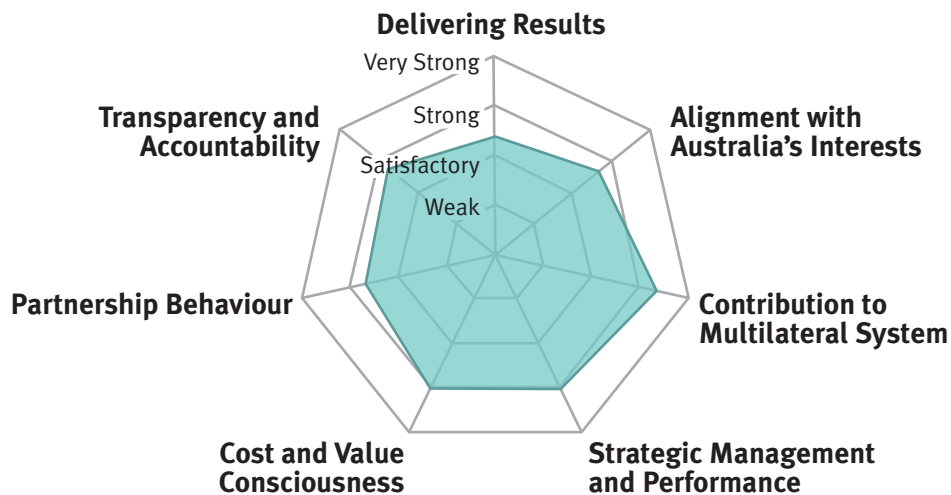




Australian Multilateral Assessment March 2012

# Climate Investment Funds (CIFs)

## OVERVIEW OF ORGANISATION RATINGS



## ORGANISATION OVERVIEW

The Climate Investment Funds (CIFs), launched in 2008, are climate financing instruments established to help developing countries pilot low-emissions and climate-resilient development. They assist developing countries by financing investments in large-scale high impact programs aimed at initiating transformational change in policies, sectors and markets. They fill a significant financing gap until post-2012 climate change financing arrangements are negotiated and become effective within the United Nations (UN) context.

The CIFs comprise two funds:

- > a Clean Technology Fund (CTF) to support the demonstration and deployment of low carbon technologies in key high emission developing countries
- > a Strategic Climate Fund (SCF) serves as an overarching framework to support three targeted programs with dedicated funding to pilot new approaches with potential

for scaled-up, transformational action aimed at a specific climate change challenge or sectoral response. The three subprograms include:

- Pilot Program for Climate Resilience (PPCR): scales up financing for innovative approaches to integrate climate change adaptation and climate resilience into development policies and investments
- Forest Investment Program (FIP): builds capacity and pilots investments for reducing emissions from deforestation and forest degradation, and
- Program for Scaling-up Renewable Energy in Low Income Countries (SREP): seeks to demonstrate the economic, social and environmental viability of renewable energy technologies in low income countries.

The governance and organisational structure of the CIFs means it effectively operates as five distinct and autonomous programs/work streams, with separate member committee meetings and decision processes.

Each fund and sub fund is governed by small committees made up of equal numbers of developed and developing country members. A range of civil society, indigenous and private sector stakeholders are included as observers. The World Bank and other multilateral development banks (MDBs) support developing country participants to develop and deliver activities.

The CIFs are a partnership among five MDBs (the African Development Bank, the Asian Development Bank, the European Bank for Reconstruction and Development, the Inter-American Development Bank, and the World Bank). The central administrative unit for the CIFs is hosted by the World Bank. The CIFs have two decision making Trust Fund Committees composed of representatives from eight donor countries and eight developing countries. Australia has been represented on the CTF and SCF Committees and on the FIP, PPCR and SREP Sub-Committees.

Donors have pledged funding to CIFs totalling US\$6.5 billion (US\$4.5 billion to the CTF and US\$2 billion to the SCF) and the funds are expected to leverage more than US\$30 billion in multilateral development bank and private finance.

Since 2009 Australian support to CIFs totals \$185.5 million.

The CIFs have been designed as an interim instrument with specific clauses providing for the potential sun-setting of the funds linked to the agreement on the future climate change finance architecture. The future success of the CIFs will hinge largely on negotiations regarding how its work will be integrated or linked with the proposed Green Climate Fund.

## RESULTS AND RELEVANCE

### 1. Delivering results on poverty and sustainable development in line with mandate

**SATISFACTORY**

CIFs have demonstrated positive early signs of progress, but most are just moving into the implementation stage so tangible results are only now emerging.

CIFs are designed to deliver at scale and achieve transformational results. With solid results-based management frameworks and reporting in place, CIFs ensure performance information is used to improve program quality.

The funds recognise the vulnerability of the poorest to climate change, and ensure that least developing countries and small island states are among its pilot countries.

### a) Demonstrates development or humanitarian results consistent with mandate

**SATISFACTORY**

By virtue of their large-scale support to developing countries, the CIFs have an important role to play on climate change mitigation and adaptation. The CIFs intends that its results will initiate transformational shifts in development policies and practices, and therefore will have far-reaching development benefits.

As sustainable economic growth and poverty reduction is the core mission of the MDBs, climate change mitigation and adaptation considerations are integrated into the sustainable development activities of the CIFs. The CIFs are guided by a principle (among others) that climate change mitigation and adaptation will positively impact the basic human needs of the poorest who are disproportionately impacted by the challenges of climate change.

The CIFs started operating in 2008 and 2009. The lead time required to develop and endorse national investment plans has meant it is too early to expect tangible results from the substantial investments and projects currently underway, although early indications are promising.

### b) Plays critical role in improving aid effectiveness through results monitoring

**STRONG**

Results Frameworks focused on outcomes are in place for the CIFs and the programs funded within it. Results frameworks address global outcomes such as climate resilient development, transformative outcomes such as increased resilience to climate variability and outcomes based on replicating catalytic factors, and transformed energy supply and demand to low carbon development pathways.

At program-level, an example of the results-based approach is found in the Australian co-funded Pilot Program for Climate Resilience (PPCR). The PPCR Results Framework provides a structure for designing program evaluations of the PPCR. The program gives partner governments a key role in monitoring and evaluation drawing heavily on reports being produced by governments and partner organisations and ensures results information is fed to the governing bodies. As the impacts and effectiveness of adaptation

measures, including sustainability, are only apparent after the typical lifespan of interventions, the program emphasises that it is important for projects to set aside funds for ex-post evaluations.

The CTF, FIP and SREP have similar results frameworks and monitoring and evaluation approaches.

**c) Where relevant, targets the poorest people and in areas where progress against the MDGs is lagging**

**SATISFACTORY**

The funds recognise the vulnerability of the poorest to climate change, and ensure that least developed countries and small island states are among its pilot countries.

The criteria for support for climate change adaptation efforts, such as those in the PPCR, target vulnerable least developed countries that can derive considerable poverty alleviation impacts from their engagement.

Eligibility for participation in SREP is targeted to countries that are classified as low income by MDBs.

**2. Alignment with Australia's aid priorities and national interests**

**STRONG**

The mandate of CIFs is well aligned with the Australian aid program strategic goals of saving lives and sustainable economic development, as well as Australia's broader international and climate change objectives.

CIFs address gender in design documents and results-based management frameworks. The November 2010 internal *Strategic Environment, Social and Gender Assessment* of CIFs, recommended additional indicators are incorporated into the frameworks, including gender-disaggregated data. Recently approved measures to improve the operations of the CIFs call for the multilateral development banks to mainstream gender considerations with CIFs clients, projects and country programming.

CIFs do not have policies on people with disabilities, although to the extent that these policies exist in the multilateral development partners, each partner is expected to comply in all its work with its own policies and procedures.

CIFs undertake work in fragile states but it is not a specific focus. It is too early to assess how effective their work in fragile states will be.

<b>a) Allocates resources and delivers results in support of, and responsive to, Australia's development objectives</b>	<b>STRONG</b>
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There are two objectives of Australia's International Climate Change Initiative that the CIFs are well suited to address:

- > to enhance partner country capacity to assess key climate vulnerabilities and risks, formulate appropriate adaptation strategies and plans, and mainstream adaptation into decision making, and
- > to identify and finance priority adaptation measures that can immediately increase the resilience of partner countries to the impacts of climate change.

Australia has been happy with the responsiveness of CIFs management to issues raised by Australia regarding both the design of governance arrangements and the selection of pilot countries.

<b>b) Effectively targets development concerns and promotes issues consistent with Australian priorities</b>	<b>STRONG</b>
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Australia's support for the CIFs is focused on strategies for addressing climate change vulnerability and adaptation. This is expected to provide greater protection to poor and vulnerable communities from the impacts of floods, droughts, cyclones and other impacts of climate change and accordingly reduce the negative humanitarian impacts of such disasters. This work will have implications for incomes and food security, and consequently contribute to the 'saving lives' and 'sustainable economic development' priorities of Australia's aid program.

<b>c) Focuses on crosscutting issues, particularly gender, environment and people with disabilities</b>	<b>SATISFACTORY</b>
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The CIFs are entirely focused on environment and sustainable development issues.

The CIFs use the gender policies of their MDB partners. The CIFs are guided by the overarching principle of demonstrating strong leadership in mainstreaming gender considerations, and at the most recent Joint SCF-CTF meeting in November 2011, committee members considered tangible measures and actions to enhance the achievement of this principle. The CIFs have developed a partnership with the Global Gender and Climate Alliance. Gender is addressed in the CTF Results Framework and a Strategic Environment, Social and Gender Assessment of the Climate Investment Funds in November 2010, recommended additional indicators including gender disaggregated data. This would enhance the monitoring and evaluation of gender under the Results Framework.

The CIFs do not have policies on people with disabilities, although to the extent that these policies exist in MDB partners, each MDB is expected to comply in all its work with its own policies and procedures.

<b>d) Performs effectively in fragile states</b>	<b>N/A</b>
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The CIFs do not specifically target fragile states, although they do undertake work in fragile states. The CIFs have no specific policies on working in fragile states. It is too early to assess whether the CIFs are effective in fragile states, or whether CIFs programs are able to adjust to the particular needs and capacities of fragile states.

<b>3. Contribution to the wider multilateral development system</b>	<b>STRONG</b>
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CIFs play a critical role managing and dispersing climate change financing. Around US\$6.5 billion has been pledged by donors to support national investment plans and more than US\$30 billion in funding has been leveraged from multiple sources including governments, multilateral development banks, private sector and bilateral agencies. It is effective in this role and is relied upon by a broad range of development stakeholders.

CIFs are currently the largest climate funds. Their role in developing strategies and trialling models for climate change action, particularly in light of its focus on transformational change, is filling an important development niche. It is being used by many as a model for development, including by the Copenhagen Accord's Green Climate Fund, in part because of its equitable and efficient governance arrangements and ability to leverage significant amounts of private funds.

<b>a) Plays a critical role at global or national-level in coordinating development or humanitarian efforts</b>	<b>STRONG</b>
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The CIFs play a critical role in coordinating climate change financing. Around US\$6.5 billion has been pledged by donors in support of national investment plans and more than US\$30 billion in funding has been leveraged. The CIFs are unique in being able to deliver at this kind of scale. It is effective in this role and is relied upon by a broad range of development stakeholders.

Before funds will be allocated, CIFs funds and programs require the development of investment plans. This assists in national-level coordination of development objectives and promotes the engagement of the MDBs and other development partners working in the country in a programmatic framework to address climate change at the country-level. Developing national investment strategies for the deployment and integration of mitigation and adaptation activities supports a coordinated approach to climate development at the national-level.

The CIFs are also playing a key role in knowledge management. They are trialling approaches that, if successful, can be scaled up under the future international climate change architecture.

The CIFs have been designed as an interim instrument with specific sunset clauses linked to the implementation of the future climate change finance architecture. The future success of the CIFs will hinge largely on negotiations regarding how its work will be integrated or linked with the proposed Green Climate Fund.

<b>b) Plays a leading role in developing norms and standards or in providing large-scale finance or specialist expertise.</b>	<b>VERY STRONG</b>
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The CIFs represent a wholly specialised partnership among the MDBs which have the scale and reach to substantially impact on climate change mitigation and adaptation activities in developing countries. To date, work on climate change in developing countries has not been addressed in as comprehensive a manner as work on traditional sectors such as health and education. However, there is a growing consensus that addressing climate change within a development context is necessary to avoid eroding the gains made in poverty reduction and development.

The CIFs are currently the largest climate funds. Their role in developing strategies and trialling models for climate change action, particularly in light of their focus on transformational change and scaled-up investments, is filling an important development niche. Its funding model is being used by many as a model for climate smart development, including by the Copenhagen Accord's Green Climate Fund, in part because of their equitable and efficient governance arrangements and ability to leverage significant amounts of private funds.

The CIFs also leverage the expertise and specialisation of the MDBs, in collaboration with other development partners, to assist developing countries build country-level knowledge, capacity, and development project experience.

<b>c) Fills a policy or knowledge gap or develops innovative approaches</b>	<b>STRONG</b>
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The CIFs enable developing countries to pilot new, innovative and transformational approaches at scale.

They have also begun to disseminate information on early findings, and contribute to and help inform the design of the Green Climate Fund. As the Green Climate Fund is operationalised over 2012, information dissemination and knowledge sharing aspects of the CIFs will be made clearer.

<b>ORGANISATIONAL BEHAVIOUR</b>	
<b>4. Strategic management and performance</b>	<b>STRONG</b>

CIFs have a clear mandate. Each fund and sub fund has well developed strategies and design documents, detailed guidelines and governance frameworks. Investment plans are in place for individual country interventions.

CIF's governing Trust Fund Committees, made up equally of developed and developing country representatives, make consensus decisions on funding and appear to have been effective in holding stakeholders to account.

Monitoring and evaluation regimes are in place but largely untested to date. An independent evaluation of the Clean Technology Fund operations, and the impacts of its activities, is scheduled to be carried out jointly after three years of operations by the independent evaluation departments of its multilateral development banks partners.

Leadership of the CIFs is sound and strong systems to inform decision making are in place. CIFs human resources functions are shared or affiliated with associated multilateral development banks so staff working standards and management's policies are considered satisfactory.

**a) Has clear mandate, strategy and plans effectively implemented**

**STRONG**

Due to the composition, autonomy and specialised operation of each of the CIFs, the CIFs have a clear mandate but no overarching strategy document. They do, however, have detailed guidelines and governance frameworks at the fund and program-levels as well as a series of investment plans for individual country interventions. These national investment plans involve country and MDB joint missions and consultation to ensure overarching CIFs objectives and strategies are reflected in individual plans and projects.

It is still too early to assess how well organisational planning is translated into program management.

**b) Governing body is effective in guiding management**

**VERY STRONG**

The CIFs governing structure is unusual in that they have two decision making Trust Fund Committees composed of representatives from eight donor countries and eight developing countries. These are the decision making members.

Trust Fund Committees and sub-committees form efficient governing bodies relative to many other multilateral organisations. They appear to have been effective to date in holding stakeholders such as recipient countries and multilateral development banks to account. The committees are focused on proper processes, results and quality.

Biannual CIFs committee meetings, annual partnership forums and out of session decisions by mail contribute to continual engagement and effective management practices. Elected co-chairs of the committees play an oversight role on behalf of the committees during the inter-sessional period working in collaboration with the CIFs Administrative Unit.

**c) Has a sound framework for monitoring and evaluation, and acts promptly to realign or amend programs not delivering results**

**SATISFACTORY**

Sound monitoring and evaluation regimes are in place but are untested to date. Results frameworks and indicators for the Funds are generally appropriate.

MDBs are responsible for managing program funds and must report annually to the CTF and SCF Trust Fund Committees (for SCF, through appropriate SCF Sub-Committees) on results, outcomes and lessons learned from the pilots at the programmatic, country, and investment-levels, in accordance with Fund procedures. Lessons learned and results achieved are published and made publicly available.

An independent evaluation of the operations of the CTF and SCF and the impacts of their respective activities is scheduled to be carried out jointly after three years of operations by the independent evaluation departments of the MDBs. The evaluations will be based on the scope and reporting criteria agreed with the CTF and SCF Trust Fund Committees. These evaluations will represent the first time that the evaluation departments of the five MDBs have undertaken joint evaluations.

**d) Leadership is effective and human resources are well managed**

**STRONG**

Leadership of the CIFs is sound and strong decision making systems are in place. As the human resources of the CIFs are shared or affiliated with the associated MDBs, staff are subject to the working standards and management policies of the MDBs. An MDB Committee, chaired by the head of the Administrative Unit, meets regularly (frequently on a weekly basis) to ensure collaboration, communication, and joint ownership of the CIFs corporate mission and objectives.

**5. Cost and value consciousness**

**STRONG**

The Trust Fund Committees, comprising donor and recipient country representatives, hold stakeholders to account on value for money issues. CIFs require cost effectiveness to be considered in all investment plans, project proposals and administrative budgets. The funds have a very low administrative-cost-to-funding ratio compared with other multilateral organisations. Planned spending on administration is around two per cent (2009–14). CIFs aim to challenge and support development partners to think about value for money in key policy and program choices related to climate change investments.

**a) Governing body and management regularly scrutinise costs and assess value for money**

**STRONG**

The governing Trust Fund Committees, composed of donor and recipient country representatives, hold stakeholders to account on value for money issues. As donors contribute to the decision making on investment plans and project proposals, donors are guided by respective national interests and seek taxpayer value for money. This results in the CIFs challenging development partners to consider value for money when considering project proposals. These issues must be resolved before country investment plans are approved.

Administrative costs are reviewed on an annual basis by the Trust Fund Committees when new administrative resources are approved.

**b) Rates of return and cost effectiveness are important factors in decision making**

**STRONG**

Cost effectiveness must be considered in all investment plans and project proposals. Good value investments are encouraged, but the CIFs do offset some prohibitive investor costs to encourage investors to enter the market to enable technologies to be tested.

In providing CIFs funding, the CIFs seek to ensure that any subsidy included in concessional financing is no greater than that necessary to induce the intended investment. Such demonstration interventions should help to encourage wider investment and lower costs in the long-run.

To date, finance from the CIFs has been blended with MDB loans. This offers a good economy of scale in that the project preparation work and cost that is required anyway for the MDB loan need not be duplicated for the CIFs investment.

The CIFs have a very low administrative cost to funding ratio compared with other multilateral organisations. Planned spending on administration is around two per cent (2009–14).

<b>c) Challenges and supports partners to think about value for money</b>
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<b>STRONG</b>
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The CIFs aim to challenge and support development partners to think about value for money in key policy and program choices related to climate change investments.

The CIFs Trust Fund Committees have, for example, challenged the MDBs to ensure that their project preparation costs represent value for money. MDBs must charge actual project preparation costs, and these are not expected to exceed a benchmark cost for MDB project preparation.

<b>6. Partnership behaviour</b>
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<b>STRONG</b>
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Multilateral development banks, recipient countries and Clean Technology Fund Committee members have demonstrated a willingness and capacity to work in new ways under the fund model.

Country ownership and alignment with partner priorities and systems are important factors in investment plans and other fund programs. Developing country partners take the lead on initiating programs with support from multilateral development banks. The developing country government is expected to ensure open and transparent consultation with stakeholder community groups and engagement with other development partners.

Developing country partners take the lead on initiating programs. Civil society, indigenous and private sector stakeholders are active observers and have a voice in CIFs' governing arrangements.

<b>a) Works effectively in partnership with others</b>
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<b>SATISFACTORY</b>
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MDBs, recipient countries and CTF Committee members have demonstrated a willingness and capacity to work in new ways under the fund's innovative model. Examples of this include: collaboration between MDBs on joint project scoping missions, recipient country-led design of sector-wide investments and committee deliberation on the transformative impact of investments.

The annual CIFs Partnership Forum brings together a broad base of CIFs stakeholders, including contributor and eligible recipient countries, MDBs, United Nations organisations, Global Environment Fund (GEF), United Nations Framework Convention on Climate Change (UNFCCC), the Adaptation Fund, bilateral development agencies, non-governmental organisations, private sector entities, and scientific and technical experts. The Forum provides an opportunity for dialogue on the strategic directions, results and impacts of the CIFs and incorporates opportunities for providing independent advice and knowledge sharing.

The process of developing national investment plans also involves strong working relationships with country partners and other development partners active in the country to ensure investment plans are tailored to the specific circumstances of individual states.

Donor and receipt governments are equally represented on Committees, and a range of climate change agencies, civil society organisations and private sector representatives are active observers to the Committees.

**b) Places value on alignment with partner countries' priorities and systems**

**STRONG**

Country ownership is an important factor in the development of investment plans and fund activities. CIFs interventions are required to be aligned with and complement existing activities, as well as national investment plans, development strategies, or climate change action plans. This is to ensure a programmatic approach, that there is no duplication of effort, and that the CIFs reinforce country ownership.

Each fund and program also has respective objectives of integrating climate action into national plans and budgets.

The CIFs have introduced a new collaborative culture to enable MDBs to partner at different levels. First, through an MDB committee, banks put together their best knowledge and experience to facilitate the decision making process of the different committees and sub-committees of the CIFs. They are also engaged in an active process of exchange of lessons learned and knowledge. Second, at country-level, MDBs with regional jurisdiction cooperate to provide leading edge knowledge and financial support to a particular country. The result of this support is investment plans that respond to country needs and have a sound technical, environmental, social and economic basis.

Likewise, investment plans have provided a common space for donor coordination: these plans offer a single and common programmatic framework for investing in climate change activities in a country.

**c) Provides voice for partners and other stakeholders in decision making**

**STRONG**

Developing country partners take the lead on initiating programs. The country government is expected to ensure that there is open consultation with stakeholder community groups at country-level. Country investment plans are publicly posted at the country-level for comment before being submitted to the CIFs for endorsement.

Country representatives have taken the opportunity to present their investment plans to members at committee meetings and undergo scrutiny. Civil society, indigenous and private sector stakeholders are active observers and have a voice in CIFs' governing arrangements.

Each MDB is accountable for adhering to its social safeguard policies with respect to CIFs activities that it manages. Recently approved measures to improve the CIFs operations specify that each joint mission to a country is to include a member with gender expertise.

## **7. Transparency and accountability**

**STRONG**

CIFs are not members of the International Aid Transparency Initiative but do have a disclosure policy that calls for the release of country investment plans, both in-country and on its own website. Recently approved measures to improve the operations of the CIFs call for the CIFs to ensure its compliance with the IATI and to report back to the Trust Fund Committees on its compliance.

Resource allocation is open and transparent. Allocations are made on a country-led basis and agreed by the governing bodies by consensus. The World Bank is the Trustee for CIFs and strong internal controls, fiduciary management and audit compliance apply.

CIFs also promote some transparency in partners. For example, they require partners to make key program documents publicly available and hold and report on consultations with domestic stakeholders when designing investment plans. In most countries, fund loans are to be reflected in the national budget.

### **a) Routinely publishes comprehensive operational information, subject to justifiable confidentiality**

**SATISFACTORY**

The CIFs are not signatories of the International Aid Transparency Initiative (IATI) but do have a disclosure policy that calls for the timely release of country investment plans both in-country and on the CIFs website. Project information documents are intended to be made public at least two weeks prior to a decision on the funding of a proposal.

Recently approved measures to improve the operations of the CIFs call for the CIFs to ensure their compliance with the IATI and to report back to the Trust Fund Committees on their compliance.

The CIFs routinely publish a wide range of documentation on their website. All papers relating to trust fund committee meetings are made freely available online before the meeting date for consideration by relevant parties.

### **b) Is transparent in resource allocation, budget management and operational planning**

**STRONG**

Resource allocation is open and transparent. Allocations are made on a country-led basis and agreed by the governing bodies by consensus. There are clear and consistent criteria for countries interested in applying for funding and developing investment plans and other programs. For example, country access to the CTF is based on ODA-eligibility

(according to OECD/Development Assistance Committee guidelines) and an active MDB country program. Committee hearings are open to observers, including from civil society organisations and the private sector.

CIFs administrative budgets are approved on an annual basis. Proposed budgets are posted on the CIFs website at least two weeks prior to their consideration by the Trust Fund Committees.

**c) Adheres to high standards of financial management, audit, risk management and fraud prevention**

**VERY STRONG**

The World Bank is the funds' trustee. It keeps appropriate records and accounts of transactions. It invests funds in accordance with World Bank policies. Regular reports on Trust Fund financial status are provided by the trustee to the Fund Committees. Strong internal controls, fiduciary management and audit compliance are applied.

**d) Promotes transparency and accountability in partners and recipients**

**SATISFACTORY**

The CIFs promote some transparency in partners. For example, they require partners to make key program documents publicly available and hold consultations with domestic stakeholders when designing investment plans. In most cases, fund loans are to be reflected in the national budget.