

Climate Investment Funds' Response to UK Multilateral Aid Review

We would like to thank DFID for sharing the main findings of the 2011 UK Multilateral Aid Review (MAR) on the Climate Investment Funds (CIFs). The UK MAR provides a welcome recognition of the CIFs' achievements and progress over the past two years since their establishment while also identifying some areas for improvement. We appreciate these suggestions and believe they will help enhance the effectiveness of the CIFs. Provided below are some clarifications for your information.

CONTRIBUTION TO UK DEVELOPMENT OBJECTIVES

We welcome the recognition of the key role that the CIFs play in meeting international objectives regarding climate change, and specifically, meeting the UK's aid objectives. The MAR recognizes that although the CIFs are a new mechanism and evidence of delivery at country level is still being built, it has moved quickly in two years from concept stage to development of programmatic investment plans and projects and is now operating in 45 countries. Today, \$6.5 billion in CIF financing is leveraging investments of nearly \$50 billion.

We are pleased to note that the MAR confirms that the CIFs help meet a critical gap in delivering climate change outcomes, delivering finance at scale, and informing future climate change architecture. We agree with the MAR that this represents the multilateral development banks' (MDBs') encouraging approach to climate-resilient development. We are also pleased to note that the CIF's organizational strengths were highlighted in terms of the low administrative costs and the innovative, efficient and equitable governance structures as well as the innovative approach to MDB collaboration and excellent global stakeholder consultation.

Engaging in Fragile Contexts and Mainstreaming Gender Equality

Regarding the CIFs' attention to cross-cutting issues such as fragile contexts and gender equality, the MAR noted areas of improvement. As the review points out, the CIFs do not focus specifically on engaging in fragile contexts. The Clean Technology Fund (CTF) was designed to achieve significant reductions in greenhouse gas emissions (GHGs) by focusing on the Middle Income Countries (MICs) where GHG concentrations are largest. However, the CIFs have made efforts to balance this with the Scaling Up Renewable Energy Program in Low-Income Countries (SREP) that is only available to IDA countries and the Pilot Program for Climate Resilience (PPCR) with its priority on least-developed countries, some of which are in fragile contexts.

Accelerating progress on gender mainstreaming and gender-related issues is a special theme for many of the multilateral organizations, as the MAR acknowledges. The CIFs have paid specific attention to the gender impacts of climate change and the MAR noted that this work is at the forefront of the climate change field. In the process of developing the CIF results frameworks we conducted a valuable Strategic Environmental Assessment (SEA) of all CIF programs to identify the environmental and social aspects of climate-related investments. This SEA provided guidance on how best to maximize environmental and social opportunities, manage challenges, and refine social indicators for the CIF results frameworks. This process also identified possible enhancements to CIF investment criteria and programming guidelines for the Forest Investment Program (FIP), PPCR, and SREP in addition to facilitating the scoping of issues for CTF projects.

The MAR also noted the CIFs' good engagement with a variety of partners to learn lessons and develop results frameworks that take gender into account. Given that the CIFs were acknowledged as being at the forefront of gender-related aspects of climate change, we fully expect to see further progress in coming years and are making a concerted effort to improve the CIF's gender performance and increase the visibility of gender in CIF operations. We are developing partnerships with the Global Gender and Climate Alliance (GGCA), including UNDP, to enhance our work in this area. Specifically, we have strengthened the gender considerations within monitoring and evaluation frameworks, and requested that MDBs include social and gender experts in joint missions. We are also sharing lessons on this topic and encouraging replication of good practices for mainstreaming gender by all pilot countries.

Climate Change and Environmental Sustainability

Unsurprisingly, the CIFs scored highest in this category and we welcome the acknowledgement of the global role being played by the nascent CIFs. Particular attention was paid to the CIFs' results framework which allows for measurement of climate change, development and environmental impacts at all levels, from project to global. We note that the MAR commends the CIFs for performing better than the MDBs on climate and environment, and encourages MDBs to mainstream the approaches and policies used in the CIFs. This encourages us to redouble our efforts on sharing lessons learned and building awareness about the CIFs' partnership-based approach to climate-resilient, low-carbon development.

Focus on Poor Countries and Contribution to Results

We acknowledge the satisfactory rating received in these categories and are pleased that the CIFs' efforts to cover a wide range of countries, vulnerabilities, and needs were recognized. We are particularly pleased that the MAR acknowledges the CIFs' focus on learning, demonstration, and replication because we believe these are critical objectives in the CIF's overarching goals. The review of CIFs' contribution to results also noted that the CIFs have shown rapid progress from concept stage to development of investment plans and projects, which suggests that strong results can be anticipated in coming years. Given the relative youth of the CIFs, we were pleased that the MAR noted the CIFs' potential to contribute significantly to both climate change and development results – while also noting that the CIFs are a new mechanism and tangible results are yet to be observed.

ORGANIZATIONAL STRENGTHS

The MAR also confirms the CIFs' organizational strengths—that we have low administrative costs compared to similar financing instruments, that early evidence suggests our interventions will be cost effective, and that the CIFs have exhibited innovative, effective, efficient and equitable governance structures. Specifically, the MAR noted the CIFs' strong decision-making systems and practices in reporting, auditing, and independent analysis. While noting the lengthy process to design results frameworks, the MAR noted that these frameworks should significantly drive forward results management in the climate change field. We acknowledge that the very deliberate process of designing the results frameworks took time, but would argue that this was an essential aspect of showing global leadership on such an important and consequential process.

We were pleased to note the MAR suggests that CIF interventions will likely be cost effective while noting that it is too early to see actual cost effective results aside from the efficiencies of designing the

CIFs to build on the MDBs. We fully agree that designing the CIFs to build on the strengths of the MDBs is good practice.

Partnership Behavior

The CIFs have paid particular attention to building partnerships and are pleased to note that the MAR commended the CIFs' innovative approach to MDB collaboration and excellent global stakeholder consultation. However, the MAR is quite clear that although performance on this aspect is strong with regards to CIF governance structures, it is weaker in actual practice around the issue of country leadership. One area of improvement noted is the engagement of development country stakeholders beyond governments; the CIFs are already seeing improvements in this regard and will place even more emphasis on this in the coming years.

Transparency and Accountability

Again, the equitable governance structures and consensus decision-making of the CIFs were noted as strengths. The CIFs take pride in this design feature because equitable governance is going to be a critical aspect of climate financing in any post-2012 decision. The CIFs are committed to transparency and the active involvement of observers from civil society, indigenous peoples' groups, and the private sector. These are areas where the CIFs intend to do even more in the coming years. The CIFs have also put in place procedures to ensure that all documentation and mission announcements meet the relevant deadlines and disclosure policies of participating MDBs.

LIKELIHOOD OF POSITIVE CHANGE

Perhaps the most encouraging aspect of the MAR is its view that the CIFs' capacity for positive change is likely. Positive change toward global climate action is what the CIFs are working toward and part of the reason the CIFs have come so far so fast.

Finally, we would like to add that multilateral assessments like the UK MAR offer valuable insights to a new multilateral financing instrument like the Climate Investment Funds. This is a very helpful exercise in gauging our effectiveness and efficiency. We are grateful to the UK for this feedback and will endeavor to improve on all areas that were rated less than very good. We are aware that other shareholders are undertaking or considering similar evaluations against their development assistance goals and we welcome those evaluations as well.