

Multilateral Aid Review: Assessment of Climate Investment Funds

Summary	
Organisation: Climate Investment Funds (CIFs)	Date: February 2011
Description of Organisation	
<p>The Climate Investment Funds are a set of programmes to deliver low carbon, climate resilient development. The CIFs comprise the Clean Technology Fund (CTF), which finances projects and programmes that contribute to demonstration, deployment and transfer of low carbon technologies, and the Strategic Climate Fund (SCF). The SCF has sub-programmes on:</p> <ul style="list-style-type: none"> a. adaptation (the Pilot Programme for Climate Resilience, or PPCR) which supports developing countries to integrate climate risk and resilience into their core development planning, and will provide substantial programmatic resources to public and private sector investments; b. renewable energy in low income countries (Scaling-up Renewable Energy Programme, or SREP) which will demonstrate the economic, social and environmental viability of low carbon development pathways for low income countries in the energy sector; and c. forestry (Forest Investment Programme, or FIP) which supports developing countries' efforts to reduce deforestation and forest degradation (REDD) and promotes sustainable forest management that leads to emission reductions and the protection of carbon reservoirs. <p>The CIFs are governed by trust fund committees for the CTF and SCF, and sub-committees for the SCF programmes. The committees have equal numbers of developed and developing countries, as well as active observers from civil society, the private sector, indigenous peoples and local communities, the MDBs, the UNFCCC, other climate change mechanisms, and UN agencies.</p> <p>Contributing countries have pledged around \$6.3bn to the CIFs. This will be disbursed over a number of years, but the CIFs will cease to receive contributions once a new climate finance architecture, agreed in the climate negotiations, is operational. 100% of CIFs spend is ODA. The UK is contributing £735m from 2008/09 to 2010/11, 50% from DFID and 50% from DECC.</p>	

Contribution to UK Development Objectives	Score (1-4)
1a. Critical Role in Meeting International Objectives + Meet a critical gap in delivering climate change	Satisfactory

<p>2c. Climate Change and Environmental Sustainability</p> <ul style="list-style-type: none"> + The overall goal of the CIFs is low carbon, climate resilient development + The CIFs results framework allow for measurement of climate change, development and environmental impacts at all levels, from project to global. = The MDBs all score well on climate change and environmental sustainability, with an average of 3. The CIFs perform better than the MDBs on climate and environment, and the approaches and policies used in the CIFs are those we want to see mainstreamed in the MDBs. We therefore judge that the CIFs score as a 4 in this area. 	<p>Strong (4)</p>
<p>3. Focus on Poor Countries</p> <ul style="list-style-type: none"> + Clear learning curve from early programmes to later ones on selection of countries. + Wide range of countries, vulnerabilities and needs which is appropriate given pilot nature of the CIFs – would expect stronger poor country focus otherwise + Robust and agreed selection criteria. – Lack of clear eligibility criteria in one of the four programmes. – Appearance of lower-middle income country pilots in the low income country-focused SREP. = Overall we judge the score to be 3 given the balance of vulnerabilities, capacity, regions and contexts in order to deliver the CIF’s key objective piloting, demonstrating and replicating how to deliver low carbon, climate resilient development. 	<p>Satisfactory (3)</p>
<p>4. Contribution to Results</p> <ul style="list-style-type: none"> + Rapid progress from concept stage to development of investment plans and projects. + Strong anticipated results. + Strong focus on learning, demonstration and replication. – Initially weak articulation of anticipated development outcomes (though direction of travel is positive). – The CIFs are a new mechanism and evidence of delivery at country level against their objectives is still being built. – MDB project approval process takes time. = The CIFs have the potential to contribute significantly to both climate change and development results, which is strengthened by the focus on lesson learning, demonstration and replication. However, given the CIFs are new mechanism, the delivery of the results is yet to be observed. 	<p>Satisfactory (3)</p>

Organisational Strengths	Score (1-4)
<p>5. Strategic and Performance Management</p> <ul style="list-style-type: none"> + Clear mandate, management held to account. + Strong decision-making systems. + Strong reporting, auditing and independent analysis. – Lengthy process to design results frameworks, though these should significantly drive forward results management in the climate change field. = The CIFs’ overall performance is good. Effective independent evaluations and use of the agreed results frameworks should move them into a stronger position. 	<p>Satisfactory (3)</p>
<p>6. Financial Resources Management</p> <ul style="list-style-type: none"> + Flexibility to use a variety of financing instruments with some innovation (though limited uptake in practice). + Multi-year commitments. + Strong audit function. – No common approach or agreed methodology for how to allocate funds between pilots in the four programmes, leading to some uncertainty for partner countries about how to design their investment plans. – Too early to tell how finances are managed at project level though use of MDBs’ own systems and procedures gives reason for confidence. = On paper, the CIFs should perform well on financial resource management. However, it is too early to assess actual performance on matters such as project level financial management. 	<p>Satisfactory (3)</p>
<p>7. Cost and Value Consciousness</p> <ul style="list-style-type: none"> + Very low admin costs relative to other similar MOs. + Early evidence that interventions will be cost effective. + Responsive to challenge on budgetary issues. + Designing the CIFs to build on the MDBs is very efficient and reduces costs since project costs are shared with the MDBs. – Too early to see actual delivery of the anticipated cost effective results notwithstanding the efficiencies of designing the CIFs to build on the MDBs. – The MDBs lack incentives to reduce project level admin costs and return unspent funds. = Performance is strong to date, with low admin costs and the challenge function that the CIFs trust fund committees have on finance and budgetary issues. However, the CIFs are implemented by the MDBs who have high perceived project preparation costs. 	<p>Satisfactory (3)</p>
<p>8. Partnership Behaviour</p> <ul style="list-style-type: none"> + Innovative, effective, efficient and equitable governance 	<p>Weak</p>

<p>structures.</p> <ul style="list-style-type: none"> + Innovative approach to MDB collaboration. + Good global stakeholder consultation. + Strong CIFs design principles on partnership behaviour. – Patchy experience at country level, particularly on country leadership. – Use of MDB systems means project approval and disbursement takes time. – Mixed evidence on engagement of developing country stakeholders beyond governments. = Performance is strong in relation to governance structures and the way that they have been designed; however, in practice feedback has been mixed, particularly around the issue of country leadership 	<p>(2)</p>
<p>9. Transparency and Accountability</p> <ul style="list-style-type: none"> + Strong commitment to transparency, with project information documents made available prior to decision on funding proposals + Equitable governance structures; consensus decision making. – Speed with which CIFs have got up and running has meant some failure to meet all deadlines for posting documentation or announcing missions. – Ongoing concerns from active observers to the committees about holding closed executive sessions. – Potentially some commercial data that could be public is kept confidential. = The CIFs score a 3 given their commitment to transparency, governance structures and involvement of ‘active observers’ from civil society and the private sector. 	<p>Satisfactory (3)</p>
<p>Likelihood of Positive Change</p>	<p>Score (1-4)</p>
<p>10. Likelihood of Positive Change</p> <ul style="list-style-type: none"> + Key objective of the CIFs is on knowledge management and lesson learning. + Commitment from stakeholders to a set of improvements that fit with the UK’s priorities. UK has influence in CIFs decision making; key opportunities for improvement on the horizon. – Some improvements rely on broader change within the MDBs and are therefore more difficult to effect within the CIFs. – Given the newness of the CIFs they have limited track record of improvements. = Taking the MDBs performance into account, which have scored between 2 and 4, as well as the particular focus of the CIFs on lesson learning, we judge that the CIFs score 	<p>Likely (3)</p>

3 on their likelihood to change	
---------------------------------	--