

# Climate Investment Funds Monitor 13

June 2016

## Summary

- Following November 2015 discussions on the future of the **Climate Investment Funds (CIF)**, a paper outlining proposed strategic directions for the CIFs will be discussed in the June meeting. Impending resource shortfalls are affecting all CIFs. Progress on gender has been noted on all CIFs, apart from the Forest Investment Program.
- The upcoming **Clean Technology Fund (CTF)** resource shortfall, now estimated to September 2016, continues to raise concerns. Following November 2015 discussion on new financing modalities for the CTF, a proposal for “CTF 2.0” will be discussed in the June meeting, including two proposed modalities: CTF Green Markets and the Risk Mitigation Facility. Concerns were raised over safeguards for a geothermal energy project in Indonesia.
- The **Pilot Program for Climate Resilience (PPCR)** has called for urgent donations in order to be able to finance projects that are pending approval. The CIF strategic directions paper noted lessons learned for the PPCR, and in particular for the private sector set-aside. It proposed for a new private sector window to be set up should new funds become available. Concerns were raised about community consultations in Samoa and around resettlement risks related to a Haiti project.
- The rationale for adding new pilot countries to the **Forest Investment Program (FIP)** given funding constraints has been questioned, with concerns also raised about the focus on providing loans rather than grants. The CIF strategic directions paper noted challenges for the FIP, including for the private sector set-aside. It proposed that any new funding should be extended to the new pilot countries and the Dedicated Grant Mechanism, as well as a new private sector window. Questions were raised about the consultation of ethnic minorities with regards to a Laos project.
- Concerns over slow progress in implementing the **Scaling up Renewable Energy Program in Low Income Countries (SREP)** investments plans were reiterated. Lack of funding for new pilot countries was raised, as well as constraints on grant resources due to worsening debt distress in many pilot countries. The CIF strategic directions paper noted uneven progress within SREP, including private sector set-aside constraints, and proposed an enhanced private sector programme for energy access. Investment plans for Bangladesh, Mongolia, Rwanda and Uganda have been approved. Questions on consideration of indigenous peoples were raised in relation to Liberia and Tanzania projects.

## Key acronyms

ADB	Asian Development Bank
AfDB	African Development Bank
CIF	Climate Investment Funds
CTF	Clean Technology Fund
EBRD	European Bank for Reconstruction and Development
EE	energy efficiency
FIP	Forest Investment Program
FY	financial year
GCF	Green Climate Fund
GHG	greenhouse gas
IBRD	International Bank for Reconstruction and Development (World Bank)
IDA	International Development Association (World Bank)
IDB	Inter-American Development Bank
IFC	International Finance Corporation (World Bank)
IP	investment plan
kW	kilowatt
KfW	Kreditanstalt für Wiederaufbau (Germany)
MDB	multilateral development bank
MW	megawatt
PPCR	Pilot Program for Climate Resilience
PPP	public-private partnership
PV	photovoltaics (solar)
RE	renewable energy
REDD	reducing emissions from deforestation and forest degradation
SCF	Strategic Climate Fund
SME	small and medium-sized enterprises
SPCR	Strategic Program for Climate Resilience
SREP	Scaling up Renewable Energy Program in Low Income Countries
UNDP	United Nations Development Programme
UNFCCC	United Nations Framework Convention on Climate Change

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This edition of the *CIFs Monitor* outlines recent developments at the CIFs and collates on-going concerns over their operation. It builds on [CIFs Monitor 12](#), published in November 2015. This edition covers key CIF developments based on SCF and CTF trust fund committee and SCF sub-committee meetings, and other communications from November 2015 to May 2016. 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](http://www.climateinvestmentfunds.org).

For the online version of *CIFs Monitor 13* and past issues of the *CIFs Monitor*, see <http://www.brettonwoodsproject.org/publication-type/cifs-monitor/>

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# 1 Climate Investment Funds

## 1.1 The future of the CIFs

The November 2015 joint CTF – SCF meeting discussed a late October paper, [Climate Investment Funds: an assessment of its accomplishments, transformational impact, and additionality in the climate finance architecture](#), written in response to a request by the joint committee in the May meeting (see [CIFs Monitor 12](#)). It follows the recommendation of the 2014 independent evaluation of the CIFs to consider the CIFs’ ‘sunset clause’, which requires the CIFs to close once a new climate finance architecture is effective (see [CIFs Monitor 10](#)), and builds on the discussion in the November 2014 CTF-SCF joint committee meeting on models for the future operations of the CIFs (see [CIFs Monitor 11](#)).

In response to the paper, the November joint meeting stated that it recognised “the unique features of the CIF business model to pilot approaches and learn lessons for delivering climate finance at scale in developing countries through the MDBs ... to achieve transformative results in developing countries.” It reaffirmed the principles for a guiding framework to discuss the future operations of the CIFs, as agreed in the November 2014 meeting:

1. “Supporting the continuity of climate finance flows and actions on the ground and reducing funding gaps in the CIF operations in the near term;
2. Progressively taking measures to strengthen complementarity, coordination and cooperation within the climate finance architecture;
3. Focusing on knowledge management and sharing of lessons learned;
4. Enhancing the programmatic approach and leverage of funds; and
5. Continuing to deliver strong value for money in terms of economy, efficiency and effectiveness of CIF operations and investments on the ground.”

In conclusion, the November meeting called on the CIF Administrative Unit to consult with participating countries and observers, and collaborate with the MDBs to conduct a “more detailed and focused gap analysis”, that takes into account “future opportunities, and also starts to explore roles each CIF

### Climate Investment Funds (CIFs) explained

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

The CIFs operate in 72 countries worldwide. As of end December 2015, donors had pledged a total of \$8.3 billion to the CIFs: \$5.6 billion to the CTF and \$2.7 billion to the SCF (\$1.2 billion for PPCR, \$775 million for FIP and \$787 million for SREP). Projects are executed by MDBs: the [African Development Bank \(AfDB\)](#); the [Asian Development Bank \(ADB\)](#); the [European Bank for Reconstruction and Development \(EBRD\)](#); the [Inter-American Development Bank \(IDB\)](#); the [World Bank’s](#) middle income arm, the International Bank for Reconstruction and Development (IBRD); and the World Bank’s private sector arm, the International Finance Corporation (IFC).

Under the ‘[sunset clause](#)’ the CIFs are due to close 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 \(GCF\)](#).

programme could play based on its comparative advantage and value added”, to be discussed in the following meeting. It asked for the analysis to draw on “a rigorous assessment of how the CIF programmes have and could continue to deliver wider transformational and systematic change ... as well as how the CIF may need to evolve over time to fulfil that role”. It called for the analysis to include:

- “exploration of new opportunities, in terms of financial instruments and delivery mechanisms, technologies, sectors, and sources of funding; and
- exploration of institutional and governance reforms necessary for the CIF to realise its potential role in an efficient and effective manner.”

The resulting [gap analysis](#), conducted by US-based think tank the Climate Policy Initiative and released in late May, assessed “if and where the CIF business model adds value in the landscape and whether the CIF holds a comparative advantage in supporting climate-relevant investment needs”. The analysis highlighted the CIF’s model and “distinctive role in the climate finance landscape and in tackling investment barriers”, including the “unique” MDB partnership, the scale of concessional finance provided, the CIFs’ risk appetite, range of financial instruments and push for private sector investment. It concluded that the CIF “is well-suited to support some of the most urgent climate investment needs going forward.” The paper’s recommendations included that the CIFs continue to operate, in order to “maintain momentum on climate action”, and for the CIFs to “pursue concrete opportunities to work in a complementary with the GCF.” In light of the CIFs’ resource constraints, it proposed that CIF pilot countries and MDBs could request funds from the GCF for projects and concepts developed under CIF investment plans, creating a “win-win scenario.”

Building on the gap analysis, the paper [Strategic directions for the Climate Investment Funds](#) was released in late May for discussion during the joint committee meeting in June. According to the paper, which includes analysis and proposed ways forward for the CIFs, the CIFs have “played a pivotal role in helping to increase the volume of climate investment going to developing and emerging economies, and has been instrumental in financing projects that would not have taken place otherwise.” Moreover, it stated that “the CIF is the largest source of concessional finance approved to date”, and that in the MDBs quest to scale up their own climate finance by 2020 they are likely to require a “higher share of external concessional climate finance to total climate finance” due to the anticipated nature of the sectors needing funding, as well as increased demand.

Moreover, the paper compared the CIFs with the Green Climate Fund (GCF), noting structural and temporal differences, with the latter referring to start-up and implementation experiences to date. It raised concerns as to whether the GCF “will be able to deliver the scale and type of support recipient countries need to achieve transformational change in the short to medium terms, a critical temporal juncture for global climate action.” In light of this, the paper recommended that the CIFs continue operations “in order to maintain and scale-up the momentum on climate action, bearing in mind the existing investment needs and the additional gaps that may arise in a ‘no-CIF’ scenario.”

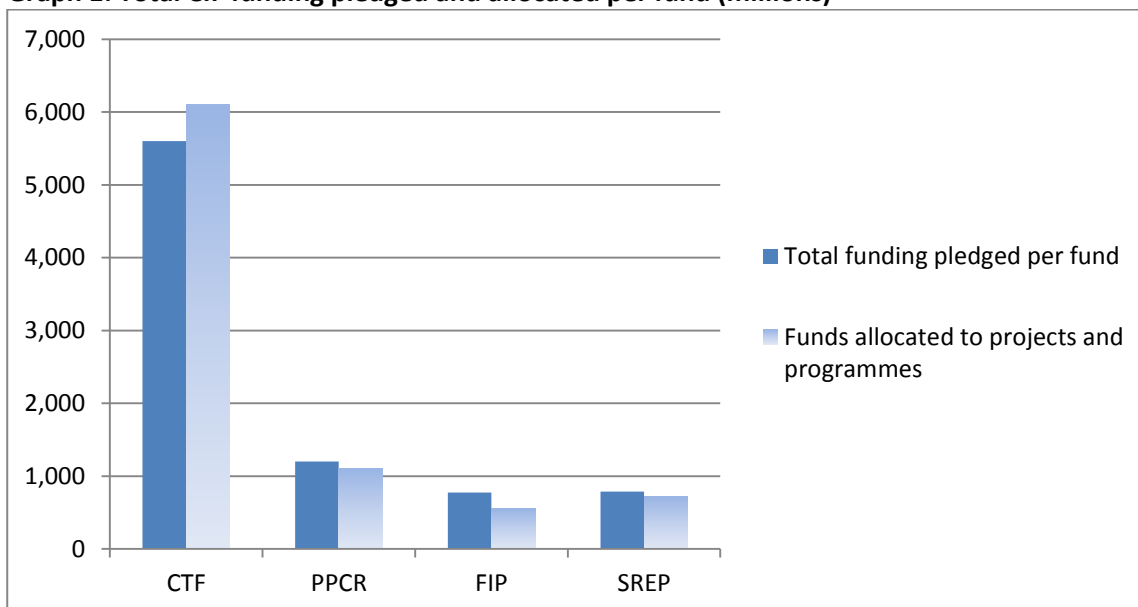
On the Clean Technology Fund (CTF, see page 10), depending on available funding, it noted an opportunity “to expand investments into frontier areas”, such as energy storage and sustainable transport, to accelerate market development. For the Strategic Climate Fund (SCF) – the Pilot Program for Climate Resilience (PPCR, see page 13), Forest Investment Program (FIP, see page 16), and the Scaling Up Renewable Energy in Low Income Countries Program (SREP, see page 20) – it noted “demand to fund the implementation of programmatic investment plans” of new pilot countries, as well as opportunities to launch new private sector windows, should funding become available.

In conclusion, the paper recommended that the June meeting “agrees on the need to support the continuity of climate finance flows at scale in the near term”, and for the CIFs to continue to monitor the developments in the international finance architecture in order “to make a decision on the sunset clause and, in particular, as to if and when the trustee should stop receiving new contributions”, with a timeline to

be agreed in the meeting. It also called on the CIF Administrative Unit to “explore ways to enhance cooperation with the other entities and mechanisms in the climate finance architecture, in particular the Green Climate Fund.”

Commenting on the strategic directions paper, Liane Schalatek of German political foundation Heinrich Böll noted that “the paper seems to look more at the effectiveness of the CIFs in distributing concessional finance via the MDBs than at the effectiveness of the CIFs as climate funds and thus only provides a self-serving financial justification for continued operation by suggestion to further postpone a decision on activating the sunset now. Specifically, the paper (and the CIFs) has not shown that the CIFs have the capacity to fundamentally shift the portfolio approach of the MDBs engaging in the CIFs. If anything, they have served more as green-washing efforts with some ‘clean energy’ add-on for an MDB approach still largely under ‘business-as-usual’ with respect to energy/transport/resource exploitation, etc. Tellingly, the CIF are missing accountability intent and such a mechanism for the transformational shift of the MDBs away from fossil fuels and toward mainstreaming climate into the MDBs development operations. In contrast, in collaborating with the GCF, the MDBs, which are now accredited entities under the GCF, have to show under the monitoring and accountability framework of the GCF that they have succeeded in shifting their portfolio away from climate-damaging activities as a requirement for re-accreditation after five years, with a baseline to be established now against which such progress has to be measured. Moreover, the paper is not honest about the fact that any continued support for the CIF is at the cost of funding support for the GCF and other climate funds under the UNFCCC and as part of the financial mechanism tasked with implementing pre-2020 ambition and then the Paris Agreement. Continued funding for the CIFs is not additional to required financing under the UNFCCC financial mechanism.” Schalatek concluded: “For these, and many more reasons, the sunset clause needs to be activated now by the CIF trust fund committees with a clear and unambiguous message that the CIFs will not seek nor accept any further contributions.”

**Graph 1: Total CIF funding pledged and allocated per fund (millions)**

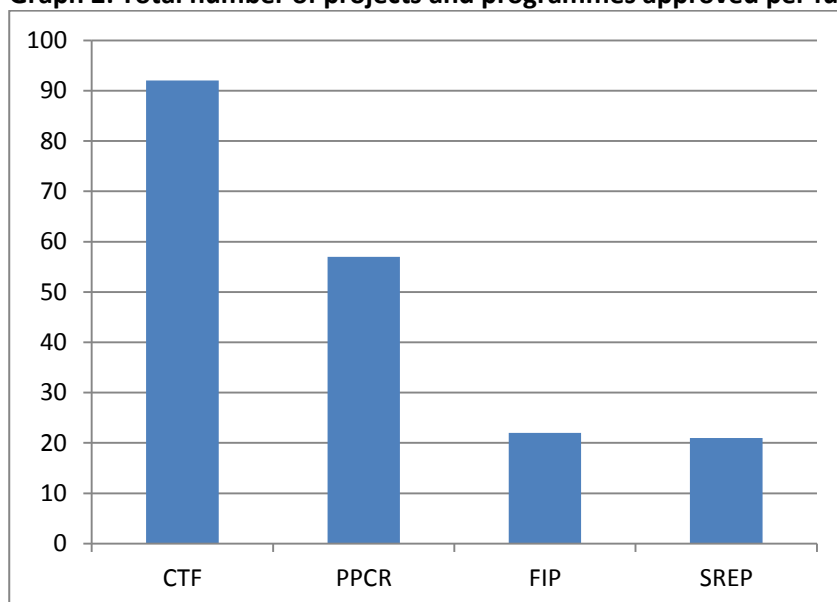


Source: CTF, PPCR, FIP and SREP semi-annual reports, April 2016

## 1.2 CIF resource shortfall

The CIFs are facing a resource shortfall, which led the [G24](#) in mid April to call for “the urgent replenishment of the Climate Investments Funds”. Moreover, the addition of 25 new pilot countries in 2015 alone has added to the financial strain, and the new countries have been asked to also seek funding elsewhere. With a final contribution from the US expected in 2016, the CTF (see page 10) anticipates being able to cover projects until September 2016, but with all projects in the pipeline being considered there is an overall shortfall of \$357 million. As a result reviews have been conducted to identify projects that can be dropped, and a cancellation policy is due to be discussed. The PPCR (see page 13) also lacks sufficient resources to finance the projects pending approval, with concerns being raised about uncertainty in particular for the 10 new pilot countries approved in May 2015. Nine out of 15 new countries approved under the FIP (see page 16) in May 2015 have not been allocated funding to develop their investment plans, and all countries are expected to also search for funds outside the CIFs. Similarly, the SREP (see page 19) does not have sufficient resources to finance all the new pilot countries’ investment plans. Both FIP and SREP are also strained in terms of finance available for grant resources, with a potential warning also regarding PPCR.

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



Source: CTF, PPCR, FIP and SREP semi-annual reports, April 2016

## 1.3 Gender

The portfolios of investment plans and projects approved in 2015 have been reviewed and compared to the baseline of 30 June 2014, to identify progress on gender “quality at entry”, with indicators regarding presence of: (i) sector-specific gender analysis; (ii) gender-disaggregated indicators; and (iii) women-specific activities. The review follows the 2014 approval of the CIF gender action plan, and an initial review for projects approved in 2014 (see [CIFs Monitor 12](#)). The plan focuses on mainstreaming gender in CIF policies and programme guidance and on enhancing knowledge, learning and technical support on gender.

According to the review, CTF performance on gender has improved, albeit from a baseline well below the other funds. Sector-specific gender analysis has almost doubled from 21 to 40 per cent. Likewise gender-disaggregated indicators at project level increased from 15 to 30 per cent. CTF projects with women-specific activities had made less progress, with an increase from 17 to 25 per cent. To make further progress, the CIF Gender Program will work to identify sector-specific good practices for CTF type investments, including through a gender and renewable energy study. Moreover, EBRD has analysed gender and energy efficiency, including gender assessments for Turkey, Ukraine and Kazakhstan. A toolkit drawing on the assessments, synthesising best practices and key entry points for gender in energy

efficiency is expected to be finished by June 2016. The CIF Administrative Unit is also preparing a note on gender and employment in the renewable energy sector.

While PPCR's project performance on all gender indicators has improved, its results were around average in comparison to the SCF as a whole. Sector-specific gender analysis was undertaken in 88 per cent of the projects, compared to the SCF average of 85 per cent. Gender-disaggregated indicators were also present in 88 per cent of projects, compared to the average of 71 per cent. At 75 per cent, the women-specific activities were slightly below the SCF average of 77 per cent.

FIP fell below the average SCF performance for all three indicators. Sector-specific gender analysis was only undertaken in 67 per cent of approved projects. Gender-disaggregated indicators at project level were present in no more than 50 per cent of projects and women-specific activities were noted for 67 per cent of projects. To improve progress, the FIP Monitoring and Reporting Toolkit will be revised to include gender-disaggregated results for relevant indicators. Under FIP's Dedicated Grant Mechanism for Indigenous Peoples and Local Communities (DGM) in Peru, \$500,000 of project funds have been set aside for subprojects proposed or managed by women. In Burkina Faso, females represent 40 per cent of targeted beneficiaries and 20 per cent of training for forest users in improved practices will be women.

SREP is the top performer in terms of gender within the CIFs, with all investment plans endorsed in 2015 including sector-specific gender analysis and gender-disaggregated indicators, and all but one including planned women-specific activities. Moreover, all approved projects had undertaken sector-specific gender analysis. Gender-disaggregated indicators were present in 75 per cent of projects and 88 per cent of projects had planned specific activities aimed at women, all above average for the SCF. The April SREP semi-annual operational report noted that SREP includes a range of gender design elements, and that the development of SREP investment plans also benefited from technical support from the CIF Administrative Unit. It concluded that "explicit SREP investment criteria on gender and required gender-sensitive reporting continue to help drive the positive results in quality of SREP project responsiveness to gender considerations."

The June joint trust fund committee meeting will discuss a document outlining the second phase of the CIF gender action plan. Phase 2 will introduce gender guidance notes on investment plan preparation, and also include targeted technical support and capacity-building. Moreover, analytical work will continue, including a study on gender and renewable energy. According to the [FY17 CIF business plan and budget](#) the CIF gender programme will also work with the stakeholder engagement team "to provide guidance on good practice in gender-responsive stakeholder engagement, including good practice for CIF governance."



## Update on the Green Climate Fund (GCF)

The 11th GCF board meeting was held in Zambia in November 2015. Under pressure to demonstrate progress ahead of the December Paris UNFCCC Conference of Parties, this meeting marked the first time that the GCF approved project proposals. Out of 37 funding proposals received from public and private entities, the board approved eight, totalling \$168 million. The approved projects include two private sector mitigation projects – one focused on energy access in East Africa and one on energy efficiency green bonds in Latin America and the Caribbean - and six public sector projects, four of which focus on adaptation. Concerns were raised about the attainment of Free, Prior and Informed Consent of Indigenous Peoples for a Peruvian wetlands project. The project's approval was consequently made conditional on steps to ensure that the project "is only implemented in the territories of the indigenous organisations that have provided their clear consent to the project."

To help increase capacity of the developing country national institutions, the board initiated a project preparation facility for the development of project pipelines and approved an additional \$14 million to help the institutions become ready to access and utilise GCF funding. This followed concerns, expressed especially by developing country board members, about the slow pace of disbursement of readiness funds.

The 12<sup>th</sup> GCF board meeting took place in mid-March in Songdo, South Korea. With the approval of a strategic plan and basics like a risk register, a comprehensive information disclosure policy and increased funds to help prepare developing countries for work with the GCF, this board meeting aimed to establish the infrastructure for approving funding proposals worth an aspirational \$2.5 billion at the three remaining meetings this year.

The board accredited 13 institutions, including HSBC and Crédit Agricole, despite [strong objections from civil society](#). Civil society protested that scarce public resources should be directed toward those most in need, not giant banks, and in particular raised the banks' records of financial scandal and of financing fossil fuels, as well as projects plagued by serious rights violations. Additionally, with the accreditation of the IFC, EIB, and AfDB, all MDBs are now official partners of the GCF. Consequently, civil society expressed concern that the vast majority of the GCF's current disbursement potential lies with international entities and reiterated the need for the GCF to prioritise direct access by developing country entities to GCF funds.

Civil society forced a robust debate amongst the board with regard to the ramifications of the accreditation of large international multilateral development and private banks. This ultimately resulted in a decision taken that the GCF must track the shift toward low-carbon, climate resilient development in the overall portfolios of accredited institutions. This will be taken into account when the institutions come up for re-accreditation, a process that civil society will closely monitor to ensure it is carried out in an effective way. The board also approved a significant increase in staffing for the GCF secretariat, which built upon the news that GCF's executive director will be stepping down at the end of her term.

The 13th meeting of the board will be held in Songdo, 28-30 June 2016. Agenda items will include approval of new funding proposals, moving forward on an accreditation strategy, and the appointments of a new executive director and the heads of the independent accountability units. As countries, including the US and UK, have dropped their objections, real-time webcasting of the board meeting will be available for the first time.

## 2 Clean Technology Fund

### 2.1 Concerns over resource shortfall

Concerns remain over the shortfall in resources for the CTF (see *CIFs Monitor* [12](#), [11](#)). In the November 2015 CTF trust fund committee meeting it was decided that there should not be any over-programming of restricted funds or any additional contributions until otherwise decided. The committee also repeated its calls for the CIF Administrative Unit to work with the MDBs to explore pipeline management, including a potential cancellation policy.

The April CTF [semi-annual operational report](#) reconfirmed the concerns, noting that by end of 2015 \$4.5 billion (out of \$5.6 billion in total pledges), had been committed to 92 projects and programmes. This leaves \$709 million available to commit, with a potential addition of \$264 million, which includes an expected further contribution from the US. According to the report, this will cover all projects scheduled to be submitted for approval until September 2016, however, when considering all projects in the pipeline there is an expected resource shortfall of \$357 million. Since September 2015 the CIF Administrative Unit has conducted several reviews of the pipeline to identify projects that can be dropped, potentially freeing up additional resources to reduce the shortfall. A proposal for pipeline and cancellation policy will be discussed in a forthcoming meeting.

### 2.2 CTF 2.0

The November trust fund committee meeting discussed the paper [New financing modalities for the Clean Technology Fund](#), which set out future options for the CTF. The paper presented the CTF as “an especially unique model” to ground international efforts in tackling climate change and argued that “a modest incremental investment from contributors can put CTF on a self-sustaining basis”. The paper noted that over-programming has “enabled more projects from new and existing countries to enter the CTF pipeline”, but that this also meant that the CTF pipeline “includes more projects than its resources can deliver.” According to the paper, the CTF concept is “straightforward (and compelling)”, in that it provides additional capital to MDBs from sovereign contributors, which expands the scale and would “bring down the cost of key mitigation activities in developing countries”. Furthermore, it argued that “the CIFs – and CTF in

#### Clean Technology Fund (CTF) explained

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

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

As of late April, \$5.6 billion had been pledged to the CTF. A total of \$6.1 billion had been allocated for 123 projects and programmes, including \$508.5 million for 18 projects and programmes under the CTF Dedicated Private Sector Program (DPSP). Out of the allocated funds \$4.5 billion had been approved for 92 projects and programmes.

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

particular – offer a continuing and attractive opportunity for the international community: to fully engage the expertise and convening power of the MDBs to attract institutional investment at scale, and at the lowest possible cost, by deploying contributors’ public resources flexibly, efficiently and to the same high fiduciary and safeguard standards as its MDB partners.”

The paper discussed “how to build on [the CTF’s] ‘pure green MDB driven’ business model to increase the scale and broaden the range of capital engaged”, in particular through accessing “the huge pools of savings in the world’s pension funds, insurance companies, sovereign wealth funds, mutual funds and other investment vehicles.” It outlined three options for CTF going forward: to take no action, which would lead to the CTF likely winding down new commitments; to move into a pattern of periodic replenishment; or for the fund to receive a further equity capital infusion by one of more contributors, which would allow it to “leverage the equity position modestly” while it implements “a self-sustaining pricing and financial management regiment and builds out the aspects of the CTF business that can most efficiently deliver”. The paper recommended the latter option with arguments, including that it is “up-and-running”, coupled with an alleged “track record as an effectively catalyst for green investments by MDBs in emerging market”, as well as its complementarity with the evolving climate finance architecture. The paper further explored what this option would look like in practice, including portfolio characteristics, capital structure and self-sustainability. It also concluded that no material changes would be necessary to the CTF’s legal framework.

Following the November 2015 discussions, the June trust fund committee meeting will discuss the paper [CTF future strategic direction](#), which presents the case for “CTF 2.0” as “a unique opportunity to ensure most efficient use of limited public resources through the use of reflows from legacy assets in order to mobilise private sector financing and in the process, minimise the need for periodic replenishments from contributor countries.” According to the paper, the “legacy assets” refer to “a substantial asset base attributed to [the CTF’s] portfolio of committed loans to various middle income countries”, expected to increase to \$5.6 billion by the end of financial year (FY) 2017. The debt service is proposed to support capital market borrowing, enabling “CTF to sustain a prudent cash reserve while continuing to make additional commitments to finance the projects advancing the objective for which CTF was created.”

The paper proposed that “an enhanced programmatic approach under which both geography focused as well as thematic ... focused programmes would be considered for support ... [to] harness the benefits and scale of the MDB partnership in support of priority investment areas including new frontier areas, while providing agility and a predictable and strategic framework within which to develop and structure investments.” Suggested themes for frontier areas include energy storage and sustainable transport. Moreover, two new financing modalities are proposed: CTF Green Markets and the Risk Mitigation Facility. Under the CTF Green Markets model “a new legal entity would be established and new securities (‘green bonds’) would be issued in the international capital markets to finance a new generation of CTF projects”, benefiting from the existing CTF structure but also introducing “innovative features”. MDBs would remain the lenders, and CTF would continue to bear any losses on the loans. The Risk Mitigation Facility (RMF) would be set up to “scale up mobilisation of local and international private capital for clean technology projects through provision of risk mitigation guarantees by utilising expected legacy CTF reflows.” It would be established and managed by IBRD on behalf of the CTF, but with inbuilt flexibility to enable other MDBs to offer the products. The paper noted that the RMF would need “substantial capital” to mobilise capital at scale, proposing an initial size of \$1 billion through legacy CTF reflows.

For consideration in the December meeting, the paper asked the CIF Administrative Unit, in consultation with the MDBs and the trustee, to “a) explore and propose any modifications required in the current CTF documents to implement the proposed programmatic approach; and b) develop concrete proposals on priority investment areas and new frontiers that could be implemented within 18-24 months.” Moreover, the paper proposed that the CIF Administrative Unit and the trustee “conduct any necessary consultations with the contributors on making available the reflows (and any other available assets in the CTF trust fund)”, as well as any other necessary consultations and research, in preparation for the December

meeting. It further estimated the cost for developing the new CTF modalities to \$1 million, which has been allocated to the FY17 CIF budget.

## 2.3 Selected project updates

### 2.3.1 Indonesia: concerns over safeguards for geothermal energy

Project name	Amount and date approved	MDB services	Key project documents
<i>Geothermal energy upstream development project</i>	\$49 million (grant) 7 March 2016	IBRD \$600,000	<a href="#">Decision</a> <a href="#">Project document</a>

#### Project details

The project aims to facilitate investments in geothermal energy, with a focus on the geothermal market in eastern Indonesia, “in order to increase access to electricity in areas with high poverty rates and expensive diesel-fired power generation.” CTF will fund risk mitigation for geothermal exploratory drilling, the first out of three key components of the overall project. The two other components are technical assistance and capacity building; and investment support for geothermal exploitation.

#### Key donor questions and concerns prior to approval

The UK pointed out that “the vast majority of the revised Indonesian IP [investment plan] is for geothermal development” and asked that “lessons from other projects are learned and incorporated into new projects as they emerge”. It also asked for further details on risks, including corruption/fiduciary risk and for a clarification on how the risks of “land disputes, illegal land uses, damage or loss of natural habitats and forests, and reduced watershed” would be managed. Furthermore, it questioned whether it is fair that the project developer does not have to bear any risk in the project exploration phase, and asked for further details on this.

The US raised issues regarding social and environmental due diligence. Noting that the environmental and social impact assessments will be conducted during project implementation, it asked “how will this allow for consultation with potentially affected persons?” It also asked whether “using new geothermal plants to expand energy access requires building new distribution networks”. Furthermore, it requested further details on “how financially sustainable these geothermal plants will be, particularly in regards to potential market size given that eastern Indonesia has high poverty rates and low electrification rates.”

On social and environmental due diligence, the IBRD explained that the project “is subject to due diligence by the [World Bank] safeguards specialists”, who will prepare “a number of safeguards instruments”, including an environmental and social management framework (ESMF), to be disclosed prior to project appraisal. Moreover, according to the IBRD: “If the present classification as category A is maintained the necessary safeguards document will be reviewed and endorsed by the WB’s [World Bank’s] Regional Safeguards Secretariat and consulted with PAPs [project-affected persons] and stakeholders 120 days in advance of board presentation to comply with US ED [executive director] requirements.” It clarified that the ESMF will also look into whether the new power plants will require strengthening of the transmission/distribution networks.

On the lack of risk for project developers, the IBRD responded that the project appraisal document will be updated to take into account recent directives from the minister of finance, requiring “that developers will have to pay the exploration costs at licensing rather than financial closure”. Finally, it clarified that details on financial sustainability will be clarified in the final project appraisal document.

## 3 Pilot Program for Climate Resilience

### 3.1 Resource shortfall

The November sub-committee meeting noted that the PPCR lacks sufficient resources to finance the projects pending approval, and urged donors to make further contributions. The concerns were reiterated in the April PPCR semi-annual report, which noted that by the end of 2015 PPCR funding requirements exceeded resources available to support PPCR programming by \$17.6 million. Moreover, according to the report, while \$1.5 million has been made available to the 10 new pilot countries approved in May 2015 to develop their Strategic Programs for Climate Resilience (SPCR, see *CIFs Monitor* 12), “the continued uncertainty regarding funding for SPCR implementation remains a concern”.

The report further noted that the majority of funding goes to public sector clients, with 12 per cent going to private sector operations. Moreover, the largest co-financing partner for PPCR projects and programmes are the MDBs (62.5 per cent), which the paper concluded “is consistent with the CIF’s mandate to build on existing or planned MDB operations and to use CIF resources to further enhance these operations”. It further noted that capacity building and technical assistance, as well as projects focusing on the enabling environment and building climate information systems, generally generate low levels of leveraged funds, while coastal zone management and infrastructure operations generate higher levels “as more partners are able to collaborate and contribute to the investments.”

### 3.2 The future of the PPCR

The May joint committee paper, [Strategic directions for the Climate Investment Funds](#) (see page 4), noted lessons learned from the PPCR, including on establishing or strengthening coordination across multiple sectors with high level leadership, and the importance of stakeholder engagement to build ownership and support. It also noted that the expectation of linked and leveraged funds at scale was pivotal for country buy-in. However, it concluded that the private sector set-aside “faced many challenges due to structural

#### Pilot Program for Climate Resilience (PPCR) explained

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

PPCR is piloted in 19 countries and two regions. In 2009, nine countries (Bangladesh, Bolivia, Cambodia, Mozambique, Nepal, Niger, Tajikistan, Yemen and Zambia) and two regional groupings (six Caribbean island countries and three Pacific island countries) were invited to participate in the PPCR. All SPCRs of the original pilot countries have been endorsed. In addition, of the regional groupings Papua New Guinea’s SPCR was endorsed in November 2012 and Haiti’s in May 2013. In May 2015, ten new pilot countries were invited to join phase II of the PPCR: Bhutan, Ethiopia, Gambia, Honduras, Kyrgyz Republic, Madagascar, Malawi, Philippines, Rwanda and Uganda.

As of end December 2015, \$1.2 billion had been pledged to the PPCR. A total of \$1.1 billion had been allocated for 74 projects and programmes, including \$65.3 million for 11 private sector set-aside projects. Out of the allocated funds \$964 million had been approved for 57 projects.

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

mismatches with MDB private sector operations”, but that some of these had been addressed in a May 2015 adjustment to the operational framework (see *CIFs Monitor* [12](#)).

Should sufficient new funds be provided for the PPCR, the paper suggested that it should be extended to some or all of the 10 new PPCR countries that were selected in the May 2015 meeting, for SPCR implementation. It further proposed that a new PPCR private sector window could be launched, consistent with the May 2015 adjustments, which “increases the flexibility of private sector operations under the PPCR and improves the MDBs’ ability to quickly respond to market demands for innovative climate resilience projects.” Moreover, it highlighted “the opportunity to provide support for global adaptation challenges through strategic thematic programmes”, providing “a critical ‘push’ for specific sectors, technologies or thematic areas through collective MDB action and scale.” Through dialogue with the MDBs, health has been identified as such an area, arguing that “concessional resources are needed in order to design and test pivotal approaches to mitigate and build resilience to the health impacts of climate change.”

### 3.3 Selected project updates

#### 3.3.1 Samoa: concerns over community consultations

Concerns were raised in April over the lack of community consultation related to the Samoa IBRD project *Enhancing climate resilience for West Coast road project*, despite that questions on consultations were raised already at the project approval stage in 2012 (see *CIFs Monitor* [7](#)). A second Samoa PPCR project, *Enhancing the climate resilience of coastal resources and communities*, was approved in 2013 with concerns raised over resettlement impacts (see *CIFs Monitor* [8](#)). In communication with a Samoa government representative PPCR, indigenous peoples observer Fiu Mataese Elisara of NGO OLSSI reported that seven coastal village communities has informed him that the road building is already ongoing, despite a lack of formal consultation. Elisara raised concern, commenting “the impacts that will likely occur will be immense.”

In a May response to the concerns raised, a Samoa government representative refuted a link between the information provided and the project, arguing that the PPCR project has not yet started, as the design is being finalised. The representative confirmed that elements of the project will require gaining access to properties adjacent to the road and alleged that consultations with relevant land owners have commenced. Moreover, the representative clarified that the majority of access will be underground, hence compensation for land acquisition is not anticipated. The representative further explained that as per the World Bank safeguards policy on involuntary resettlement, a land acquisition resettlement framework has been set up, but that it can’t be used until the road design has been submitted to the government and the World Bank.

In response Elisara sought clarification about the contradictory information received from the government and the communities, and requested further details about the consultations. He further noted the difficulty in monitoring the situation since, despite being based in Samoa, he does not receive invitations to discussions about Samoa’s PPCR: “Not having been part of ongoing meetings and activities has not helped me follow the work in Samoa. I am only shared information when I ask and am disappointed that I am not personally invited in my observer capacity to the PPCR activities nor copied documents or correspondence that are generated in the PPCR activities’ implementation.”

### 3.3.2 Haiti: questions on affordability and resettlement

Project name	Amount and date approved	MDB services	Key project documents
<i>Climate proofing of agriculture in the Centre-Artibonite loop</i>	\$4.5 million (grant)  20 October 2015	IDB \$250,000 (final tranche of \$500,000)	<a href="#">Decision</a> <a href="#">Project document</a>

#### Project details

The project’s objective is to “reduce rural economic losses through the improvement of climate risk management in selected watersheds. The specific objectives are to: (i) increase capacities for adaptation to climate change and disaster risk management (DRM) in the agriculture sector; (ii) improve water and sediment conservation in selected gullies of priority watersheds; (iii) reduce the risk of rural economic losses due to floods in targeted watersheds; and (iv) restore the educational capacity of the Faculty of Agronomy and Veterinary Medicine (FAMV) campus ... the project includes co-financing from the CIF through the PPCR window, which will be channelled through the IDB Strategic Climate Fund (SCX) Grant, for activities related to the adaption of agriculture to [climate change] in the Boucle Centre-Artibonite.”

#### Key donor questions and concerns prior to approval

The UK asked how the project will “ensure that farmers will be able to afford and put into practice improved techniques? What other constraints are there (aside from lack of knowledge) that have so far prevented the use of improved farming techniques?” The US questioned the lack of detail on the proposed riverbank protection infrastructure and its location, and how the IDB without these details “reached the conclusion that negative impacts are considered to be minor to moderate, and that it is unlikely that the project will require resettlement.”

The IDB did not address affordability per se, but clarified that the research component of the programme “will feed into another IDB agriculture incentive programme currently in execution by informing the currently supported menu of crops and techniques, incorporating climate resilient crops, varieties and techniques”. On the riverbank protection infrastructure, the IDB pointed to additional information available on similar projects, and also clarified that this element is not funded by PPCR resources, and falls under the IDB’s environmental and social policy.

## 4 Forest Investment Program

### 4.1 Resource constraints and loans

While the November 2015 sub-committee meeting welcomed progress made by the new pilot countries in developing the investment plans, it re-emphasised that the countries should “actively seek resources from other bilateral or multilateral sources beyond what is available in the FIP.” As of end 2015, the FIP had \$10.7 million available, with a \$32 million surplus in loans, but a \$21.3 million shortfall in grants. The May FIP semi-annual operational report noted that the 15 new countries approved as new pilot countries in May 2015 are expected to broaden the scope to incorporate non-FIP funds, with a particular challenge for the nine countries which have not been allocated funding to develop their investment plans. Investment plans for [Ivory Coast](#) and [Mozambique](#) are due to be discussed in the June sub-committee meeting.

In a late [May blog](#), Coraina de la Plaza of the Global Forest Coalition, a FIP civil society observer, commented: “One wonders whether it makes sense, in a situation of economic constraint, to provide new countries with \$250,000 for their IP preparations, and to keep adding new pilot countries to the list, if there is no guarantee that they will get the future funds needed to actually implement those plans.” She raised concerns of “a drift towards a path of turning to the profit-oriented private sector as an alternative source of finance”. Moreover, de la Plaza noted a tendency to providing loans rather than grants, questioning whether “this will be more of a burden than support.” She warned: “Accepting loans also implies that the forestry sector has to be profit-oriented so that the countries can pay the loans back, potentially leading to further deforestation and forest degradation in a bid to earn income from the expansion of tree plantations.”

#### Forest Investment Program (FIP) explained

The FIP is a financing instrument aimed at assisting countries to reach their goals under the reducing emissions from deforestation and degradation (REDD+) initiative. It was set up in 2009 and aspires to provide scaled up financing to developing countries to initiate reforms identified in national REDD+ strategies, which detail the policies, activities and other strategic options for achieving REDD+ objectives. It anticipates additional benefits in areas, such as biodiversity conservation and protection of the rights of indigenous people.

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

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

As of end December 2015, \$775 million had been pledged to FIP. A total of \$555 million had been allocated to 47 projects and programmes, including \$20 million for four projects under the private sector set-aside and \$80 million for DGM. Out of the allocated funds \$325 million had been approved for 22 projects and programmes.

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



## 4.2 The future of the FIP

The May joint committee paper, [Strategic directions for the Climate Investment Funds](#) (see page 4), noted that the financing architecture has changed with the initiation of the GCF and the increase of bilateral funding, coupled with expanded involvement in more countries by other multilateral REDD+ players. It further outlined a number of lessons learned from the FIP, including obstacles for MDB engagement, such as the challenge of valuing “the full range of forest benefits”, which “hamper the MDBs’ ability to present robust analyses of the potential costs and benefits of forest sector investments”, as well as “the relatively small scale of forest investments and the potential safeguard issues.” The paper called the DGM “unique within the forestry landscape”, providing “a model for engaging with and empowering forest-dependent indigenous peoples”, but concluded that the private sector set-aside had been “unable to catalyse a significant amount of new private sector investments”, since “the design structure did not align well with the business needs of the MDBs or the private sector.”

Should new funds become available for the FIP, the paper suggested that funding should be extended to the nine additional pilot countries that currently don’t have secured FIP resources for implementation. The DGM would also be expanded to these countries, as an integral part of their investment planning processes. Moreover, the paper recommended the capitalisation of a new private sector window, which would be “sufficiently flexible and swift to respond to private sector demand as it arises”, on an ongoing “first come, first served” basis. The paper also proposed that the FIP provide horizontal support through strategic thematic programmes, such as forest landscape restoration and to address deforestation for agricultural commodity expansion.

## 4.3 New project concept notes approved

Following the May 2015 FIP sub-committee meeting’s agreement to consider four new concept notes from three pilot countries (one from Laos, one from Ghana and two from Brazil), and submit comments on a further two concept notes (Burkina Faso and Democratic Republic of Congo) (see *CIFs Monitor* 12), two projects were [approved](#) in October 2015:

- Brazil: *Integrated landscape management in the Cerrado Biome* (IBRD, \$25 million in grant funding requested)
- Ghana: *Reducing degradation and deforestation due to mining in forest landscapes* (IBRD, \$10 million in grant funding requested)

Out of the remaining four, one was withdrawn (Brazil) and consideration of the remainder was deferred until further funds are available. The selected concepts will be developed into full project proposals, however, approval will only be given “once existing unallocated FIP resources as well as previously pledged resources become available.” The UK, in its comments on the proposed decision, emphasised that “new pledges do not guarantee the funding of these proposals.”

## 4.4 Update on the Dedicated Grant Mechanism

The Global Project under the Dedicated Grant Mechanism for Indigenous Peoples and Local Communities (DGM, see box) became effective in June 2015. The project, which is executed by NGO Conservation International, aims to strengthen indigenous peoples and local communities networks and enhance their representation and voice in international REDD+ dialogues. It convened a first global steering committee meeting in the following month, agreeing on project activities, strategies and procedures.

Progress has also been made on a country level, where Brazil has established and convened a National Steering Committee (NSC); set up a grievance redress mechanism; and finalised procedures for making sub-grants under the project. Democratic Republic of Congo and Indonesia have also established NSCs, and others are in development.

## 4.5 Selected project updates

### 4.5.1 Laos: consultation of ethnic minority groups

Project name	Amount and date approved	MDB services	Key project documents
<i>Protecting forests for sustainable ecosystem services</i>	\$12.8 million (grant) 23 May 2016	ADB \$455,000 (final tranche of \$700,000)	<a href="#">Decision</a> <a href="#">Project information document</a>

#### Project details

The project provides additional financing to the ADB Greater Mekong Subregion Biodiversity Conservation Corridors (BCC) project initiated in 2011, and FIP funding will be used to strengthen REDD+ readiness under this project. Overall it aims to “address key drivers of deforestation and forest degradation, including forest clearance by local communities for rotational agriculture and agricultural expansion by small and medium entrepreneurs for growing commercial crops (e.g., coffee)”, with outputs linked to the BCC project.

#### Key donor questions and concerns prior to approval

The US and UK asked for clarification on a number of issues, including how local communities have been consulted, “especially given the predominance of ethnic minority people in the area”, and how the project will continue to consult them during implementation. They also asked for an explanation on the rationale for including charcoal production as a livelihood option “considering the potential for it to be a perverse incentive to further increase the pressure on forests.”

The ADB confirmed that the villages comprise primarily of minority groups, but that they were consulted during the project preparatory phase and that cultural norms and dialects were taken into consideration. According to the ADB “the majority of villagers showed support for the project”, and that an updated Ethnic Group Development Framework will be used during project implementation. On charcoal production it clarified that it is “not proposed as the primary alternative livelihood option”, but that some of the biomass from agroforestry plots “can be selectively harvested after some years to sustain the charcoal making”.

## 5 Scaling up Renewable Energy Program in Low Income Countries

### 5.1 Slow progress and funding constraints

The November SREP sub-committee meeting reiterated concerns about delays in implementing investment plans (see [CIFs Monitor 12](#)), and encouraged MDBs “to take all possible measures to expedite the implementation of projects and the disbursement of funds.” It further requested the MDBs and the CIF Administrative Unit to work with the countries “to design investment plans and projects in a manner that enables access to SREP funds as well as other funding channels, including the Green Climate Fund.”

The sub-committee further noted that SREP does not have sufficient resources to finance all the new pilot countries’ investment plans. It asked the CIF Administrative Unit and the MDBs “to manage expectations on future resource availability and encourages contributor countries in a position to do so to make additional contributions to the SREP.” Furthermore, the April SREP semi-annual operational report warned that due to the “worsening debt distress for some countries” and some exceptional cases, grant resources have been committed to a number of countries. As a result, “grant resources may run out before non-grant resources”. Moreover, the report noted that nine SREP countries are yet to submit their investment plans for endorsement, with an indicative allocation of \$325 million.

Also during the November meeting, the AfDB notified the sub-committee that it is monitoring a fiduciary investigation of an SREP implementing partner in Kenya, however, there was so far no confirmation that fiduciary problems had occurred, or that SREP or AfDB were involved.

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

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

SREP is piloted in 25 countries and one region. Six countries were selected in 2010: Ethiopia, Honduras, Kenya, the Maldives, Mali and Nepal. All the investment plans of the original pilot countries have been approved and a reserve list for new pilot countries was agreed, including Tanzania, Liberia, Armenia, Solomon Islands, Vanuatu, Mongolia and Yemen. Tanzania and Liberia’s investment plans were approved in 2013 and Armenia, Solomon Islands and Vanuatu’s plans in 2014. In 2014 a further fourteen countries were invited to join SREP as pilot countries: Bangladesh, Benin, Cambodia, Ghana, Haiti, Kiribati, Lesotho, Madagascar, Malawi, Nicaragua, Rwanda, Sierra Leone, Uganda and Zambia. The investment plans for Ghana, Haiti and Nicaragua were approved in May 2015, and the investment plans for Bangladesh, Rwanda, Uganda and Mongolia in November 2015.

As of end December 2015, \$787 million had been pledged to SREP. A total of \$716.2 million had been allocated to 59 projects and programmes and \$92.4 million for seven projects and programmes under the SREP private sector set-aside. Out of the allocated funds \$225.8 million had been approved for 21 projects and programmes.

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

## 5.2 The future of the SREP

The May joint committee paper, [Strategic directions for the Climate Investment Funds](#) (see page 4), argued that SREP “has been instrumental in de-risking renewable energy investments and lowering the capital for renewable energy projects” and “enabled the MDBs to finance energy access operations that otherwise would not have been possible, given the limited availability of IDA resources and the flexible grant, non-grant and risk bearing instruments that SREP can offer.” Moreover, it noted that SREP has “encouraged MDBs and countries to engage in dialogues on energy access that would otherwise not have taken place.” However, it also noted “uneven progress” and several challenges, including that “the resources envelope has been small for multiple MDB engagement” given the high transaction costs, and that the level of unpredictability of resources “has made it very difficult to plan ahead in a strategic manner.” It argued that the incremental expansion of SREP “has sometimes led to ad hoc and even inconsistent decisions, especially vis-à-vis grant and non-grant resources” to the pilot countries, now noting a shortage of grant-resources for countries that have experienced debt distress. Moreover, similar to the PPCR and FIP, it noted that the private sector set-aside “had placed many constraints for programming”, reducing its effectiveness.

As a way forward, the paper proposed to focus on the nine pilot countries that are yet to submit their investment plans for endorsement, requiring approximately \$250 million. It noted that these countries are unlikely to secure funding from other sources of climate finance, and argued that it is “imperative to keep the momentum of the MDBs and to sustain their engagement in these countries.” If additional resources become available, it also proposed that SREP establishes an enhanced private sector programme for energy access.

## 5.3 Updates on investment plans

Four investment plans (Bangladesh, Rwanda, Uganda and Mongolia), were approved during the November 2015 sub-committee meeting, subject to comments being taken into account. The sub-committee also reaffirmed “that all allocation amounts are indicative for planning purposes and that approval of funding will be on the basis of high quality investment plans and projects, subject to the availability of funds.” It further noted that where projects under the investment plan cannot be funded by SREP, the project development “could be a basis to seek funding from other climate finance sources, such as the Green Climate Fund.”

Cambodia’s [investment plan](#), with a request of \$30 million in SREP funding (up to \$13.5 million in grants), will be discussed in the June sub-committee meeting.

### 5.3.1 Mongolia investment plan

Investment plan	Amount and date approved	MDB services	Key project documents
Mongolia	\$30 million request noted (including \$300,000 already approved for development of plan)		<a href="#">Investment plan</a>
	11 November 2015		
<i>Upscaling rural renewable energy (ADB)</i>	\$1 million (preparation grant)	ADB \$214,000 (first tranche of \$428,000)	
<i>Upscaling rural renewable energy</i>	\$0.5 million (preparation grant)		

<i>(World Bank)</i>			
<i>Solar PV</i>		IBRD \$128,000 (first tranche of \$428,000)	
<i>Technical Assistance</i>		IBRD \$70,000 (first tranche of \$140,000)	

### Key donor questions and concerns prior to approval

Switzerland commented that despite the plan claiming to address the needs of poor regions, improved access to electricity/energy was not included in the results framework. It recommended that “where investments are targeted towards poor regions, the impact on poverty alleviation, notably by improved access to energy (including electricity) should be targeted and measured as reflected in the results framework”. It also pointed out that the leverage factor of funding renewable energy is far below the SREP objectives.

Moreover, the SREP sub-committee requested that the results framework be revisited, including expected targets for improved energy access, and re-circulated. Further elaborations in the investment plan were also sought, including detailed information “on how SREP projects contribute to poverty alleviation and improved energy access.”

### 5.3.2 Rwanda investment plan

Investment plan	Amount and date approved	MDB services	Key project documents
Rwanda	\$50 million request noted (up to \$22.5 million as grant and including \$300,000 already approved for development of plan)  11 November 2015		<a href="#">Investment plan</a>
<i>Renewable energy fund</i>	\$800,000 (preparation grant)	IBRD \$128,000 (first tranche of \$428,000)	

### Key donor questions and concerns prior to approval

Switzerland asked for a number of clarifications, including on the grant vs non-grant split in the plan. It further noted that the estimated leveraging factor is lower than the SREP target, and also asked for clarification on the recipients of the SREP funds.

The IBRD confirmed that the split is \$22.5 million in grants and \$27.5 million in loans. Regarding leveraging of funds, it explained that the figures are conservative, but that “larger amounts of co-financing shall be expected in the medium term once [the off-grid markets] have been developed.” It further clarified that “the main recipients would be businesses requiring working capital.”

### 5.3.3 Bangladesh investment plan

Investment plan	Amount and date approved	MDB services	Key project documents
Bangladesh	\$75 million request noted (up to \$33.75 million as grant and including \$300,000 already approved for development of plan)  11 November 2015		<a href="#">Investment plan</a>
<i>Grid-connected renewables</i>	\$950,000 (preparation grant)	IBRD \$128,000 (first tranche of \$428,000)	
<i>Off-grid solar PV</i>	\$950,000 (preparation grant)		
Mini-grid		ADB \$214,000 (first tranche of \$428,000)	
Solar irrigation		ADB \$214,000 (first tranche of \$428,000)	

#### Key donor questions and concerns prior to approval

Switzerland asked a number of questions for clarification, including on the results framework, calling it “incomplete”. They also questioned the analysis of renewable energy output potential, including why the hydropower potential is presented as small and why the bulk of solar rooftop installations are for public buildings rather than residential, commercial or industrial buildings. They also asked for a clarification on whether the government subsidises fossil fuels and the associated impact on incentives for renewable energy.

The IBRD pointed out that hydropower potential is deemed low due to the country being largely flat. It also clarified that the solar rooftops for public buildings are more specifically for “social sector projects”, including health centers, remote educational institutes, religious establishments and government buildings, with the original intention to demonstrate the viability of rooftop solar to the private sector. It confirmed that the government subsidises fossil fuels, but that financial incentives for rooftop solar will be introduced under the plan.

### 5.3.4 Uganda investment plan

Investment plan	Amount and date approved	MDB services	Key project documents
Uganda	\$50 million request noted (up to \$22.5 million as grant and including \$300,000 already approved for development of plan)		<a href="#">Investment plan</a>

	11 November 2015		
<i>Decentralised renewables development program</i>	\$2.3 million (preparation grant)	AfDB \$75,000 (first tranche of \$150,000)	
<i>Wind resource map and pilot-wind power development project</i>	\$1.9 million (preparation grant)	AfDB \$75,000 (first tranche of \$150,000)	
<i>130 MW geothermal development program</i>		AfDB \$210,000 (first tranche of \$420,000)	

### Key donor questions and concerns prior to approval

The Norwegian Agency for Development Cooperation (NORAD) strongly criticised the investment plan and called for it not to be approved in its current format. It raised particular concern that an already up-and-running programme part funded by NORAD, GetFit, cannot be funded under SREP, warning that “the transactions costs by setting up a parallel mechanism could be considerable.” It further criticised the design of the plan and implicit risk: “Rather than picking low-hanging fruits, i.e. hydropower and bagasse [sugarcane residue] co-generation and grid-connected solar, that can secure fast-track development of electricity projects, the IP will target generation technologies with no track record in Uganda, i.e. geothermal and wind energy. This may introduce additional risks for Uganda, possibly at the cost of reduced economic growth. We cannot see that this strategic choice is well documented and justified.” On geothermal energy specifically it requested that lessons learned should be documented.

Switzerland asked for clarification on a number of issues, including the grant vs loan proportion of the funding and around geothermal energy, including whether it is justified that 68 per cent of the SREP funding is allocated to this technology.

AfDB confirmed the funding split as \$22.5 million in grants and \$27.5 million in loans, but that “the final split will depend on the sovereign debt sustainability level of Uganda at the time of project submission as well as on the availability of SREP grant resources.” It further explained that the high share of geothermal energy is “to ensure economies of scale in the drilling programme”. There was no publically available response to NORAD’s concerns.

## 5.4 Selected project updates

### 5.4.1 Liberia: questions on fossil fuels and indigenous peoples

Project name	Amount and date approved	MDB services	Key project documents
<i>Renewable energy access project</i>	\$25 million (grant) 4 December 2015	IBRD	<a href="#">Decision</a> <a href="#">Project document</a>

### Project details

The project “focuses on the development of decentralised electricity generation and establishment of mini-grids to expand electricity access in areas beyond the reach of the national integrated grid, using mainly

renewable sources of energy. It has been defined in coordination with Norway, AfDB, the European Union (EU), USAID and other development partners contributing to the expansion of electricity in remote parts of the country.” It will finance three main activities: “the implementation of decentralised electrification through mini-grids in Lofa County, in the North-West of Liberia ... the elaboration of regulations for decentralised electricity services ... [and] the market for scaling-up of stand-alone solar systems.”

**Key donor questions and concerns prior to approval**

The UK questioned why hydropower is backed up by diesel in the dry season, rather than biomass, which “would ensure that the project was 100 per cent renewable energy based and would reduce the ongoing dependence on fossil fuels.” These concerns were backed by Switzerland, noting that in the investment plan “diesel was qualified as ‘last resort’ only, notably taking into account the ‘difficulties and extremely high costs’ of supplying diesel in remote areas.” It recommended that “instead of requesting a diesel backup as a default for solar PV generating units, the WB and Liberia should explore the possibilities of modern technologies for centralised storage of solar power.”

SREP indigenous peoples observer Center for Indigenous Peoples’ Autonomy and Development (CADPI) questioned why many of the sites of investments are not properly defined, and in relation to this how the impact on indigenous peoples and territories can be considered. Furthermore, it queried “the extent to which indigenous peoples are consulted before approving the funds [and] the extent to which the right to free, prior and informed consent is taken into account.”

The IBRD responded that the hydropower/diesel combination was assessed to be the most appropriate given local circumstances, and emphasised “that SREP is not financing the diesel generation.” No official response was available to the questions from CADPI.

**5.4.2 Tanzania: questions on impact on indigenous peoples**

Project name	Amount and date approved	MDB services	Key project documents
<i>Rural electrification expansion project</i>	\$19 million (9 million grant, 10 million loan)  14 April 2016	World Bank \$214,000 (final tranche of \$428,000)	<a href="#">Decision</a> <a href="#">Project document</a>

**Project details**

The project falls under a larger national rural electrification project, and aims to reduce the country’s dependency on fossil fuels. The SREP resources will be used to increase the renewable energy capacity to supply electricity to rural areas, and also includes a grant to the World Bank’s private sector lending arm, the International Finance Corporation (IFC) for transaction advisory support to assist small power producers in obtaining private financing.

**Key donor questions and concerns prior to approval**

CADPI commented on the lack of information on how the project “affects positively or negatively the territories and resources of indigenous peoples, or indigenous peoples. I understand there is high diversity of indigenous or native peoples in Tanzania, although the Sukuma people are more than 5 million, then I arise the question again: how the government and private enterprise consider the effects on these peoples; how their rights are considered if they are affected by these investments.” Switzerland seconded the question, and asked further questions around the financing and expected results. The UK asked about additionality of the SREP funding, given the other funding sources and that the SREP proportion only represents two per cent of overall funding for the project.

The World Bank responded that the risks of displacement of rural populations are considered low. It noted that the Bank conducted an environmental and social safeguards assessment (ESSA) during the project



preparation, with recommendations being taken into account throughout the implementation of the programme, such as a strengthening of procedures “to promote equitable allocation of benefits and impacts of rural electrification”, including for vulnerable groups affected by the grid extension. This should also lead to policies and a procedural manual, to provide guidance including “screening to detect the presence of vulnerable or disadvantaged groups, and measures for their consultation and participation so that that project plans and designs take into consideration their needs, priorities, and preferences.” Moreover, according to the Bank: “The procedural manual should define mechanisms whereby vulnerable and disadvantaged groups will be provided with relevant project information in local languages and in a form and manner socially acceptable to them. REA’s policy should specify that any project planning to acquire land in an area where vulnerable groups are present will undertake free, prior and informed consultation leading to broad community support, and each project will establish a grievance redress mechanism to handle any complaints from project-affected people and allow them to voice their concerns and questions.”

Regarding additionality of SREP funds, the Bank called the SREP funds “the cornerstone of the off-grid programme”, and that SREP funding will give higher priority than would otherwise be seen to activities, such as off-grid and mini-grid based rural electrification.

## ANNEX

CIF CSO and indigenous peoples observers (alternates in parenthesis)<sup>1</sup>

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

<sup>1</sup> The civil society observers were selected in February 2015. For contact details, see <https://www.climateinvestmentfunds.org/cif/directory>

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