Climate Investment Funds Monitor 11

May 2015

Summary

- A decision on the **Climate Investment Funds (CIF)** 'sunset clause' has been postponed to a future date. A paper on national level stakeholder engagement and a proposal for a new private sector facility will be discussed in the May meeting. A decision will be taken on measures to mitigate financial risks in the CTF. CIF transparency and corruption risks have been documented in a report by Transparency International and a paper by the International Institute for Environment and Development discusses national level decision making in PPCR and SREP.
- Despite a further funding pledge by the UK, concerns were raised about a projected shortfall of resources for the **Clean Technology Fund (CTF)** by the end of 2015. An early warning mechanism is due to be discussed. Questions were raised about the development benefits of a proposed project in Colombia. Full compliance with safeguards was requested for a proposed project in Vietnam.
- New countries have been invited to express interest to participate in the **Pilot Program for Climate Resilience (PPCR)**, with 15 countries shortlisted for decision in the May meeting. Procedures for expanding the private sector set-aside to non-PPCR countries have been approved. Biodiversity and gender impacts were questioned on a Grenada project proposal. The gender focus in a Haiti project proposal was deemed weak.
- Options for potential new funding for the **Forest Investment Program (FIP)** have been further elaborated, including priority rankings for current and potential new pilot countries, however, funding constraints remain and many current projects continue to be delayed. Questions were raised on environmental and social risks with a proposed project in Ghana.
- Indicative funding allocations have been agreed for the 14 new **Scaling up Renewable Energy Program in Low Income Countries (SREP)** pilot countries. The UK and Norway have pledged further funds, however, cautions remained about "unrealistic expectations" about funding availability. Vanuatu's investment plan has been approved. A Kenya project proposal was questioned about incentives for diesel. Gender considerations were considered weak in a Honduras project proposal.

Key acronyms

ADB	Asian Development Bank
AfDB	African Development Bank
CIF	Climate Investment Funds
CTF	Clean Technology Fund
EBRD	European Bank for Reconstruction and Development
EE	energy efficiency
FIP	Forest Investment Program
FY	financial year
GCF	Green Climate Fund
GHG	greenhouse gas
IBRD	International Bank for Reconstruction and Development (World Bank)
IDA	International Development Association (World Bank)
IDB	Inter-American Development Bank
IFC	International Finance Corporation (World Bank)
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
SME	small and medium-sized enterprises
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* 10, published in November 2014. This edition covers key CIF developments based on CTF trust fund committee and SCF sub-committee meetings, and other communications from November 2014 to April 2015. These committees serve as the governing bodies of the funds. Information on the CIFs, including meeting notes and submissions, can be accessed at www.climateinvestmentfunds.org.

For the online version of *CIFs Monitor* 10 and past issues of the *CIFs Monitor*, see http://www.brettonwoodsproject.org/publication-type/cifs-monitor/

Content

1 Climate Investment Funds

1.1 CIF sunset clause

The November 2014 joint CTF-SCF committee meeting considered the document *Models for the future operations of the CIF* (see *CIFs Monitor* 10). The document follows discussions about the CIF's 'sunset clause' which obliges them to fold 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).

A decision on which of the four proposed models for the CIFs should be further explored was postponed to "a later meeting", but it was agreed that the paper "detailing the necessary steps and the indicative timeline for implementing the model(s) and the proposed strategy" should be considered "no later than the first meeting in 2016." Meanwhile the meeting agreed on a "guiding framework for the discussion of the future operations of the CIF … to reduce uncertainty for the endorsed investment plans and programmes" with the following principles:

a) "Supporting the continuity of climate finance flows and actions on the ground and reducing funding gaps in the CIF operations in the near term;
b) Progressively taking measures to strengthen complementarity, coordination and cooperation within the climate finance architecture;
c) Focusing on knowledge management and sharing of lessons learned;
d) Enhancing the programmatic approach and leverage of funds; and
e) Continuing to deliver strong value for money in terms of economy, efficiency and effectiveness of CIF operations and investments on the ground."

The meeting also noted that "any investment plans and programmes under the CIF could be designed in such a way that recipient countries, if they so desire, could use them to access funding from other sources or mechanisms in the climate finance architecture". It asked the CIF administrative unit to "further explore ways to enhance the sharing of knowledge and lessons learned with the other entities and mechanisms in the climate finance architecture."

Climate Investment Funds (CIFs) explained

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

The CIFs operate in 63 countries worldwide. As of end 2014 donors had pledged a total of $8.1 billion to the CIFs: $5.3 billion to the CTF and nearly $2.8 billion to the SCF ($1.2 billion for PPCR, $785 million for FIP and $796 million for SREP). Projects are executed by 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 the World Bank's private sector arm, the International Finance Corporation (IFC).

Under the 'sunset clause' the CIFs are due to end once a new climate finance architecture is effective under the United Nations Framework Convention on Climate Change (UNFCCC) through a mechanism such as the Green Climate Fund (GCF).

Furthermore, it agreed "to continue monitoring the developments in the international climate finance architecture over the next two years to make a decision to if and when the trustee should stop receiving new contributions", considering the following issues:

a) "The developments relating to the international climate finance architecture;
b) The need to reduce fragmentation but maintain diversity of financing options; and
c) The role and value of the CIF in the design and implementation of pilot approaches and lessons learned for delivering climate finance at scale."

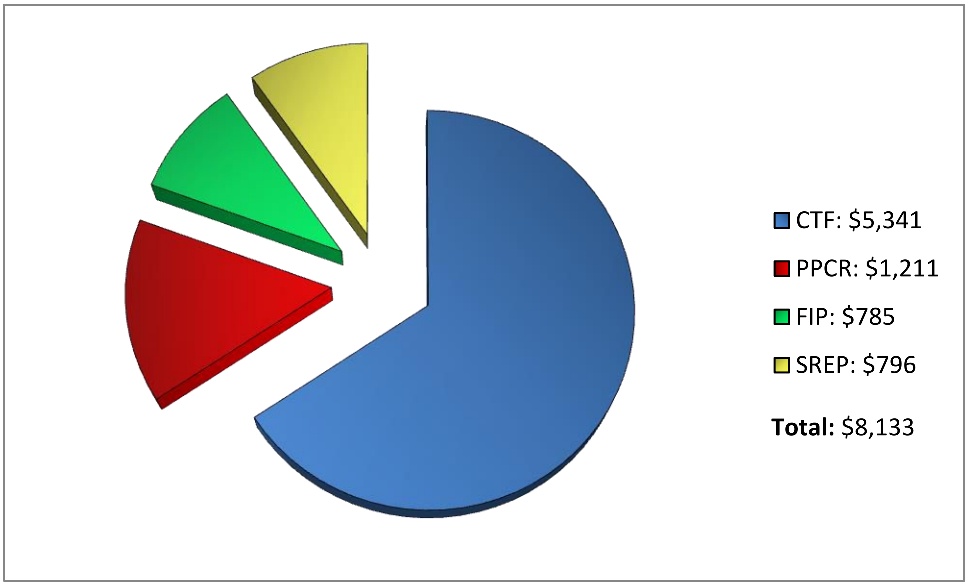
1.2 Stakeholder engagement

New civil society and indigenous peoples observers have been selected to serve for two years, including the first set of indigenous peoples observers for the CTF (see Annex page 28).

A long-delayed paper on *Proposed measures to strengthen national-level stakeholder engagement in the Climate Investment Funds*, released in late April, will be discussed at the joint May CTF-SCF committee meeting. The paper, which was originally due to be discussed during the June 2014 meetings, describes stakeholder engagement as "an asset required to meet its objective of creating sustainable development through its programmes and projects." It references the CIF evaluation (see *CIFs Monitor* 10), which concludes that the CIFs draw legitimacy from "governance principles of equal representation, consensus decision making, transparency, and the inclusion of observers".

The paper further argues that stakeholder engagement "creates trust between different actors and serves as a mechanism over outcomes, and strengthens sustainability", and that CIF projects and programmes "may stand a greater chance of being sustained if they are inclusive and enjoy broad public understanding and support." It notes, however, that "while the principles of stakeholder engagement are embedded in the CIF governance system and specified in the CIFs' design documents, practice varies", as does the level of detail. It identifies the FIP to be the most explicit in requiring stakeholder engagement, while the CTF is less prescriptive. While the paper notes that the CIF's approach to stakeholder engagement must be "cost effective", it also emphasises that "it is a false economy to underfund stakeholder engagement as it could jeopardise quality or lead to expensive delays, redesign and other disruptions."

Graph 1: Total CIF funding pledged by fund (millions)



Source: Climate Investment Funds 2014 Annual Report

The paper notes that while the MDBs have policies and guidelines "the potential for stakeholder engagement is not always realised", noting variability in "quantity, quality, relevance, and timeliness of information shared". Furthermore: "The degree to which the MDB encourages stakeholder engagement in terms of staff resources and procedures also plays a role." The paper also emphasises the importance of stakeholder mapping identifying "legitimate" stakeholders, noting that in particular local stakeholders are not always immediately obvious. It adds that stakeholders should "have a clear understanding of how their contributions will be used and the degree of influence their input will have in the development and implementation of the investment plan." However, the paper also opens up for "a more simplified strategy" where there is "less widespread or more specialised stakeholder interest, particularly where investment plans do not entail major local impacts".

The paper outlines six underlying principles for enhanced national-level stakeholder engagement, including to "draw on the existing body of stakeholder engagement policies and guidelines rather than create new frameworks and tools for the CIF"; "learn from and draw on the participatory practice of stakeholder engagement in the design of MDBs' country strategies"; and "seek to employ or strengthen existing country systems and strategies as much as possible". The principles require a "differentiated" approach for the different funds, but one that builds on "certain universal standards", for which developed measures can be "swiftly and easily" applied.

The paper calls on the May meeting to agree on the "measures proposed in the document", specifying in particular four measures, including to "foster the use of existing country systems for stakeholder engagement" and to "address inconsistency in the principles and requirements for stakeholder engagement." It also proposes that the CIF administrative unit "work with the pilot countries and observers to agree on a work programme and budget for FY [financial year] 16 and FY17 to carry out the measures agreed".

1.3 Transparency and corruption risks

In the November 2014 joint committee meeting, Canada asked for a clarification on how the CIF administrative unit had responded to a February 2014 report by Transparency International (TI) on the CIFs. The CIF administrative unit responded that "it is exploring ways to respond to some of the recommendations as part of the proposal with various measures to further improve the governance of CIF". Furthermore, a paper on measures to further improve the governance of the CIF is due to be discussed in the May meeting.

The TI report noted that the CIFs "exhibit a number of best practices regarding transparency" throughout its operations, with publication of "accurate, comprehensive, clear, coherent and timely information on its executive functions, projects and programmes, and it has begun to publish its climate finance information as part of the International Aid Transparency Initiative". However, it also identified weaknesses, including contradictions "between policy documents of the funds and the information available on the funds' website – making it unclear what specific access to information procedures apply." Moreover: "information regarding the anticorruption rules and safeguards of downstream actors, in particular those at the national level, is not openly disclosed at fund level." It also recommended web-casting of the Funds' committee meetings.

On accountability, the TI report noted that "clear and comprehensive processes defined by World Bank policies are in place to ensure the investigation and sanctioning of the Funds' administrative unit and trustee", but that further rules and procedures are needed for the trust fund committee, sub-committees and individual members of the committees, to ensure "assurances that investigative, review and sanctioning processes are in place." According to TI, the CIFs are "advanced regarding civil society participation both as observers at the trust fund committee and sub-committee meetings and as consulted stakeholders at the project level", however, it noted that "participation can be further strengthened to enable more open, meaningful engagement and better uptake of citizens' concerns."

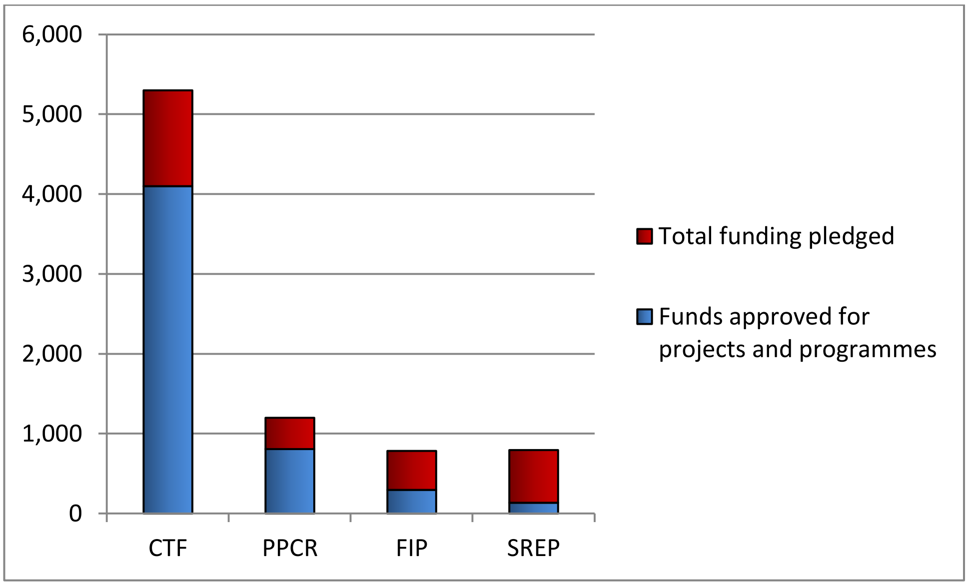
Due to the delegation of project-level accountability to the implementing agencies, the MDBs, TI could only partially assess their effectiveness. While policies applicable to them are available on the CIFs' website, there is a lack of information on their application and effectiveness, including which specific anti-corruption rules apply and which complaints mechanisms and whistleblower protection apply: "Downstream accountability, therefore, needs to be much better demonstrated in clear and consistent ways." TI also noted that the MDBs are not accredited under the CIFs, meaning that documentation is "largely silent in terms of the fiduciary standards or integrity requirements" for MDBs. Moreover, "sanctions for condoning or sanctioning corrupt behavior … are also absent. In this way, the funds are missing a clear commitment to anti-corruption." It recommended the CIFs to "consider instituting a fund-wide zero-tolerance of corruption policy." TI argued that the CIFs should also "improve access to information on key anti-corruption assurances throughout project and programme cycles [which] is essential to ensure both downstream and upstream accountability for the prevention and deterrence of corruption."

1.4 Financial risks

A paper exploring ways to increase CIF investment income while protecting the principal of the trust funds was shared for the November 2014 joint committee meetings, with an April update due to be discussed in the May joint CTF-SCF committee meeting. The World Bank manages the CIF trust funds, with assets maintained in a commingled portfolio for all trust funds managed by the Bank. The investment objective for the CIF trust funds is "to maximise investment return, subject to (a) maintaining adequate liquidity to meet foreseeable cash flow needs and (b) capital preservation … expressed through a conservative risk tolerance limit." The CIF investment portfolio assets include "short-term bank deposits, other eligible money-market instruments and highly-rated government, government guaranteed and corporate asset-backed securities."

According to the November 2014 paper, the CIF's portfolio earned "attractive investment returns" from 2009 to 2012, but "a number of factors negatively affected the 2013 results". These included that "historically low fixed-income yields continued to suppress the coupon or interest income" and "increased volatility in interest rates during the year led to unrealised price losses that impacted the net investment income for the year." It noted that "the current market environment poses challenges for investors in conservative fixed income portfolios", such as the CIFs' investment portfolio. The April paper noted: "Given the historically low interest rates in most developed markets, there is more room for rates to rise than there is for them to go lower".

Graph 2: Total CIF funding approved per fund (millions)



Source: Climate Investment Funds 2014 Annual Report

In response to the concerns over the portfolio's financial performance the April paper suggested a slightly more risky investment approach for the CTF. Based on CTF cash flow projections, the April paper proposes that CTF assets should be moved to a new tranche (or model portfolio) within the World Bank's trust fund portfolio, which would allow the investment horizon to increase from three to five years and include a limited allocation to equities of no more than five per cent of a fund's total assets. According to the paper the move could "improve the risk/return profile and could potentially increase investment income." Based on analysis of interest rates scenarios, the paper concludes that "at a five-year horizon, a portfolio with a 3.1 per cent allocation to equities is expected to outperform a purely fixed income portfolio". It cautions, however, that "the higher expected returns generated by expanding the asset mix into equities require … a higher tolerance to short term return volatility."

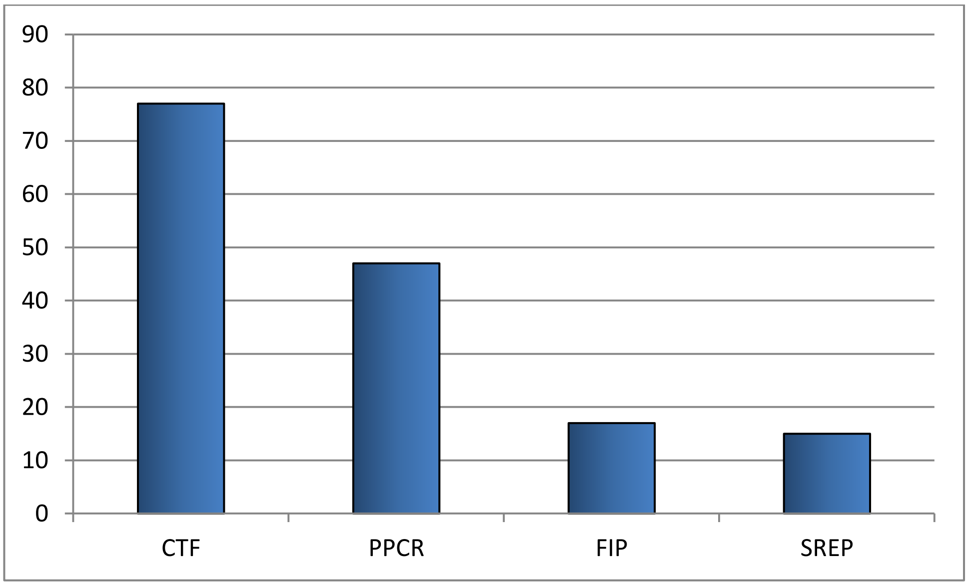
No changes are proposed for the SCF investment portfolio, with the paper concluding that the SCF's "liquidity projections indicate that the current three-year investment horizon and the accompanying investment strategy remains appropriate for the fund."

1.5 New private sector facility

Following an October 2014 paper reviewing the SCF private sector set-asides (see *CIFs Monitor* 10), the May SCF committee meeting will discuss a proposal for a new SCF private sector facility, "that addresses challenges faced under previous set-asides mechanism and that allow for greater scale, flexibility and market response." It would be a stand-alone sub-programme of the SCF "dedicated to serve the mandate of the private sector under the FIP, PPCR and SREP".

The paper identifies steps required to set up the new facility. In the first instance "MDBs will review the endorsed private sector set-aside programmes under the PPCR and FIP and identify projects that would be recommended for removal from the existing pipelines", to be endorsed by the sub-committee. The trustee will thereafter calculate available resources based on the pipeline of projects to be transferred to the new facility. After this the SCF trust fund committee "will approve the establishment of the new facility as a new SCF programme, including its scope, objectives and eligibility criteria governing the use of the resources under the facility." It is also proposed that the SCF trust fund committee will serve as the sub-committee for the facility.

Graph 3: Total number of projects or programmes approved per fund



Source: CTF, PPCR, FIP and SREP semi-annual reports, April 2014

The paper proposes that the facility should start with an initial capitalisation of about $100 million, with $29 million from the existing FIP and PPCR private sector set-asides pipelines, and an additional $50-80 million from the third round of the PPCR's set-aside, however, these set-asides will continue to co-exist. Moreover, it is hoped that contributor countries will pledge further funds to the new facility. In terms of country eligibility, it is proposed that low-income SCF countries can apply as long as the proposals are "aligned with the objectives of any of the SCF programmes." Furthermore, middle-income countries "can apply for funding aligned with the programmes they are already part of". It is also proposed that CTF countries could apply "for funding for climate resilience and adaptation type investments." Middle-income countries will only be able to access non-grant resources.

It proposes that any future resources made available by the removal of projects from the PPCR, FIP and SREP set-aside pipelines or cancellation of set-aside projects should be transferred to the facility. As more immediate actions, it proposes that the Cambodia PPCR private sector set-aside project *Integrated climate-resilient rice value chain community* should be removed from the project pipeline and that the $5 million made available ($3.2 million grant, $1.8 million loan) be transferred to the new facility. On FIP it proposed that $15 million ($10.8 million grant, $4.2 million loan) from the Brazil set-aside concept *Commercial reforestation of modified lands in Cerrado* should be transferred.

1.6 Study of decision making in PPCR and SREP

An April working paper by UK-based NGO International Institute for Environment and Development (IIED) analysed the political economy of international climate finance, with a focus on decision making in PPCR and SREP. Using case studies from Bangladesh, Ethiopia and Nepal the paper explored "how countries can build their own 'climate finance readiness' by understanding their internal political economy and use that understanding to steer consensus-based decisions on climate finance investments."

The paper found that stakeholders involved in planning the PPCR and SREP investment with a shared vision on 'transformational change' and 'development benefits' had formed coalitions with the power to direct investment decisions. For example, in Bangladesh "government implementing entities and MDBs shared the narrative that PPCR would bring 'transformation' by investing in capacities for climate resilient infrastructure, and that 'development benefits' would be achieved through economic growth. This coalition steered decisions to invest PPCR finance into large-scale coastal engineering projects."

Furthermore, the paper found that incentives, such as policy, economic and knowledge-based factors, "can strengthen coalitions and shape national decisions on climate finance." In Bangladesh, it identified "clear resources and economic incentives to support large-scale infrastructure investments" and noted that "the contrasting investment decisions made in Ethiopia and Nepal (under SREP) were guided by the different economic incentives they faced, as well as the policy goals and knowledge available to each." In Ethiopia a "grid based approach aligned well with available co-finance for renewable energy and its national development plans that promote a fast-growing grid and extra energy for export". In Nepal "government stakeholders saw the economic benefits in funding proven, commercially viable technologies and providing power for the rural economy."

The paper also found that alternative narratives and resources have little influence on decision making, but can undermine implementation. For example, in Bangladesh "a wide range of actors were sceptical about whether the PPCR investments would bring about transformational change … [but they] had little effect on decision making." In Nepal, "stakeholders on the fringe who called for more attention to infrastructure development, growth and employment remained there." The paper noted that "in both Bangladesh and Nepal, delays arose when the views of the agricultural ministries and the International Finance Corporation (IFC) differed over the appropriate role of the private sector… In Ethiopia divergent views [on the private sector investment component] and incentives have also delayed implementation of investment decisions, at times threatening effective project delivery."

Update on the Green Climate Fund (GCF)

As of end 2014 almost $10.2 billion had been pledged to the GCF, however, as of March only about one per cent ($104 million) of the pledges had been legally committed to the GCF. As a requirement for the GCF to be considered effective, a deadline of 30 April has been set for 50 per cent of funds pledged as of the official pledging session in November 2014 ($9.3 billion was pledged at the time) to be legally committed via the signing of contribution agreements.

The ninth GCF board meeting took place at the fund's headquarters in Songdo, South Korea, in March. The meeting was considered an important step towards the goal of having the GCF begin funding projects in time for the December Paris UNFCCC Conference of Parties. The board adopted decisions on the initial investment framework; a policy on ethics and conflicts of interest; terms of reference for the independent technical advisory panel and the appointment committee; initial term of board membership; an interim gender policy and action plan; financial terms and conditions of the fund's instruments; and legal and formal arrangements with accredited entities.

The meeting overran, with some decisions reportedly rushed through towards the end and some postponed, such as on the terms of reference for an enhanced direct access pilot phase. Some decisions proved more contentious than others, such as the investment framework, where countries could not agree on how to assess project proposals. In the discussion over legal and formal arrangements of accredited entities the US proposed that any information from an accredited entity that the entity deems to be commercially sensitive should be exempt from disclosure, with China backing the proposal and adding any information the entity deems sensitive. Saudi Arabia tried to block the gender policy, but ultimately relented.

CSOs have continued to raise concerns about the lack of an explicit ban on fossil fuels in the GCF coupled with a lack of clear rules on what constitutes climate finance. According to media reports Japan has designated $1bn in loans for coal plants in Indonesia as climate finance, as well as $630 million for coal in India and Bangladesh, claiming that the projects are less polluting than older coal-fired plants and so qualify as clean energy.

For the first time, the board accredited entities that can develop and submit project and programme proposals for the October meeting. Seven entities were accredited: Centre de suivi écologique (Senegal); Fondo de Promoción de las Áreas Naturales Protegidas del Péru; the Secretariat of the Pacific Regional Environment Programme (Samoa); Acumen Fund; Asian Development Bank; Kreditanstalt für Wiederaufbau (Germany); and the United Nations Development Programme. Further applications will be accepted on an ongoing basis "to build a country-driven and diverse set of partner institutions across the world, through public, private and civil society organisations."

The next meeting will be held 6-9 July in South Korea.

2 Clean Technology Fund

2.1 Resources and risks

The UK has pledged an additional $187 million to the CTF, raising the total amount of funds pledged to $5.3 billion, however, a gap remains in terms of funds received. The November 2014 CTF trust fund committee meeting welcomed "the acceleration of the development and implementation of [CTF] projects and programmes as well as disbursement rates", but raised concerns "that the projected shortfall of resources would impact projects in the pipeline … as early as the second quarter of 2015." The committee called on donor countries to "meet their pledges in a timely manner", to reduce uncertainty. The April semi-annual operational report reconfirmed the concerns, estimating "a shortfall in resources starting in December 2015", with a total funding shortfall of $313 million by end of FY 2016.

Following discussions in the June 2014 committee meeting, it was agreed to set up an early warning mechanism for the margin "between the projected CTF net income and the potential losses on outgoing CTF financial products" (see *CIFs Monitor* 10). The early warning would allow the committee to consider actions to mitigate anticipated losses. An April paper reviewing the "minimum threshold margin between CTF projected net income and projected losses as a key risk indicator" will be discussed at the May committee meeting. The paper noted that since "the strategic objectives of the CTF necessitate a significant exposure to the risk of losses, options to avoid, reduce or transfer risk are extremely limited and many traditional risk responses are simply not applicable to the CTF". Due to lack of historical data, it suggests that the CIF administrative unit, in collaboration with the trustee, use a "cash flow model to examine different scenarios based on different assumptions impacting the CTF's net income and projected losses, and determine the CTF margin level under stressed conditions as well as extreme adverse conditions." This stress testing should be reported on a quarterly basis in CTF's enterprise risk management dashboard. It recommends that "establishing a target or minimum threshold for the CTF margin is unnecessary at this time".

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.

CTF is piloted in 15 countries and one region. In Phase I (2008-2010) 13 investment plans were endorsed: Colombia, Egypt, Indonesia, Kazakhstan, Mexico, Morocco, South Africa, Thailand, Turkey, Ukraine, Vietnam, Philippines; and the Middle East and North Africa (MENA), covering Algeria, Egypt, Jordan, Morocco and Tunisia. A further three plans have been endorsed in Phase II (after 2010): Nigeria, India and Chile. Furthermore, expressions of interest to join CTF have been received from Costa Rica, Jordan, Pakistan, Peru and Uruguay.

As of end 2014, $5.3 billion had been pledged to the CTF. A total of $6.1 billion has been allocated for 134 projects and programmes, including $508.5 million for 23 sub-projects and programmes under the CTF Dedicated Private Sector Facility (DPSP). Out of this $4.1 billion has been approved for 77 projects and programmes.

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

Furthermore, during the CTF November 2014 committee meeting the CIF administrative unit was asked to work with the trustee and MDBs on a paper on CTF pricing policies, which was released in April, to be considered at the May committee meeting. The paper examined "whether the CTF's current lending terms remain appropriate, whether opportunities exist to increase the CTF's net income by modifying the current lending terms, and the impacts of any further alignment of these terms with the IDA's lending terms." It concluded that the CTF "should continue to monitor the CTF's lending terms and review these terms again in the future if there is a significant replenishment of CTF funds, and rise in interest rates", but that it should "not change its lending terms at this time".

2.2 Results

The CTF results report was released for the November 2014 committee meeting, reporting back on the 2013 revised results framework (see *CIFs Monitor* 7). It measured progress on CTF's five core indicators for 37 projects (19 private sector and 18 public sector projects in 13 countries, representing $2.6 billion of CTF funds) as of June 2014 against targets set for the expected closure of the projects and programmes, however, not all projects reported on all indicators:

1. Tonnes of greenhouse gases (GHG) reduced or avoided: 12.3 million tonnes of GHG (2 per cent of target)
2. Volume of direct finance leveraged: $7 billion (36 per cent of target)
3. Installed capacity in megawatts (MW): 2,255 MW (23 per cent of target)
4. Number of additional passengers using low-carbon transport: no result (early stage of relevant projects)
5. Annual energy savings in gigawatt hours (GWh): 11,166 GWh (no targets set)

All projects and programmes should report on the first two indicators, while the remaining indicators depend on the nature of the project or programme. Furthermore, all projects or programmes approved after December 2012 should include a development co-benefit. Out of these projects five are yet to identify development indicators. Where available, the indicators broadly fell into "general themes of job creation, household benefits, increased access to renewable energy and energy efficiency savings, private enterprise growth, national policy development, and improved environment." Household benefits, the second largest co-benefits category, included household savings, comfort, and access to energy efficient appliances and water. Two projects/programmes reported that they have received or are in the process of seeking carbon finance.

The report noted that comparing achieved GHG emissions across projects and programmes "remains a challenge given the different methodologies used by the MDBs", however, efforts are being made to harmonise the methodologies.

2.3 Updates on investment plans

India and Indonesia's investment plans are undergoing revisions with support from the MDBs since October 2014. The revised plans are currently being reviewed by the respective governments before they go to the CTF committee for decision by mail. It is the first revision for India's investment plan and the second for Indonesia.

2.4 Selected project updates

2.4.1 Colombia: development benefits of energy efficiency project

Project name	Amount and date approved	MDB services	Key project documents
Innovative instruments to foster energy efficiency in SMEs in Colombia	$2 million guarantee/equity $2 million grant 30 January 2015	IBD $310,000	Decision Project document

Project details
The project will "support the access of SMEs [small and medium-sized enterprises] to the market for specialised EE [energy efficiency] financial and technical services, so as to enable them to invest in measures that reduce high energy costs, at the same time lowering exposure to potential increases in energy prices … CTF resources will be combined with IDB/MIF [Multilateral Investment Fund, IDB's private sector window] investment and grant resources with the following objectives: i) funding a comprehensive set of technical assistance and capacity building activities of crucial need to overcome non-financial barriers; and ii) sharing the first loss position in the facility (either as guarantees or equity) to allow for a significant level of debt leverage … that would allow the facility to increase its scale … and reduce the cost of funding to be able to provide adequate financing terms for borrowers, and iii) allowing sufficient demonstration across a number of technologies, applications and financing models".

Key donor questions and concerns prior to approval
Germany approved the decision provided that when "the CTF allocation of $2 million will be shifted from grant funding to (first-loss) guarantee/equity, it will be classified as a higher risk profile financial product."

The UK asked the IDB to "explain why the SME sector has been chosen as opposed to other sectors?" It also noted: "There is no mention of the number of jobs, potential health benefits, that could be created through this project. Could the project team please elaborate further on the developmental benefits of the project?"

The US asked: "How does the efficiency of CTF funds compare to other financing mobilised compare to other CTF supported energy efficiency programmes in other regions?"

The IDB responded: "relative to larger corporations with stronger balance sheets, SMEs face significantly higher challenges in terms of access to finance … Secondly, SMEs tend to have fewer energy supply alternatives and therefore fewer opportunities to reduce energy costs". It noted that the focus will be on medium-sized SMEs, given that "transaction costs are often too high to make very small EE projects economically viable. … Larger corporations may also access financing from this facility in cases aligned with the programme's rationale and demonstration objectives."

It outlined development benefits, including energy savings and increased competitiveness of SMEs. On comparisons with other finance mobilised: "we would strongly caution against looking at the related metrics (cost effectiveness, leverage) without a robust comparative analysis of other aspects, such as grid emission and other baseline factors, market segments and technologies targeted, and - most importantly - additionality of CTF resources in each operation, as these elements can result in misleading metrics and understanding of the efficiency and leverage of the interventions."

2.4.2 Vietnam: call for compliance with safeguards

Project name	Amount and date approved	MDB services	Key project documents
Ha Noi sustainable urban transport program	$98.95 million (loan) 24 October 2014	ADB	Decision Cover note

Project details
The programme aims to establish “an integrated and sustainable public transport system”. It consists of two investment operations: “(i) Ha Noi Metro rail system line 3: Nhon – Ha Noi station section (project 1) which will develop a new double track metro rail line in Ha Noi, including stations and depot facilities, and the electrical and mechanical (E&M) systems … and (ii) strengthening sustainable urban transport for Ha Noi metro line 3 (Project 2), which will implement sustainable transport measures for the effective and sustainable use of the metro line 3”.

Key donor questions and concerns prior to approval
Japan approved the project, but requested “the ADB, the government of Vietnam and Hanoi to re-ensure the full compliance of the ADB’s safeguard policy statement and the Vietnamese policies throughout the project implementation. In particular, a special attention will be required to the involuntary resettlement and consultation processes in Hanoi.”

3 Pilot Program for Climate Resilience

3.1 Funding shortfall

According the PPCR April semi-annual report a projected shortfall of $20.5 million in funding by April (see *CIFs Monitor* 10) was offset by a further contribution from the UK of at least $78 million for the PPCR, with final allocation depending on progress in programming the new resources, announced during the November 2014 CIFs meetings. The funding is now estimated to last until end 2015, with a projected shortfall of $26.8 million by end of FY 2016.

3.2 New pilot projects

The November 2014 sub-committee meeting agreed to invite eligible countries to express interest in joining the PPCR. The list provided in the related document listed 121 eligible countries, however, according to the PPCR design document priority should be given to “highly vulnerable least developed countries eligible for MDB concessional funds, including the small island developing states among them”. The CIF administrative unit and the MDBs were asked to make arrangements for the process, including setting up an expert group to review the applications and provide recommendations. The expert group’s recommendations, based on expressions of interest from 33 countries and one region, were presented in an April report. The expert group identified a ranking list of 15 countries with the highest scores, combining the three evaluation criteria “relatively highest vulnerability, best enabling environment, and best potential capacity for implementation”: Philippines, Rwanda, Ethiopia, Bhutan, Uganda, Honduras, Kyrgyz Republic, Madagascar, Malawi, Gambia, Guyana, Guatemala, Benin, Kenya, and Burundi. The recommendations will be discussed in the May sub-committee meeting.

3.3 Expansion of the private sector set-aside

The November 2014 sub-committee meeting discussed a proposal on procedures for expanding the private sector set-aside (see *CIFs Monitor* 10, 9, 8). The meeting agreed to expand invitations to “eligible low and lower middle income countries”, with a minimum funding envelope of $50 million. The sub-committee asked for the document to be revised with agreed changes, which was circulated and approved in January.

Pilot Program for Climate Resilience (PPCR) explained

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

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

As of end 2014, $1.2 billion had been pledged to the PPCR. A total of $1.1 billion had been allocated for 75 projects and programmes, including $75.4 million for 10 projects under the PPCR private sector set-aside. Out of this $808.3 million has been approved for 47 projects.

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

The purpose of the expanded set-aside is "to explore market opportunities for the private sector to engage in climate resilience and adaptation activities by including a wider range of countries". The reason for the new approach is "based on the analysis of the current PPCR portfolio and emerging lessons from the first two rounds of the PPCR private sector set aside process". Furthermore: "The expansion would enhance the competitive scope of the set-aside, allowing the best opportunities and projects to be funded while good practices are deepened and South-South learning be enhanced. Regional proposals are welcomed if well justified within the scope of the expanded PPCR set-aside." The paper proposed that all low and lower middle income SCF countries should be invited to participate in the scheme since "there are promising examples available of private sector investments in addressing the impacts of climate variability and change in non-PPCR countries which might stimulate interest and replication opportunities in the PPCR pilot countries."

In 2015 submitted concepts will be reviewed in two periods, with deadlines in mid-June and mid-December. A minimum of $40 million of the annual funding envelope will be available for the first period, with any unendorsed funds rolling over to the second period. A consultation process will be held with interested SCF pilot countries "to articulate country-specific themes", including addressing national priorities and enabling environment conditions, that could be included in the call for proposals. Submitted concepts will be reviewed by an expert group, which will also interact with MDBs and project proponents. The expert group's report will be submitted to the PPCR sub-committee for decision. MDBs can also submit project concepts and programmatic proposals.

Furthermore, the May SCF committee meeting will discuss a proposal for a new SCF private sector facility (see page 8). It is proposed that the PPCR Cambodia private sector set-aside project *Integrated climate-resilient rice value chain community* should be removed from the project pipeline and that the $5 million freed-up resources ($3.2 million grant, $1.8 million loan) should be transferred to the new facility.

3.4 Results

The PPCR results report was released for the November 2014 sub-committee meeting, reporting back on the 2013 revised results framework (see *CIFs Monitor* 7), based on reports from 15 out of 18 pilot countries. It measured progress on PPCR's five core indicators as of March 2014. Pilot countries with at least one MDB approved project/programme were required to report on all of the core indicators, while others only needed to report on the first two. Furthermore, there are six optional indicators.

Country level qualitative indicators:

1. Degree of integration of climate change into national planning: "still in early stages in most PPCR countries"
2. Evidence of strengthened government capacity and coordination mechanism to mainstream climate resilience: "a mixed picture"

Project/programme level indicators:

3. Quality and extent to which climate responsive instruments/investment models are developed and tested: "due to the early implementation stage of most projects, climate-responsive instruments/investment models have either not been identified or have not been tested yet."
4. Extent to which vulnerable households, communities, businesses and public sector services use improved PPCR supported tools, instruments, strategies, activities to respond to Climate Variability and Climate Change: "only one project … reported data on this indicator"
5. Number of people supported by the PPCR to cope with the effects of climate change: "218,085 people … have been directly supported by the PPCR."

The report also identified challenges for reporting, including that the PPCR reporting is generally not integrated into the national monitoring system and that there are issues around scoring criteria for qualitative indicators not being set: "scores are currently subjective". While stakeholder participation is one of the key principles of the PPCR results monitoring system, not all countries have yet involved all relevant stakeholders, in particular civil society and the private sector.

3.5 Selected project updates

3.5.1 Grenada: Biodiversity and gender concerns

Project name	Amount and date approved	MDB services	Key project documents
Additional financing to the regional disaster vulnerability reduction program	$5 million grant $3.8 million loan 9 January 2015	IBRD $260,000 (final tranche)	Decision Project information document

Project details

The overarching programme "aims at measurably reducing vulnerability to natural hazards and climate change impacts in the Eastern Caribbean sub-region. The objective of the project in Grenada is to measurably reduce vulnerability to natural hazards and climate change impacts in Grenada and in the Eastern Caribbean Sub-region." The additional finance "would permit the completion of priority investments for flood protection and improved drainage in urban areas."

Key donor questions and concerns prior to approval

Germany: "the proposal states that 'no impacts on biodiversity are expected to occur' [for the river defense system]. However, as an earlier environmental and impact assessment in 2010 concluded that construction works may result in an increased volume of pollution entering the marine environment, we recommend laying out which mitigation measures are planned in order to prevent negative environmental impacts".

The UK: "We feel that gender aspects of this programme could be improved. The current proposal takes a passive approach to monitoring gender, rather than using opportunities to identify how women and girls can better benefit, and any barriers to this, which could be addressed by the project and measured."

3.5.2 Haiti: calls for stronger gender focus

Project name	Amount and date approved	MDB services	Key project documents
Strengthening hydro-met services project	$5 million 12 March 2015	IBRD $470,000	Decision Project information document

Project details

The project aims to strengthen Haiti's "institutional capacity to provide hydro-meteorological [hydro-met] and climate information services customised to the needs of the civil protection and agriculture sectors, which contributes to increasing disaster and climate resilience … through: (i) integrating existing hydro-met data collecting networks into a national data platform and strengthening capacity for data archiving, validation, and analysis; and (ii) identifying hydro-meteorological and climate services' requirements for select end users (including agriculture and civil protection)."

Key donor questions and concerns prior to approval

Germany raised no objections to the project, but noted that "the proposal does not state how [the] gender-sensitive approach will be pursued, i.e. how the project intends to tackle the specific challenges to provide women with hydro-meteorological and climate information." It recommended the inclusion of greater detail of "strategies to ensure a high share of female beneficiaries."

The UK seconded Germany's comments, adding: "The gender sensitive approach should be further elaborated in the early stages of the project, and setting stretching tangible targets. For example it is unclear what value the target 'percentage of users expressing satisfaction' will provide, without knowing how many are reached by the services."

4 Forest Investment Program

4.1 Funding for new pilot countries

During the November 2014 CIFs meetings the UK announced a further contribution of up to $195 million for the FIP, with final allocation depending on progress in programming the new resources. In addition to this, FIP has $56 million in unallocated resources. Despite the UK pledge, the FIP April semi-annual operational report noted that “there is a clear funding shortfall to advance investments in the eligible and suggested list of new FIP pilot countries.”

Following the June 2014 decision to look into options for the use of potential new funding for FIP, the November meeting discussed the proposed alternatives (see *CIFs Monitor* 10). The sub-committee agreed that to advance the consideration of new countries eligible for FIP funding the countries should be invited to submit expressions of interest by end February. It further agreed that unallocated and previously pledged resources should be made available “to existing FIP countries on a competitive basis to complement activities supported under their endorsed investment plans.” The sub-committee asked for comments on the criteria and procedures for the selection of the new pilot countries, the allocation of resources to the existing pilot countries, and the working modalities of the expert group.

In its comments the UK proposed the following criteria for the selection process: potential to contribute to climate change mitigation and generate enhanced co-benefits through reducing deforestation; country readiness; capacity to implement and realise transformational impact; and geographic balance.

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 was set up in 2009 and aspires to provide scaled up financing to developing countries to initiate reforms identified in national REDD+ strategies, which detail the policies, activities and other strategic options for achieving REDD+ objectives. It anticipates additional benefits in areas such as biodiversity conservation and protection of the rights of indigenous people.

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

The FIP covers eight pilot countries: Brazil, Democratic Republic of Congo, Laos, Mexico, Burkina Faso, Ghana, Indonesia and Peru. All investment plans have been endorsed.

As of end 2014, $785 million had been pledged to FIP. A total of $501 million has been allocated to 38 projects and programmes. Out of this $297 million has been approved for 17 projects and programmes, including $31 million for four projects under the FIP private sector set-aside. $50 million is allocated to DGM.

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

Brazil proposed that potential new countries should not be evaluated by their participation in other international REDD initiatives "but by the national commitment to mainstreaming FIP investment in ongoing policy framework and the potential to lead to reduced greenhouse gas [GHG] emissions." They called for the current criteria for FIP pilot country selection to be used, which would "provide an equal and fair opportunity for new countries to be considered." Furthermore, "In light of the resources that will be provided for new pilot countries, resulting from additional pledges provided in 2014, between four to six additional pilot countries could be selected for the FIP – considering that adequate resources will be reserved for financing the DGM [Dedicated Grant Mechanism, see box] projects in the new countries, and that the allocation of FIP resources for additional countries will be proportional to the allocation provided for current FIP pilot countries." On the latter, they proposed a phased approach where all countries would receive a set amount, based on the original allocation. In the second phase, any additional pledges to FIP would be distributed through a competitive process.

An expert group was put together with the following mandate: "(1) assessments of new FIP pilot countries by ranking expressions of interests (EOI) submitted by countries; and, (2) review concept note submissions from existing FIP pilot countries." Based on expressions of interest from 36 countries, a combined ranking identified seven tier one countries for consideration in the May sub-committee meeting in order of priority: Mozambique, Ecuador, Guatemala, Democratic Republic of Congo, Nepal, Ivory Coast, and Tunisia. Furthermore, seven concept notes from six current FIP pilot countries were received and ranked, resulting in the following proposed priority list: Laos, Brazil (two projects), Ghana, Peru, Burkina Faso, and Democratic Republic of Congo.

4.2 Project delays

The November 2014 sub-committee meeting welcomed progress made in advancing FIP, but noted "with concern the delays in the preparation of the remaining projects in the FIP pipeline", and asked the CIF administrative unit and the MDBs to explore measures to speed up the process. It also noted "the challenges in developing and implementing small-scale private sector projects", and encouraged the MDGs "to make their best efforts to find solutions for the development of these projects as part of the FIP set-aside mechanism." Furthermore, it asked that future reports should include "information on the implementation of the FIP at the country-level, including information on how FIP supports the REDD+ agenda in the FIP countries and how FIP and other ongoing REDD+ mechanisms, such as the FCPF [Forest Carbon Partnership Facility] and the UN-REDD programme, collaborate at the country level".

The concerns about project delays were reiterated in the April FIP semi-annual operational report, which noted that 10 projects worth $141 million had been in the pipeline for over 16 months and that six projects worth $39 million had no estimated approval date. Indonesia and Peru have less than 50 per cent of their allocated resources approved.

4.3 Private sector engagement

According to the FIP April semi-annual operational report the CIF administrative unit is "seeking to better understand ways to strengthen private sector engagement in the FIP", including co-funding a study with IBRD on "stimulating private sector engagement in REDD+ sustainable forest management and landscape restoration efforts." The study will aim to "broaden the understanding of how productive use of forests and forest projects could significantly contribute to increased climate change mitigation outcomes … [and] identify options for enhanced private sector REDD+ sustainable forest value chain and landscape restoration investment efforts and engagement strategies." Furthermore, the May SCF committee meeting will discuss a proposal for a new SCF private sector facility (see page 8). It is proposed that $15 million ($10.8 million grant, $4.2 million loan) from the Brazil FIP set-aside concept *Commercial reforestation of modified lands in Cerrado* should be transferred to the new facility.

4.4 Results

The FIP results report was released for the November 2014 committee meeting, reporting back on the revised results framework, with a focus on "the agreed core indicator themes relevant for their FIP investment plan", focusing on baselines and targets for category 1 and 3, as per below (category 2 baselines are expected to be zero):

1. "Common themes (to be reported by all pilot countries)", including "GHG emission reductions or avoidance / enhancement of carbon stocks" and livelihoods co-benefits
2. "Other relevant co-benefit themes (to be reported if relevant to the investment plan), including "biodiversity and other environmental services" and "tenure, rights and access"
3. "Elements for narrative", including "theory of change and assumptions" and "support received from other partners including the private sector"

FIP allows pilot countries to use their own national monitoring and reporting systems and methodologies, however, the report noted differences in "detail and quality". Highlights from the country reports included:

- Brazil targets "7.8 million hectares of total land area where sustainable land management practices will be adopted". It informed that it will "not set emission mitigation targets or baselines for the Brazil investment plan or its projects", but identified indicators for livelihood co-benefits with project level targets.
- Burkina Faso "aims to achieve 13.8 million tonnes of CO_2e [carbon dioxide equivalent] of GHG emissions reduction … in 1.3 million hectares of Sudano-Sahelian dry desert". It "identified targets for livelihood co-benefits and provided a narrative of their theory of change and related assumptions as well as a description of what has happened since the endorsement of their investment plan."
- Democratic Republic of Congo "aims at reducing over 18 million tonnes of GHG emissions over 30 years, and provided details on the methodology and assumptions for the GHG calculations, targets for livelihoods co-benefit indicators as well as a narrative summarising what has happened since the endorsement of the investment plan."

The report noted several challenges for reporting on "aggregate baselines, estimated targets and actual results at portfolio level", including that "indicators used for each reporting theme differ from country to country", also noting the "varying availability and accuracy of data and information across the countries" . Furthermore: "For most countries more information is needed on the methodology used to identify the baselines and targets for used indicators in each country report". Limited capacity was also mentioned as a constraint as was the "long and complex processes associated with stakeholder participation". The report concluded that the roles and responsibilities of all parties need to be clarified "in the FIP monitoring and reporting process, in particular those of the country focal points, the MDBs, (including the lead MDB) and the CIF administrative unit."

As a next step, the CIF administrative unit will work with the pilot countries and the MDBs to identify measures to further improve results monitoring where appropriate, including through a dedicated session during the June meeting with the FIP pilot countries.

4.5 Selected project updates

4.5.1 Ghana: questions on environmental and social risks

Project name	Amount and date approved	MDB services	Key project documents
Ghana: Enhancing natural forest and agroforest landscapes project	$29.5 million (grant) 19 December 2014	IBRD $500,000 (final tranche)	Decision Project information document

Project details
The project is designed to address "key sectoral challenges … to: (i) improve the enabling environment and incentives for better stewardship and investment by local institutions, communities, and farmers; (ii) improve and diversify livelihoods for communities as an alternative to forest degrading activities; (iii) coordinate and harmonise incentives across multiple layers of institutions and stakeholders for improved livelihoods; and (iv) capitalise on climate change as a focal initiative and financing opportunity … through upstream policy interventions, practical landscape level pilot demonstrations, capacity building, and communications efforts to improve understanding and practices and to prepare for wider replication and scale up."

Key donor questions and concerns prior to approval
The UK asked for elaboration "on the ownership rights of the emission reductions generated by the programme". Furthermore, the UK noted that "there are no … mitigation actions provided in the project design, especially on the impact of monoculture plantations on biodiversity." The US seconded the request for mitigation actions, and asked for a clarification of the safeguards category for the project.

IBRD responded that the emissions reductions programme "is still under development, but the expectation is that emissions reduction payments would apply at the programme or landscape level, and would be subject to benefit sharing approaches developed through community consultations". On mitigation actions: "There are potentially some limited environmental and social risks and impacts associated with [project] activities. The corresponding mitigation actions are covered in detail in the project safeguards instruments."

5 Scaling up Renewable Energy Program in Low Income Countries

5.1 Funding for new pilot countries

During the November 2014 CIFs meetings the UK and Norway announced further pledges to SREP. The UK announced up to £168 million ($263 million), with final allocation depending on progress in programming the new resources. Norway pledged NOK 150 million ($22 million) to support investment plans from new pilot countries and private sector engagement.

Following the June 2014 agreement of 14 new countries joining SREP (see *CIFs Monitor* 10), the SREP sub-committee requested that the CIF administrative unit work with the MDBs to prepare a proposal with options for the development of investment plans by the new countries, including indicative funding levels and implications for the overall funding levels, while taking into account over-programming. The sub-committee also asked MDBs and pilot countries to explore the possibility of using investment plans and projects "as a platform for countries to access other climate finance sources, including the GCF."

Following a January proposal it was decided that investment plans from the new countries will be endorsed "on a first-come, first-served basis taking into account the quality of the investment plans, regardless of funding availability under the SREP. Funding for the projects and programmes proposed in the investment plans will be contingent upon the availability of funds under the SREP." Furthermore, the sub-committee agreed to indicative upper limits of the funding allocation:

- $75 million: Bangladesh
- $50 million: Madagascar, Rwanda, Malawi, Uganda
- $40 million: Benin, Ghana, Sierra Leone, Zambia
- $30 million: Cambodia, Haiti, Lesotho, Nicaragua
- $5 million: Kiribati

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

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

SREP has 27 pilot countries, including one region. Six countries were selected in 2010: Ethiopia, Honduras, Kenya, the Maldives, Mali and Nepal. All the investment plans of the original pilot countries have been approved. A reserve list for new pilot countries has been agreed. In 2013 Tanzania and Liberia's investment plans were approved and Armenia, Solomon Islands and Vanuatu's plans in 2014. Two countries remain on the reserve list: Mongolia and Yemen. In 2014 a further fourteen countries were invited to join SREP: Bangladesh, Benin, Cambodia, Ghana, Haiti, Kiribati, Lesotho, Madagascar, Malawi, Nicaragua, Rwanda, Sierra Leone, Uganda and Zambia.

As of end 2014, $796 million had been pledged to SREP. A total of $501 million has been allocated to 44 projects and programmes, including $92.4 million for the SREP private sector set-aside. Out of this $141.5 million has been approved for 15 projects, including one for the set-aside.

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

Prior to approval Switzerland asked for clarification on whether Mongolia and Yemen, who are on the SREP reserve list, would have priority over the new pilot countries. Furthermore: “Assuming that the additional funds from UK are capital/concessional loans and not grants … we are likely to face a stringent limitation of grant money. How should the (expected large) discrepancy between needed/requested and available grants be addressed?”

The CIF administrative unit confirmed that Mongolia and Yemen are not subject to the ‘first-come first-served’ principle, but that the sub-committee could decide to “provide a reasonable timeframe or deadline … to submit their investment plans for endorsement.” On grant resources, the CIF administrative unit is working with the MDBs on a proposal “regarding the parameters that can be used for distributing grant and non-grant resources to the new set of 14 pilot countries.”

The US also raised concerns: “we think that the proposed envelope of allocations for the 14 pilot countries will generate unrealistic expectations about how much funding will be available in the next two years … we believe that transparency about the potential availability of SREP resources is essential to ensuring that countries can plan and prioritise programmes appropriately.” The CIF administrative unit responded that they have changed the language in the proposal to manage expectations.

The investment plans for Ghana, Haiti and Nicaragua will be discussed in the May sub-committee meeting.

5.2 Results

The SREP results report was released for the November 2014 sub-committee meeting, reporting back on the revised results framework agreed in 2012. The report covers the period from the first SREP project approval in December 2011 to June 2014, when seven projects in five pilot countries had been approved. It included a caveat that due to the early stage of implementation only one project has reported results so far, and the report is therefore limited to outlining “the monitoring and reporting process briefly and the expected results of the projects/programmes”. The 2015 report will “assess the progress of SREP projects/programmes against overarching programme targets as indicated in the SREP investment plans.”

Under SREP’s results framework all countries are expected to contribute to at least one of the two core indicators, apart from projects with a primary objective “to strengthen the enabling environment for investments in clean energy and energy access.” All projects and programmes shoud also develop “co-benefit indicators that reflect the broader impact of the SREP-funded interventions in the country”, however, reporting on these is not required on an annual basis.

The two core indicators for SREP projects are:

1. Annual electricity output from renewable energy as a result of SREP interventions: four projects and programmes contribute to this indicator.
2. Number of people, businesses and community services benefiting from improved access to electricity and fuels as a result of SREP intervention: five projects and programmes contribute to this indicator.

Examples of co-benefit indicators include:

- Increased public and private investments in targeted subsectors as a result of SREP interventions: All seven projects and programmes contribute to this indicator.
- Greenhouse gas emissions reduced/avoided over the life of the project: five projects and programmes will contribute to this indicator.
- Gender impact: MDBs together with their SREP focal points and relevant stakeholders are required to develop an indicator for each project and programme.

A toolkit is available for SREP monitoring and reporting, which will be reviewed in the light of the experience of the first round of reporting.

5.3 Private sector investment

The November 2014 sub-committee meeting requested that the CIF administrative unit, with the MDBs, "explore measures to increase the level of private sector investments in the investment plans, and a possible new round of private sector set-asides in the future should additional resources become available." Furthermore, the May SCF committee meeting will discuss a proposal for a new SCF private sector facility (see page 8).

5.4 Updates on investment plans

5.4.1 Vanuatu investment plan

Investment plan	Amount and date approved	MDB services	Key project documents
Vanuatu *Rural electrification project* *Small hydropower solar project*	$14 million request noted $800,000 (preparation grant) 18 November 2014	 IBRD $250,000, first tranche (total of $500,000) ADB $215,000, first trance (total of $430,000)	Investment plan

Key donor questions and concerns prior to approval

Switzerland raised a number of comments and questions for clarification, including: "The expected result of giving access to modern energy services to 156,800 people with this rural electrification project is not well justified and seems exaggerated." They also noted: "The leverage factor of 1.4 is very low in comparison to other SREP investment plans … In this respect, the [investment plan] lacks ambition."

Vanuatu responded that they estimated that 9,510 households would connect to and benefit from the micro/mini grids, and 22,190 from the plug and play solar systems, with each household consisting of on average five people. They added "estimates do not include the benefits of improved health care and education arising from improved and sustainable electrification of public facilities." On the leverage factor it noted "there are other priorities that compete for the grant and concessional funds and the government's capacity to borrow may also be limited. This is the reason why the government has requested that all SREP funds be provided as a grant."

5.5 Selected project updates

5.5.1 Kenya: question on incentives for diesel

Project name	Amount and date approved	MDB services	Key project documents
Electricity modernisation project	$7.5 million (grant) 29 January 2015	IBRD	Decision Project document

Project details

SREP funding "will support the implementation of off-grid electrification solutions in villages in rural areas where connection to the national grid is economically unviable in the short and medium term. Electrification of these villages will be through mini-grids, combining renewable resources (solar or wind) and thermal units. This sub-component will pilot public-private-partnership (PPP) arrangements."

Key donor questions and concerns prior to approval
Switzerland asked: "The leverage factor for the SREP contribution … is much lower than announced in the [investment plan] … Please explain." Furthermore: "There is some concern that the concept of passing-through the diesel fuel costs creates an incentive to use the diesel generators as much as possible. This is not aligned with the objectives of maximising the output of RE [renewable energy] and should be addressed in some way. Please explore a solution." They also raised concerns about the high costs, including for solar PV generating units.

The UK seconded the cost concerns and added: "[we] find the approach to the allocation of public and private resources to be unclear."

The IBRD clarified that while the co-financing from MDBs and other development partners has decreased, they expect the private sector share to increase. On diesel incentives: "Fuel pass through is meant to recover actual fuel costs incurred based on predetermined maximum specific fuel consumption of diesels, which will be quoted by bidders and guaranteed … there is no incentive to dispatch more fuel based generation." Furthermore: "Cost assumptions are conservative and aligned with investment costs exhibited in existing and similar mini-grid systems in Kenya." On public vs private resources, "the final design of the off grid investments, together with the main principles for allocating grant subsidies to [independent power producers], will be determined upon completion of the ongoing pre-feasibility work which is carried out jointly between the WB and IFC".

5.5.2 Honduras: questions on risk taking and gender impact

Project name	Amount and date approved	MDB services	Key project documents
Honduran self supply renewable energy guarantee program	$5 million (guarantee) $500,000 (grant) 9 December 2014	IDB $428,000 26 March 2015	Decision Project document Decision MDB services

Project details
The programme "will be used to provide risk-sharing instruments (first-loss guarantees mainly, and co-financing resources in certain cases) for loans from IDB and/or other financial institutions, improving the credit profile of the projects and allowing their implementation through access to appropriate finance. … Additionally, these projects will help establish local engineering capacity for their technical design, catalyse the development of supply chains for equipment procurement, and demonstrate the market potential to local financial institutions."

Key donor questions and concerns prior to approval
The UK raised several concerns: "We think the expert groups' previous reservation on the project remains valid. The SREP funds will be deployed to protect IDB not the private sector players who are required to raise 50 per cent of the total project cost on their own." Furthermore, "the expected annual MWh savings (45,000 MWh) are about half of what was indicated in the original concept (80,000 MWh)." Moreover: "Gender considerations are not very fully developed in the proposal, and an implementation strategy on gender … should be developed for the programme, as well as ensuring adequate gender/social development expertise within the project implementation team and evaluators."

The IDB responded that "risk should not be looked at in isolation, without considering reward: while SREP guarantees will be providing direct protection to IDB primarily, the financial beneficiary … will be the final borrower, because the IDB will ensure that any reduction in the interest rate is passed on to the final borrower. The borrower's higher risk-taking is matched by higher returns." On the revised figures on MWh savings: "The expected annual output from renewable energy is based on a pipeline of feasibility studies conducted to date in Honduras.” On gender: “The IDB’s Gender Action Plan for Operations 2014-2016 sets strategic priorities for private sector windows to promote the implementation of inclusive policies in private entities.”

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

	Africa	Asia/Pacific	Latin America	Developed countries	Indigenous peoples[2]	Community based organisations
CTF	Janet Olatundun Adelegan, Global Network for Environment and Economic Development Research, Nigeria (Joseph Adelegan)	Irina Stavchuk, National Ecological Center of Ukraine (Andrii Zhelieznyi)	Jon Bickel, Swisscontact- Swiss Foundation for Technical Cooperation, Peru (Jorge Luis Delgado Guadalupe)	Christiaan Poortman, Transparency International, Germany/ United States (Lisa Elges)		
SCF	Phillip Odhiambo, World Wide Fund for Nature, Kenya (Irene Mwaura)	Archana Godbole, Applied Environmental Research Foundation, India (Jayant Sarnaik)	Tania Guillen Bolanos, Centro Alexander von Humboldt Renovable, Nicaragua (Javier Mejía)	Bridget Burns, Women's Environment and Development Organization, USA (Eleanor Blomstrom)	*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 (Caroline Akello)	Archana Godbole, Applied Environmental Research Foundation, India (Jayant Sarnaik)	Suyana Huamani Mujica, Derecho, Ambiente y Recursos Naturales (DAR), Peru (Martha Torres Marco-Ibáñez)	Coraina de la Plaza, Global Forest Coalition, The Netherlands (Simone Lovera)	*Juan Carlos Jintiach, COICA, Ecuador* *Khamla Soubandith, CKSA, Laos* *(Saoudata Aboubacrine, Tinhinane, Burkina Faso*	

[1] New civil society observers were selected in February 2015. For contact details, see https://www.climateinvestmentfunds.org/cif/directory
[2] New indigenous peoples observers have been selected, however, information was not available at the time of writing

					Marcial Arias, CICA, Panama)	
PPCR	Sani Ayoubai, Jeunes Volontaires Pour L'Environnement, Niger (Amina Issa Ado)	Ali Sheikh, Leadership for Environment and Development (LEAD), Pakistan (Hina Lotia)	Juan Carlos Belausteguigoitia, Centro Maria Molina para Estudios, Mexico (Guillermo Velasco)	Bridget Burns, Women's Environment and Development Organization, USA (Eleanor Blomstrom)	*Mrinal KantiTripura, Maleya Foundation, Bangladesh* *Fiu Mataese Elisara, OLSSI, Samoa*	Dil Raj Khanal, Federation of Community Forestry Users, Nepal (FECOFUN), Nepal
SREP	Phillip Odhiambo, World Wide Fund for Nature, Kenya (Irene Mwaura)	Socheath Sou, Live & Learn Cambodia, Cambodia (Sean Vang)	Tania Guillen Bolanos, Centro Alexander von Humboldt Renovable, Nicaragua (Javier Mejía)	Aaron Leopold, Practical Action, United Kingdom (Lucy Stevens)	*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*	