]	Adrian Rimmer, The Gold Standard Foundation, Switzerland	Grace Balawag, TEBTEBBA Foundation, Philippines Legborsi Saro Pyagbara, The movement for the survival of the Ogoni People, Nigeria
FIP	Gertrude Kabusimbi Kenyangi, Support for Women in Agriculture and Environment, Uganda	Archana Godbole, Applied Environmental Research Foundation, India	Carolina Thibes, Fundação Getulio Vargas, Brazil	Rick Jacobsen, Global Witness, UK	Juan Carlos Jintiach, COICA, Ecuador Khamla Soubandith, CKSA, Laos *Alternates:* Saoudata Aboubacrine, Tinhinane, Burkina Faso

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

					Marcial Arias, CICA, Panama
PPCR	Camilo Nhancale, Kuwuka JDA, Mozambique Ayouba Abdou Sani, Jeunes Volontaires Pour L'Environmen, Niger	Marion Verles, Nexus, Carbon for Development, Cambodia	David Luther, Instituto Dominicano de Desarallo Integral, Dominican Republic	Bridget Burns, Global Gender and Climate Alliance, USA[3]	Mrinal KantiTripura, Maleya Foundation, Bangladesh Fiu Mataese Elisara, OLSSI, Samoa
SREP	Judy Ndichu, Transparency International, Kenya	Padam Hamal, Neighbour Organisation, Nepal	Juan Diego Osorio de Armero, Asociación Hondureña de Pequeños Productores de Energía Renovable, Honduras	Adrian Rimmer, The Gold Standard Foundation, Switzerland	Legborsi Saro Pyagbara, The movement for the survival of the Ogoni People, Nigeria Hortencia Hidalgo, Network of Indigenous Women on Biodiversity of Latin America, Chile

[3] Replacing Nathalie Eddy